



LIGHT  
RAIL  
TRANSIT  
AUTHORITY

13 October 2015

**MEMORANDUM**

TO : **ATTY. HERNANDO T. CABRERA** *12:40 PM 22 Oct. 2015*  
Corporate Secretary *4 p.m.*

Subject : **LRTA Revised Manual on Corporate Governance**

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This is to furnish your office with a copy of the approval of the LRTA Revised Manual on Corporate Governance issued by the Governance Commission for GOCC's (GCG) dated October 6, 2015. With the approval of the revised Manual on Corporate Governance, may we point out the need for the following:

- Review and amendment by the LRTA Board of Directors of the By-Laws in so far as the provisions that were affected by the approved Revised Manual
- Compliance of requirements by the Corporate Secretary, Members of the Board and Management as set forth in the Manual.

For your information and appropriate action.

  
EMERSON L. BENITEZ  
DA for Operations & Engineering/  
OIC, Planning Department

Cc: Administrator **Honorito D. Chaneco**

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*MM. PLO 0149*



**GOVERNANCE COMMISSION**

FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS  
3/F, Citibank Center, 8741 Paseo De Roxas, Makati City, Philippines 1226



6 October 2015

**HON. JOSEPH EMILIO A. ABAYA**

*DOTC Secretary and Chairman*

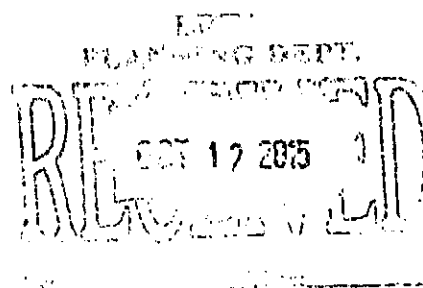
**HON. HONORITO D. CHANECO**

*Administrator*

**LIGHT RAIL TRANSIT AUTHORITY (LRTA)**

*Administration Building, LRTA Compound*

*Aurora Blvd., Pasay City, Metro Manila*



**RE : LRTA REVISED MANUAL ON CORPORATE GOVERNANCE**

Dear Secretary Abaya and Administrator Chaneco,

Formally contained in this letter is the evaluation of the **REVISED MANUAL ON CORPORATE GOVERNANCE** of the **LIGHT RAIL TRANSIT AUTHORITY (LRTA)** submitted to the Governance Commission in your letter dated 28 May 2015,<sup>1</sup> without any indication that the Manual was duly approved by the LRTA Board.

We note that in the Revised Manual on Corporate Governance, LRTA reflected efforts to adopt the directives of the Governance Commission contained in our letter dated 24 April 2015 to:

1. Amend *Section 3.3. (Presiding Officer)* to state that it is the Vice-Chairman who shall automatically preside at board meetings in the absence of the Chairman;
2. Adopt Section 49, Chapter 10, Book IV of the Administrative Code of 1987 and Section 11 of GCG Memorandum Circular (M.C.) No. 2012-07 on Multiple Board Seats;
3. Adopt GCG Memorandum Circular (M.C.) No. 2014-03 (Re-Issued) to its Annual Performance Evaluation of the Board;
4. Revise the CSR Section to comply with Section 35 of GCG M.C. No. 2012-07; and
5. Provide a Formal Charter of Expectations to be signed by each Director as part of the Disclosure and Transparency Requirements provided under Section 42 (b) of GCG M.C. No. 2012-07 or the *Code of Corporate Governance*.

The Governance Commission hereby accepts the submitted Revised Manual on Corporate Governance as full compliance with the Good Governance Conditions under GCG Memorandum Circular No. 2013-05 (Re-Issued) (2013 Interim

<sup>1</sup>Formally received by the Commission on 29 May 2015.

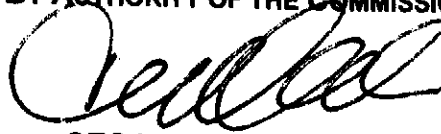
Performance-Based Bonus [PBB]) and GCG Memorandum Circular No. 2013-06 (Re-Issued) (Interim Performance-Based Incentives [PBI]).

Relative to this, please provide us with a copy of the same, as duly approved and adopted by the Governing Board of LRTA, to serve as proof that it has become an official and legally binding document to the LRTA Board, Management and Employees.

**FOR YOUR INFORMATION AND GUIDANCE.**

Very truly yours,

**BY AUTHORITY OF THE COMMISSION**



**CESAR L. VILLANUEVA**

*Chairman*



**MA ANGELA E. IGNACIO**  
*Commissioner*



**RAINIER B. BUTALID**  
*Commissioner*




DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS

**LIGHT RAIL TRANSIT AUTHORITY**




# Revised Manual of Corporate Governance

(12 May 2015 Revision)

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**WHEREAS**, it is a State declared policy of treating Government-Owned or –Controlled Corporations (GOCCs) as significant tools for economic development and the mandated obligation of the State to ensure that the governance of GOCCs is carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness through and under the governing boards which are competent to carry out their functions, fully accountable to the State as its fiduciaries and always acting for the best interest of the State;<sup>1</sup>

**WHEREAS**, the Light Rail Transit Authority; interchangeably referred to in this Manual as the “LRTA” or “Authority,” is a GOCC created by virtue of Executive Order (EO) No. 603 dated 12 July 1980, as amended by EO No. 830 dated September 1982, and EO No. 210 dated 07 July 1987;

**WHEREAS**, pursuant to Republic Act (RA) No. 10149, the Governance Commission for GOCCs (GCG) Memorandum Circular No. 2012-07 and GCG Memorandum Circular No. 2013-05 (Re-Issued), the LRTA through its governing board, shall submit to the GCG its Manual of Corporate Governance which would constitute as an organic document for the Authority;

**WHEREAS**, the LRTA's Manual of Corporate Governance is aligned and consistent with the goals and targets of the Philippine Development Plan (PDP) on Good Governance and the Rule of Law, particularly ensuring effective, transparent and accountable delivery of public services and the promotion of anti-corruption efforts.<sup>2</sup> This Manual of Corporate Governance of LRTA also aims to supplement and complement the LRTA Charter by setting forth principles of good governance and transparent governance.

**NOW, THEREFORE**, the LRTA through its Board of Directors, hereby formally promulgates and implements this Manual of Corporate Governance of the Authority as follows:

## **ARTICLE 1**

### **DEFINITION AND INTERPRETATION**

**Section 1.1. Definition of Terms.** For this Manual, the definition of terms under Section 1 of the Code of Governance for Government-Owned or -Controlled Corporations (GOCCs) per GCG Memorandum Circular No. 2012-07 shall formally be adopted by LRTA, incorporating some changes, where appropriate. Unless otherwise provided elsewhere in this Manual, the following terms shall mean as follows:

**“Act,”** as referred to in this Manual, refers to the Republic Act No. 10149, officially known as the “GOCC Governance Act of 2011.”

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


**“Board Officers”** refer to Officers whose primary task is to serve the Board or to pursue the immediate functions of the Board, such as the Chairman, who is the highest ranking of the Board Officers, or his Alternate, the Vice-Chairman, the Corporate Secretary and the Compliance Officer, who must all be Filipino Citizens.

<sup>1</sup>GCG Memorandum Circular No. 2012-07.

<sup>2</sup>Philippine Development Plan (PDP) Chapter 7: Good Governance and Rule of Law.

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**LRTA**  
OFFICE OF THE CORPORATE SECRETARY  
**ATTY. HERNANDO T. CABRERA**  
CORPORATE SECRETARY



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**“Board of Directors” or “Board” or “Governing Board” or “LRTA Board”** refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all property of the LRTA, whether it is formally referred to as the “Board of Directors” or some other term in its Charter or By-laws.

**“By-laws”** refers to the basic instrument adopted by LRTA for its internal government, and to regulate the conduct and prescribe the rights and duties of its members towards itself and among themselves in reference to the management of its affairs.

**“Charter”** refers to the formal act of creating LRTA and defining its franchise, which is through Executive Order No. 603, signed on 12 July 1980 by the then President Ferdinand E. Marcos, as amended by EO No. 830 dated September 1982, and EO No. 210 dated 07 July 1987.

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

**“Charter Statement”** refers to a statement of the LRTA’s vision, mission and core values.

**“Chief Executive Officer (“CEO”)** refers to the highest ranking corporate executive, who is the Administrator of LRTA.

**“Code of Corporate Governance or “Code”** refers to the Code of Corporate Governance for GOCCs promulgated by the Governance Commission for Government-Owned or –Controlled Corporations (GCG) under GCG Memorandum Circular No. 2012-07 and approved by the President of the Philippines on 28 November 2012.

**“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 LRTA. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to its customers/stakeholders if disclosed, such as:

1. non-public information about the LRTA’s financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions and similar transactions;
2. non-public information concerning possible transactions or ventures with other companies, or information about suppliers, business partners, or any information that the LRTA is under obligation to keep confidential; and
3. non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.


**“Corporate Governance”** refers to: 1.) “a system whereby shareholders/equity holders, creditors and other stakeholders of a corporation ensure that Management enhances the value of the corporation as it competes in an increasingly global marketplace;”<sup>3</sup> or 2.) “the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the State and the stakeholders.”<sup>4</sup>

**“Director”** refers to any member of the governing Board of LRTA, whether it is formally referred to as the “Board of Directors” or some other term in its Charter or By-laws.

<sup>3</sup>SEC Memorandum Circular No. 2, series of 2002

<sup>4</sup>SEC Memorandum Circular No. 6, Series of 2009

NOT VALID WITHOUT SIGNATURE OF ALTERATIONS  
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ATTY. HERNANDO I. GABRERA  
CORPORATE SECRETARY

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**"Ex Officio Board Member" ("Ex Officio Director")** refers to any individual who sits or acts as a member of the Board of Directors by virtue of one's title to another office, and without further warrant or appointment.

**"Executive Officer" ("Officer")** refers to the Administrator, who is the highest ranking officer in the LRTA, the Deputy Administrators and such other corporate officers of the LRTA as expressly provided for in its Charter or By-laws and in this Manual. As distinguished from Board Officers, Executive Officers primarily form part of the LRTA Management.

**"Fit and Proper Rule"** refers to a set of standards for determining whether a member of the Board of Directors or the Administrator is qualified to hold a position in LRTA which shall include, but not be limited to, standards on integrity, experience, education, training and competence, as such standards are set forth under GCG Memorandum Circular No. 2012-05.

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

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

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

**"Management"** refers to the body given the authority, in accordance with the LRTA Charter, to implement the policies determined by the Board in directing the course and business activities of the LRTA.

**"Material Information" ("Material Fact")** refers to any fact or information that could result in a change in the market price or financial and operational condition of LRTA, or would potentially affect the investment decision of an investor in LRTA or would potentially affect the financial condition, safety and security of LRTA's passengers, officers, employees and its other stakeholders.


**"Multiple Board Seats"** refer to more than two (2) other Board seats held by an Appointive Director in other GOCCs, Subsidiaries and/or affiliates.

**"Non-Stock GOCC"** refers to a Chartered or Non-chartered GOCC which has no equity represented by shares of stock.

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

**"Per Diems"** refer to the compensation granted to members of the Board of Directors of LRTA for actual attendance in meetings.

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 ATTY. HENRIETTA T. CADREÑA  
 CORPORATE SECRETARY

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**“Performance Evaluation for Directors (PED)** measures the overall performance of both Ex Officio and Appointive Directors within the PED period based on the set criteria prescribed by the GCG per R.A. No. 10149, GCG Memorandum Circular No. 2012-07, and GCG Memorandum Circular No. 2014-03 (Re-Issued) dated 30 January 2015.

**“Performance Evaluation System” (“PES”)** refers to the process of appraising the accomplishments of LRTA, its Directors, Officers and employees, in a given fiscal year based on set performance criteria, targets and weights.

**“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 LRTA.

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

**“Stakeholder”** refers to any individual or entity for whose benefit the LRTA has been constituted, or whose life, occupation, business or wellbeing is directly affected, whether favourably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the LRTA has been constituted, and which would include concerned units and instrumentalities of the Government of the Republic of the Philippines or other investors in the LRTA, Board Members, Management, employees, passengers, concessionaires, suppliers, contractors, creditors or the community in which the LRTA operates.

**“Strategy Map”** refers to an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of the LRTA’s vision in relation to its mission or purpose for having been created.

**“Supervising Agency”** refers to a government agency to which LRTA is attached to for purposes of policy and program coordination and for general supervision.

**Section 1.2. References to the Masculine Gender and Feminine Gender.** All gender references in the salient provisions of this Manual shall cover both the masculine gender and the feminine gender.


**Section 1.3. Coverage.** This Manual shall be observed by the Board of Directors, Management and all employees of the Light Rail Transit Authority.

## **ARTICLE 2**

### **COMMITMENT TO THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

**Section 2.1. LRTA as an Active Partner of the Government in National Development.** The corporate form of organization, when utilized judiciously, is an institutional form through which the government may participate in economic and social development. As such, the LRTA shall perform its functions as an active partner of the government in national development. Such functions include the delivery of public services, as well as the production and/or creation of wealth, necessary to support vital government initiatives.

OFFICE OF THE  
ATTY. HERMANO T. LANDIKA  
CORPORATE SECRETARY

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**Section 2.2. Governing Principles of Good Corporate Governance of LRTA.** The corporate governance framework for the LRTA shall be governed by the following principles:<sup>5</sup>

1. The LRTA shall promote transparency, accountability and fairness, and its business shall be conducted strictly in accordance with the rule of law and shall be supportive of the primary goals and objectives of the government.
2. Timely and accurate disclosure shall be made on all material aspects and development of the LRTA, including its financial condition, performance, ownership and governance.
3. The strategic guidance of the LRTA shall be in accord with the objective set by the government, the effective monitoring of Management by the Board, and the Board's accountability to the corporation, the government and other stakeholders.
4. Active cooperation between the LRTA and its stakeholders in creating wealth, jobs and the sustainability of a financially sound enterprise shall be encouraged

**Section 2.3. Commitment to Institutionalize the Principles of Corporate Governance.** The LRTA commits to institutionalize the principles of good corporate governance in the entire organization. The Board of Directors, Management and employees of the LRTA equally commit to the principles and best practices of governance contained in the Code and in this Manual and acknowledge that this document will serve as guide in the achievement of its corporate goals.

**Section 2.4. Promotion of Corporate Governance.** The Board of Directors, Management, and employees believe that good corporate governance is an integral component of sound strategic business management and of transparency and accountability in public corporate governance, and will, therefore, undertake continuing efforts necessary to create awareness within the Authority.

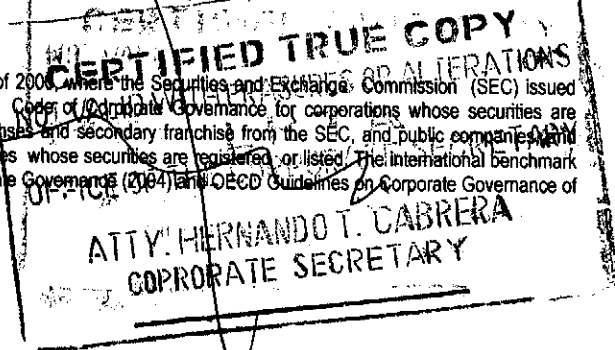
### **ARTICLE 3 THE BOARD OF DIRECTORS**


**Section 3.1. LRTA Board Directly Vested with Corporate Powers.**<sup>6</sup> The Board of Directors is vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all mandated business, and to hold all the properties of LRTA. As such, the Board is primarily responsible for the governance of the LRTA. Consequently, it is the Board and not Management that is primarily accountable to the State for the operations and performance of LRTA.

**Section 3.2. Composition of the LRTA Board.** The LRTA Charter provides that the Board shall have nine (9) members which shall be composed of a Chairman, seven (7) ex-officio members and one (1) representative from the private sector to be appointed by the President. The Secretary of the Department of Transportation and Communications (DOTC) shall be the Chairman. The Secretary/Chairman/Administrator of the following executive departments/offices shall be the ex-officio members: Department of Finance (DOF), National Economic and

<sup>5</sup>Republic Act No. 8799 or the Securities Regulation Code of 2000, where the Securities and Exchange Commission (SEC) issued Memorandum Circular No. 02-02 dated 5 April 2002 providing for a Code of Corporate Governance for corporations whose securities are registered or listed, corporations which are grantees of permits/licenses and secondary franchise from the SEC, and public companies and branches, subsidiaries of foreign corporations operating in the Philippines whose securities are registered or listed. The international benchmark on corporate governance is provided by the OECD Principles of Corporate Governance (2004) and OECD Guidelines on Corporate Governance of State-owned Enterprises (2005).

<sup>6</sup>Sec. 5, GCG Memorandum Circular No. 2012-07



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Development Authority (NEDA), Department of Public Works and Highways (DPWH), Department of Budget and Management (DBM), Land Transportation Franchising and Regulatory Board (LTFRB), Metropolitan Manila Development Authority (MMDA) and LRTA.<sup>7</sup>

In accordance with the Code of Corporate Governance for GOCCs of 2012, the Chairman of the Board shall be considered the "Head of Agency" of LRTA, for legal purposes.

**Section 3.3. Presiding Officer.** The Vice-Chairman, who shall be the LRTA Administrator, shall automatically preside in all board meetings in the absence and upon instruction of the Chairman or his Alternate per *Section 15.2, Title III, GCG M.C. No. 2012-07*.

The corresponding amendment of the LRTA By-laws shall be made to provide for the appointment/designation of a Vice-Chairman and such other Board Officers named in the Code.

**Section 3.4. Ex Officio Alternates.** The officials next in rank to and/or such officials duly designated by the ex-officio members shall serve as alternate members. The acts of alternate members shall be considered the acts of their principals.<sup>8</sup>

**Section 3.5. Appointment and Term of Office of Appointive Directors.** All appointive Directors shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.<sup>9</sup> Each Appointive Director shall serve for one (1) year, unless sooner removed for cause; provided, however, that each Appointive Director shall continue to hold office until the successor is appointed and qualified.<sup>10</sup> An Appointive Director may be nominated by the GCG for re-appointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors adopted for the LRTA.<sup>11</sup> Appointment to any vacancy shall only be for the unexpired term of the predecessor and said appointment to fill such vacancy shall be in accordance with the manner provided for in the Act.


**Section 3.6. Multiple Board Seats.** The capacity of Appointive Directors to serve with diligence shall not be compromised. As such, no Appointive Director of LRTA may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates, from which he/she may receive compensation inclusive of his/her primary position, at any given time.

**Section 3.7. Mandate and Responsibility for the LRTA's Performance.** The Board is primarily responsible for providing policy directions, monitoring, and overseeing LRTA Management actions.<sup>12</sup> As articulated in the LRTA Charter and consistent with other relevant legislation and government rules and regulations, these responsibilities include the following:

1. Provide the corporate leadership of LRTA, subject to the rule of law and the objectives set by the government and in accordance with the LRTA Charter.
2. Foster the long-term success of LRTA, ensure the provision of excellent rail transport services and always uphold the best interest of LRTA, the public and other stakeholders.
3. Establish the LRTA's vision and mission, strategic objectives, policies and procedures, as well as define the LRTA's values and standards through:

<sup>7</sup>EO 603, as amended by EO 210  
<sup>8</sup>Sec. 14, R.A No. 10149; Sec. 10, GCG Memorandum Circular No. 2012-07  
<sup>9</sup>Sec. 15, R.A No. 10149; Sec. 12, GCG Memorandum Circular No. 2012-07  
<sup>10</sup>Sec. 14, R.A No. 10149  
<sup>11</sup>Sec. 17, R.A No. 10149; Sec. 14(c), GCG Memorandum Circular No. 2012-07  
<sup>12</sup>Sec. 7, GCG Memorandum Circular No. 2012-07

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- a. Charter Statements;
  - b. Strategy Maps; and
  - c. Other control mechanisms mandated by best business practices.
4. Carry out the mandate of the LRTA as provided in its Charter.
  5. Comply with reportorial requirements, as required in the LRTA's Charter as well as applicable laws, rules and regulations.
  6. Ensure the presence and adequacy of internal control mechanisms for good governance such as, but not limited to:
    - a. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
    - b. Determining the organizational structure of the LRTA, defining the duties and responsibilities of its officials and employees and adopting a compensation and benefit scheme for the same subject to applicable laws, government rules and regulations on this concern;
    - c. Ensuring that personnel selection shall be on the basis of merit and fitness and that all personnel action shall be in pursuance of the applicable laws, rules and regulations;
    - d. Acting as an effective and independent check on Management;
    - e. Enforcing the internal audit function; and
    - f. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.
  7. Determine important policies that bear on the character of LRTA, including the identification of key risk areas and performance indicators and monitoring these factors with due diligence, with a view towards enabling LRTA to anticipate and prepare for possible threats to its operational and financial viability.<sup>13</sup>

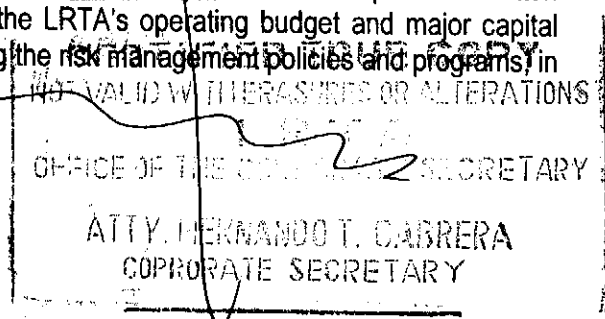
**Section 3.8. Specific Functions of the Board for Corporate Governance.** In addition to the duties and functions required from the Board in the LRTA Charter and By-laws, the Board shall perform, among others, the following functions:<sup>14</sup>


1. Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or with minutes.<sup>15</sup>
2. Determine the LRTA's purpose and value, as well as provide and adopt sound written policies and strategic guidelines on the LRTA's operating budget and major capital expenditures, among others, including the risk management policies and programs, in

<sup>13</sup>Sec. 7(c), GCG Memorandum Circular No. 2012-07

<sup>14</sup>Sec. 8, GCG Memorandum Circular No.2012-07

<sup>15</sup>Sec. 8 (a), GCG Memorandum Circular No.2012-07, p.7



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order to ensure that LRTA survives and thrives despite financial crises and its assets and reputation are adequately protected.<sup>16</sup>

3. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's overall performance to ensure optimum results.<sup>17</sup>
4. Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of LRTA have the necessary motivation, integrity, competence and professionalism.<sup>18</sup>
5. Monitor and manage potential conflicts of interest of Directors and Management, including misuse of corporate assets and abuse in related party transactions.<sup>19</sup>
6. Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis.<sup>20</sup>
7. Ensure the integrity of the LRTA's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risks management, financial and operational control, and compliance with the law and relevant standards.<sup>21</sup>
8. Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas.<sup>22</sup>
9. Adopt, implement and oversee the process of disclosure and communications.<sup>23</sup>
10. Constitute an Audit Committee and such other specialized committees as may be necessary to assist the Board in discharging its functions.<sup>24</sup>
11. Conduct and maintain the affairs of the LRTA within the scope of its authority, as prescribed in its Charter, By-laws, and applicable laws, rules and regulations.<sup>25</sup>
12. Align remuneration of the Board and key executives with the longer-term interests of the corporation (subject to the Salary Standardization Law when applicable).
13. Assess, at least annually, its performance and effectiveness as a body, as well as the various Committees, if applicable, the Administrator and the LRTA itself.

**Section 3.9. Specific Responsibilities of the Chairman of the Board.** As provided by the LRTA Charter, the Secretary of the Department of Transportation and Communications shall be the ex-officio Chairman of the Board.<sup>26</sup> The Chairman of the Board or his/her Alternate shall preside at all meetings of the Board and shall render advice and counsel to the Administrator of LRTA. The responsibilities of the Chairman of the Board or his/her Alternate may include the

<sup>16</sup>Sec. 8(b), GCG Memorandum Circular No. 2012-07, p8

<sup>17</sup>*Id.*

<sup>18</sup>*Id.*

<sup>19</sup>*Id.*

<sup>20</sup>*Id.*

<sup>21</sup>*Id.*

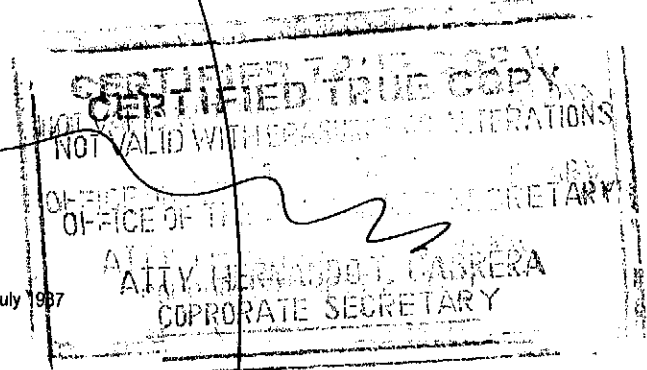
<sup>22</sup>*Id.*


<sup>23</sup>*Id.*

<sup>24</sup>Sec. 8(b), GCG Memorandum Circular No. 2012-07, p8

<sup>25</sup>*Id.*

<sup>26</sup>Sec 3, Art. 1, EO 603, 12 July 1980, as amended by EO 210, 07 July 1987



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following, but shall not be taken as a comprehensive list of all the duties and responsibilities of the Chairman:

1. Call meetings to enable the Board to perform its duties and responsibilities.
2. Approve meeting agenda in consultation with the Administrator and Corporate Secretary and ensure that these meetings are held in accordance with the LRTA's By-laws.
3. Ensure that the Board performs its duties responsibly while not interfering with the flow of LRTA's operations.
4. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board.
5. Assist in ensuring compliance with the LRTA's guidelines on corporate governance.

**Section 3.10. Specific Responsibilities of Each Member of the Board of Directors.** The Board of Directors, may undertake for the Authority such actions as are expedient for or conducive to the attainment of the purposes and objectives of the Authority, or of any purpose reasonably incidental to or consequential upon any of these purposes in accordance with the LRTA Charter. In general, each Director shall have the following duties and responsibilities:


1. To conduct business transactions fairly with LRTA ensuring that personal interest does not affect the Director's independent judgment and the Board's.
2. To devote time and attention necessary to properly discharge the Director's duties and responsibilities.
3. To act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision.
4. To exercise independent judgment.
5. To have a working knowledge of the statutory and regulatory requirements affecting LRTA and its operations, including the provisions of the Charter, Code of Corporate Governance and other pertinent laws, if applicable, as well as the requirements of other government agencies having jurisdiction over the LRTA.
6. To observe confidentiality on non-public information acquired by reason of his/her position as a Director.
7. To ensure the continuing soundness, effectiveness, and adequacy of LRTA's control environment.

**Section 3.11. Collective and Individual Liabilities of the Board Members.** Board members who willfully and knowingly vote or consent to patently unlawful acts of the LRTA or who are guilty of gross negligence or bad faith in directing the affairs of the corporation or acquire any personal or pecuniary interest in conflict with their duties as such members, shall be liable jointly and severally for all damages resulting therefrom suffered by the LRTA, its stakeholders, and other persons.

- 3.11.1 When a Board Member attempts to acquire or acquires, in violation of his duty, any interest adverse to the LRTA in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him

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to deal in his own behalf, he shall be liable as a trustee for the LRTA and must account for the profits which otherwise would have accrued to the LRTA.

**3.11.2** The LRTA Board Members shall also be collectively and/or individually liable for other violations or omissions to carry out their duties, under applicable law, and shall be subjected to the following fines and/or penalties including but not limited to:

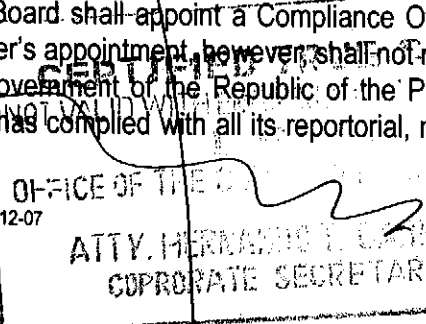
1. Section 24 on Restitution under RA 10149 (GOCC Governance Act of 2011)
2. Section 11 on Penalties under RA 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees)
3. Section 3 on Corrupt Practices of Public Officers and Section 9 on Penalties for Violations under RA 3019 (Anti-Graft and Corrupt Practices Act)
4. Other applicable laws, rules and regulations prescribed by the GCG and LRTA


**Section 3.12. Functions of the Corporate Secretary.** The Corporate Secretary need not be a member of the Board. The Corporate Secretary must be a resident citizen of the Philippines, and shall possess organizational and interpersonal skills as well as the legal skills of a Chief Legal Officer. The Corporate Secretary shall have the following functions:<sup>27</sup>

1. Serve as an adviser to the Board members on their responsibilities and obligations.
2. Keep the minutes of the meetings of the Board, and such other Committees of the Board in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman and other members of the Board as appropriate.
3. Keep in safe custody the seal of the LRTA and affix it to any instrument requiring the same.
4. Attend to the giving and serving of notices of Board meetings.
5. Be fully informed and be part of the scheduling process of other activities of the Board.
6. Prepare an annual schedule of Board meetings and regular agenda of meetings based on the instructions of the Chairman and in consultation with the Administrator, and put the Board on notice of such agenda at every meeting.
7. Oversee the adequate flow of information to the Board prior to meetings.
8. Ensure fulfillment of disclosure requirements to regulatory bodies.
9. Have such other responsibilities as the Board may impose upon him. The Board shall have separate and independent access to the Corporate Secretary.

**Section 3.13. Compliance Officer.** The Board shall appoint a Compliance Officer who shall report directly to the Chairman. The said Officer's appointment, however, shall not relieve the Board of its primary responsibility vis-à-vis the Government of the Republic of the Philippines, acting through the GCG, to ensure that the LRTA has complied with all its reportorial, monitoring

<sup>27</sup>Adopted from Sec. 15 (15.3), GCG Memorandum Circular No. 2012-07

  
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and compliance obligations. The Corporate Secretary, who is preferably a lawyer, shall act as Compliance Officer in the absence of such office or appointment.<sup>28</sup> The duties of the Compliance Officer are stipulated in this Revised Manual under Section 6.3 of Article 6 - Audit and Compliance.

**Section 3.14. Board Committees.** LRTA Board shall constitute the proper Committees to assist them in performing their duties and responsibilities, providing each of the Committees with written terms of reference, defining the duties, authorities and the composition of the Committees constituted. The Committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board. The existence of the Committees shall not excuse the Board of Directors of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.<sup>29</sup>

As a minimum, the Board shall be supported by the following specialized committees:<sup>30</sup>

**3.14.1. Executive Committee** - The Governing Board may constitute an Executive Committee composed of not less than three (3) members of the Board, with the Chairman of the Board being the Committee Chairman.

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by a vote of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee in accordance with the LRTA's Charter, except with respect to:<sup>31</sup>

1. Approval of actions for which shareholder's (i.e., the Government of the Republic of the Philippines through the Department Secretary who is the Head of the Government Agency where LRTA is attached and/or the President of the Republic or his duly designated official who shall act in his behalf through a Special Power) approval is also required;
2. Filling of vacancies on the Board or in the Executive Committee;
3. Amendment or repeal of By-laws or the adoption of new By-laws;
4. Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
5. Payment of dividends, if any; and
6. Exercise of powers delegated by the Board exclusively to other committees.

**3.14.2. Audit Committee** - The Audit Committee shall consist of at least three (3) Directors, whose Chairman should have audit, accounting or finance background and be duly selected and appointed by the Board as such. The Committee shall be responsible for the following:<sup>32</sup>

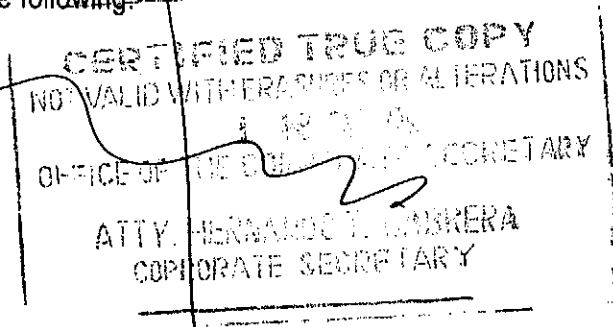
<sup>28</sup>Sec.15 (15.4), GCG Memorandum Circular No.2012-07, pp 12-13.


<sup>29</sup>Sec.16, GCG Memorandum Circular No. 2012-07, p.13.

<sup>30</sup>*Id.*

<sup>31</sup>*Id.*

<sup>32</sup>Sec. 16 (16.2), GCG Memorandum Circular No. 2012-07, p. 14.



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1. Overseeing, monitoring and evaluating the adequacy and effectiveness of LRTA's internal control system, engage and provide oversight of the LRTA's internal and external auditors, and coordinate with the Commission on Audit (COA).
2. Reviewing and approving audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going-concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements.
3. 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.
4. Ensuring that internal auditors have free and full access to all the LRTA's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results.
5. Developing a transparent financial management system that will ensure the integrity of internal control activities throughout the LRTA through a procedures and policies handbook that will be used by the entire organization.

**3.14.3. Governance Committee** - The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) members of the Board, and chaired by the Chairman of the Board. The Committee shall be responsible for the following;<sup>33</sup>

1. Overseeing the periodic performance evaluation of the Board and its Committees and Management as well as conducting an annual self-evaluation of their performance.
2. Deciding whether or not a Director is able to and has been adequately carrying out his/her duties as Director bearing in mind the Director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). The capacity of Appointive Directors to serve with diligence shall not be compromised. The Code of Corporate Governance states that no Appointive Director in a GOCC, Subsidiary or Affiliate may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or affiliates. As such, internal guidelines shall be adopted that address the competing commitments that are faced when Directors serve on multiple Boards.

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<sup>33</sup>Sec. 16 (16.3), GCG Memorandum Circular No. 2012-07, p. 14.

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3. Recommending to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance subject to existing government rules and regulations for GOCCs on compensation and benefits.
4. Recommending the manner by which the Board's performance may be evaluated and propose an objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder/equity holder value.

**3.14.4. Nomination and Remunerations Committee** - The Nomination and Remunerations Committee shall consist of at least three (3) members of the Board, chaired by any Director who shall be duly selected and appointed by the LRTA Board to act as the Committee Chairman. The Committee shall be responsible for the following:<sup>34</sup>


1. Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations.
2. Reviewing and evaluating the qualifications of all persons nominated to positions in the LRTA which require appointment by the Board.
3. Recommending to the GCG nominees for the shortlist in line with the LRTA's Board composition and succession plan; and
4. Developing recommendations to the GCG for updating the Compensation and Position Classification System (CPCS) and ensuring that the same continues to be consistent with the LRTA's culture, strategy, control environment as well as the pertinent laws, rules and regulations.

**3.14.5. Risk Management Committee** - The Risk Management Committee shall consist of at least three (3) members, with at least one member having a background in finance and investments,<sup>35</sup> and chaired by any Director who shall be duly selected and appointed by the LRTA Board to act as Committee Chairman. The Risk Management Committee shall have the following responsibilities:

1. Perform oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the LRTA, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
2. Develop the Risk Management Policy of the LRTA, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of the LRTA, especially at the Board and Management levels; and

<sup>34</sup>Sec. 16 (16.3), GCG Memorandum Circular No. 2012-07, p. 15.  
<sup>35</sup>Id.

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3. Provide quarterly reporting and update the Board on key risk management issues as well as *ad hoc* reporting and evaluation on investment proposals.

Nothing herein shall preclude the LRTA Board from formally combining the functions of the committees into such combinations that will best serve the interest of the Authority.

**Section 3.15. *Fit and Proper Rule.*** All members of the Board, the Administrator and other Officers of the LRTA shall be qualified by the Fit and Proper Rule adopted by the GCG in consultation and coordination with relevant government agency to which the LRTA is attached, and approved by the President,<sup>36</sup> and shall include by reference the qualifications expressly provided for in the Charter or By-laws of the LRTA.

**Section 3.16. *Annual Performance Evaluation of the Board.*** As a necessary tool in enhancing professionalism and as a useful incentive for Board members to devote sufficient time and effort to their duties, the LRTA Board and Management shall observe the systematic evaluation process as well as the monitoring and reporting requirements defined under GCG M.C. No. 2013-02 (Re-Issued) or the "Performance Evaluation System (PES) for the GOCC Sector" dated 24 June 2014 and GCG M.C. No. 2014-03 (Re-Issued) or the "Performance Evaluation for Directors (PED) in the GOCC Sector" dated 30 January 2015, or as may be updated/amended by the GCG.

## **ARTICLE 4 MANAGEMENT**

**Section 4.1. *General Responsibilities of Management.*** The LRTA Management shall have the following responsibilities:

1. Stands as the locus of decision-making for the day-to-day affairs of the LRTA. It determines the LRTA's activities by putting its targets in concrete terms and by implementing basic strategies for achieving these targets.<sup>37</sup> It also puts in place the infrastructure for the corporation's success by establishing the following mechanisms in its organization:<sup>38</sup>
  - a. Organizational structures that work effectively and efficiently in attaining the goals of the corporation.
  - b. Useful planning and risk management system that assesses risk 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 corporation.
  - d. A plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the corporation.
2. Primarily accountable to the Board for the operations of the LRTA. As part of its accountability, it is obligated to provide the Board with complete and adequate information on the operations and affairs of the LRTA in a timely manner.<sup>39</sup>


<sup>36</sup>Sec. 16, R.A. No. 10149 and Sec. 13, GCG Memorandum Circular No. 2012-07, p. 9.

<sup>37</sup>Sec. 18, GCG Memorandum Circular No. 2012-07, p. 16.

<sup>38</sup>*Loc. cit.*

<sup>39</sup>Sec. 19, GCG Memorandum Circular No. 2012-07, p. 17.

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**Section 4.2. Executive Officers.** The Executive Officers of the LRTA are the Administrator and the two (2) Deputy Administrators, who shall assist the Administrator in overseeing the corporate affairs of LRTA. Subject to the provisions of the LRTA Charter and By-laws, the Executive Officers, except for the Administrator, shall be appointed by the Board.

**4.2.1. Administrator.** The Administrator shall be elected by the members of the Board from among its ranks. The Administrator is directly accountable to the Governing Board, subject to latter's disciplinary powers and may be removed for cause.<sup>40</sup> In addition to the duties imposed on him by the Board, the Administrator shall:

1. Exercise general supervision and authority over the regular course of the business, affairs, and property of LRTA, and over its officers and employees.<sup>41</sup>
2. See to it that all orders and resolutions of the Board are carried into effect.<sup>42</sup>
3. Submit to the Board as soon as possible after the close of each fiscal year, and to the appropriate oversight agencies, a complete report of the operations of the LRTA for the preceding year, and the state of its affairs.<sup>43</sup>
4. Report to the Board from time to time all matters within his knowledge which the interest of LRTA may require to be brought to its notice.<sup>44</sup>
5. Perform such other responsibilities as the Board may impose upon him.<sup>45</sup>

**4.2.2. Deputy Administrators.** The Deputy Administrators shall oversee, direct and exercise immediate supervision over the functional areas under their supervision. Likewise, they shall:

1. Advise and assist the Administrator in the formulation and implementation of rules and regulations necessary to carry out the objectives and policies of the Authority concerning the functional areas under their supervision.
2. Develop, recommend and manage the implementation of operating plans, policies and strategies to ensure efficiency and effectiveness.
3. Conduct/manage consultations and meetings with different Department Managers and key officers of the LRTA.
4. Provide technical assistance to the Administrator and the LRTA Board, as may be requested.

**4.2.3. Other Executive Officers.** The other Executive Officers shall be the Chief Finance Officer and the Corporate Treasurer. In the absence of a Chief Finance Officer or a Corporate Treasurer, the Deputy Administrator directly supervising the implementation of finance functions shall be designated to act as such.

<sup>40</sup>Sec. 18, RA 10149, Sec. 20, GCG Memorandum Circular No. 2012-07,

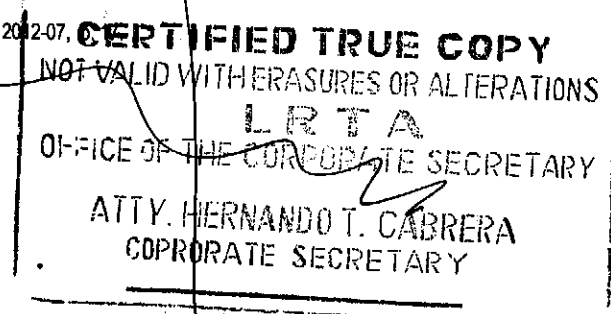
<sup>41</sup>Sec. 20, GCG Memorandum Circular No. 2012-07, p. 17.


<sup>42</sup>*Id.*

<sup>43</sup>*Id.*

<sup>44</sup>*Id.*

<sup>45</sup>*Id.*



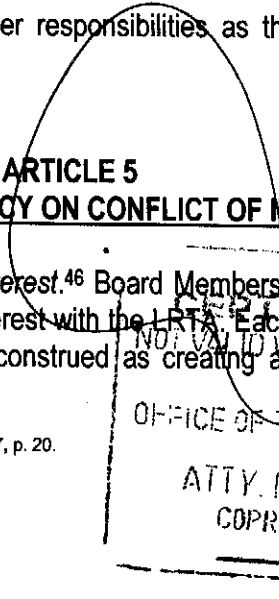
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1. The Chief Finance Officer shall be responsible for the following:
  - a. Providing Management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals.
  - b. Maintaining the integrity of accounting records as the basis of the financial statements and reports provided to Management for decision making and to government regulatory bodies in compliance with statutory requirements.
  - c. Promoting stakeholders and public confidence in the LRTA by addressing their various information requirements and ensuring that all other legal reportorial obligations to the concerned agencies are complied with.
  - d. Strengthening internal controls by monitoring compliance with policies and recommending to Management appropriate actions and changes in systems and procedures in the exigencies of the service.
  - e. Perform such other responsibilities as the Board and/or Administrator may impose.
  
2. The Corporate Treasurer shall have the following responsibilities:
  - a. Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of the LRTA in compliance with applicable laws, rules and regulations.
  - b. Regularly and at least quarterly render to the Administrator or to the Board an account of the status of funds of the LRTA and all of his/her transactions as such.
  - c. Ensure fund availability on a timely basis and at the most economical means.
  - d. Optimize yields in temporary excess funds.
  - e. Provide relevant and timely financial market information.
  - f. Ensure appropriate coverage and management risk to resources.
  - g. Perform such other responsibilities as the Board and/or Administrator may impose.

**ARTICLE 5**  
**GOVERNANCE POLICY ON CONFLICT OF INTEREST**

**Section 5.1. Avoid Conflict of Interest.**<sup>46</sup> Board Members and Officers shall at all times avoid any actual or potential conflict of interest with the LRTA. Each shall also avoid any copy or situation, which could reasonably be construed as creating an appearance of a conflict of

<sup>46</sup>Sec. 27 (27.1), GCG Memorandum Circular No. 2012-07, p. 20.

  
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interest. The Chairman of the Board shall be immediately informed of any question about a Director's or Officer's actual or potential conflict of interest with the LRTA. He shall then review the question and determine an appropriate course of action.<sup>47</sup>

**Section 5.2. Conditions When Conflict of Interest Exists.** A conflict of interest exists when a Board Member or Officer of the LRTA:

1. supplies or is attempting or applying to supply goods or services to the LRTA;
2. by virtue of his office, acquires or attempts to acquire or is attempting to acquire for himself, a business opportunity which should belong to the LRTA;
3. is offered or receives consideration for delivering the LRTA's business to a third party; and
4. is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the LRTA.

**Section 5.3. Disclosure of Actual or Potential Conflict of Interest.** If an actual or potential conflict of interest should arise on the part of the Board Members, it should be fully disclosed and the concerned Board Member should not participate in the decision-making. A Board Member who has continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

**Section 5.4. Voidable Contract.** A contract of the LRTA with one or more of its Board Members or Officers is voidable, at the option of the LRTA, unless all of the following are present:

1. The presence of such Member in the Board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
2. The vote of such Member was not necessary for the approval of the contract;
3. The contract is fair and reasonable under the circumstances; and
4. In case of an Officer, the contract has been previously approved by the Board.

## **ARTICLE 6 AUDIT AND COMPLIANCE**

**Section 6.1. Internal Audit.**


**6.1.1.** The Internal Audit Department of LRTA shall provide independent and objective assurance and advisory services to LRTA designed to add value and improve the organization's operations. It shall provide the Board, Management and other stakeholders with reasonable assurance that the organization's key organizational and procedural controls are effective, appropriate and complied with.

**6.1.2.** It shall perform its auditing functions faithfully by maintaining independence from the Management and other stakeholders.

<sup>47</sup>Sec. 27 (27.1), GCG Memorandum Circular No. 2012-07, p. 20.

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6.1.3. The Internal Auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing.

**Section 6.2. External Audit.** The Commission on Audit shall serve as the External Auditor of the LRTA and shall promote an environment of good corporate governance.

**Section 6.3. Compliance System.** The Board shall ensure that a Compliance System shall be put in place at the LRTA and this shall be the responsibility of the appointed Compliance Officer as set forth in in this Manual. The Compliance Officer shall perform the following duties:<sup>48</sup>

1. Monitor compliance by the LRTA of the requirements under the Act, this Manual, the rules and regulations of 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.<sup>49</sup>
2. Appear before the GCG when summoned in relation to compliance with this Manual or other compliance issues.<sup>50</sup>
3. Issue a certification every 30<sup>th</sup> day of May of the calendar year on the extent of the LRTA's compliance with the government corporate standards governing GOCCs for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.<sup>51</sup>

## **ARTICLE 7 COMMUNICATION AND INFORMATION**

**Section 7.1. Management Responsibility for Information.**

7.1.1. Management is primarily responsible to the Board for financial reporting and control and to this extent, shall:

1. Present a balanced and understandable assessment of LRTA's position and prospects;
2. Maintain a sound system of internal control to safeguard corporate funds and assets; and
3. Ensure that the internal audit examination covers at least, the evaluation of adequacy and effectiveness of controls encompassing the LRTA's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts.

7.1.2. Management shall further be responsible for the adequate flow of information to the Board.


<sup>48</sup>Sec.15 (15.4), GCG Memorandum Circular No. 2012-07, p. 12.

<sup>49</sup>Sec.15 (15.4), GCG Memorandum Circular No. 2012-07, p. 12.

<sup>50</sup>Id.

<sup>51</sup>Id.

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**Section 7.2.** *Communication of the Manual of Corporate Governance.* This Manual shall be available for inspection by any stakeholder at reasonable hours on business days. All members of the Board, Executive Officers, and Department and Division Managers are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and likewise, to enjoin compliance in the process.

## **ARTICLE 8 DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS<sup>52</sup>**

**Section 8.1.** *As Fiduciaries of the State.* Directors and Officers are fiduciaries of the State. As such, they have the legal obligation and duty to always act in the best interest of the Authority, with utmost good faith in all dealings with the properties, interests and monies of the LRTA. Likewise, they are constituted as trustees in relation to the LRTA's properties, interests and monies.

**Section 8.2.** *As Public Officials.* Directors and Officers are covered by the provisions of the Code of Conduct and Ethical Standards for Public Officials and Employees and the customized Code of Conduct for Officials and Employees of LRTA. As such, they shall discharge their duties in accordance with the provisions of the said Codes such as, among others, being accountable at all times to the people, work with utmost responsibility, integrity, and competence, uphold public interest over personal interest and lead modest lives.

**Section 8.3.** *Respect for and Obedience to the Constitution and the Law.* Directors and Officers, as public officials, shall respect and obey the Constitution, and shall comply, and cause the LRTA to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the LRTA in which they serve, and to act within the bounds of the LRTA Charter and By-laws.

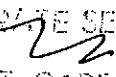
**Section 8.4.** *Duty of Diligence.* Every Director or Officer, by the act of accepting such position in the LRTA, affirms and covenants to adhere to the pertinent provisions of this Manual. The fiduciary duty of diligence of Directors and Officers includes the obligation to:


1. Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of LRTA, using the utmost diligence of a very cautious person with due regard to all the circumstances;
2. Apply sound business principles to ensure the financial soundness of the LRTA; and
3. Elect and/or employ only Officers who are fit and proper to hold such office with due regard to their qualifications, competence, experience and integrity.

**Section 8.5.** *Duty of Loyalty.* The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the LRTA with utmost good faith in all its dealings with the property and monies of the LRTA, includes the obligation to:

1. Act with utmost and undivided loyalty to the LRTA.
2. Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board.

<sup>52</sup>Adopted from Article V, GCG Memorandum Circular No. 2012-07, pp. 18-22.

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3. Avoid taking for themselves opportunities related to the LRTA's business, using the LRTA's property, information or position for personal gain or competing with the business opportunities of the Authority.

On this fiduciary duty of Directors and Officers, they shall adhere to the provisions of Article 5 of this Manual and to the related provisions of Sections 19 (a), 19 (c) and 20 of the Act and Section 27 (and subsections) of the Code of Corporate Governance for GOCCs of 2012.

**Section 8.6. Duty of Confidentiality.** LRTA Board Members or Officers shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either to further their private interests, or give undue advantage to anyone, or which may prejudice the public interest.

**Section 8.7. LRTA's Policy on the Giving and Acceptance of Gifts and Benefits or "No Gift Policy."** The LRTA Board of Directors or Officers shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person where such gift:<sup>53</sup>

1. would be illegal or in violation of law;
2. is part of an attempt or agreement to do anything in return;
3. has a value beyond what is normal and customary in the LRTA's business;
4. is being made to influence the member of the Board's, or Officer's, actions as such; or
5. could create the appearance of a conflict of interest.

**8.7.1** Unsolicited gifts or presents of small or insignificant value offered or given as a mere ordinary token of gratitude or friendship according to local customs or usage, as provided under Section 14 of Republic Act 3019, i.e., the Anti-Graft and Corrupt Practices Act, shall be excepted from the provisions of the Manual

**8.7.2** The LRTA Board formally adopts the LRTA's Policy on the Giving and Acceptance of Gifts and Benefits within the LRTA and ensures its full advertisement to the community and its strict implementation by particular set of rules.

**Section 8.8. Limits to Compensation, Pêr Diems, Allowances and Incentives.** The compensation, per diems, allowances and incentives of Appointive Directors and/or Ex Officio Board Members shall be set in accordance with the provisions of Sec. 23 of RA No. 10149.

## **ARTICLE 9**

### **CORPORATE SOCIAL RESPONSIBILITY (CSR) AND RELATIONS WITH STAKEHOLDERS**<sup>54</sup>


**Section 9.1. Duty to be Responsive to Stakeholders.** Every Director and Officer accepts the position fully aware that he/she assumes certain responsibilities not only to the LRTA, but also with different constituencies or stakeholders, who have the right to expect that the LRTA is being run in a prudent manner and with due regard to the interests of all stakeholders. Consequently,

<sup>53</sup>Sec. 29, GCG Memorandum Circular No. 2012-07, p.21.

<sup>54</sup>Adopted from Article VII, GCG Memorandum Circular No. 2012-07, pp. 23-25.

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Members of the Board and Officers shall deal fairly with the LRTA employees, customers, suppliers and other stakeholders. No Member of the Board or Officer may take unfair advantage of the LRTA employees, concessionaires, customers, suppliers and other stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

**Section 9.2. CSR Principles.**

**9.2.1.** As an integral part of the National Government, LRTA is inherently mandated to be socially responsible, to act and operate as a good corporate citizen. The LRTA Board shall recognize and perform the obligations the LRTA has towards the National Government together with the employees, suppliers, customers and other stakeholders, and the communities in which it operates.

**9.2.2.** The LRTA's Directors, Officers and its employees are required to abide by ethical policies in accordance with the *Code of Conduct and Ethical Standards for Public Officials and Employees for Government Officials* and the customized *Code of Conduct of Officials and Employees of the Light Rail Transit Authority* and as mandated by the GCG. The protection of the reputation and goodwill of LRTA is of fundamental importance, and Directors, Officers and employees should be aware of the disciplinary implications of breaches of policy.

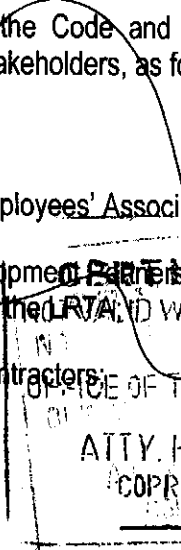
**9.2.3.** All Directors, Officers and employees of the LRTA are encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work. The Authority shall have an environment that enables its people to raise genuine and legitimate concerns internally. In the event that the employees of the LRTA, and/or the key stakeholders, such as the concessionaires or the LRTA Employees Association, believe their reporting to the Board and/or Management may result in harassment, or undue distress, they may contact the GCG for support to report such matters.


**Section 9.3. Formal Recognition of the Stakeholders.** The Authority continues to pursue its various CSR programs not only to the people who are directly affected by the LRT/MRT Systems that it manages and operates, but also to those who share in its goals and aspirations.

LRTA owes its fidelity to the Government by virtue of Executive Order No. 603, as amended. To this end, the Authority shall, at all times, promote and protect the best interest of the Government in all its dealings, comply with the laws, rules, regulations, policies and directives issued by oversight/regulatory government agencies and submit truthful, adequate and timely reports as they may require and/or prescribe.

In accordance with the provisions of the Code and as incorporated in this Revised Manual, the LRTA further recognizes its other stakeholders, as follows:

1. LRTA Passengers;
2. LRTA Employees and the LRTA Employees' Association;
3. LRTA's Concessionaires and Development Partners including other corporations having similar nature of business as the LRTA;
4. Suppliers, service providers and contractors;

  
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5. Media; and
6. General Public

The LRTA Board and Management shall observe the afore-cited hierarchy of stakeholders; provided, that in resolving conflict of interest by, between and among each category of stakeholders, the Government's interest and exercise of ownership over the Authority as well as LRTA's mandate shall, at all instance, be preferred, promoted and protected.

**Section 9.4. Recognition and Respect of Stakeholder's Rights Established By Law or Through Mutual Agreements.** The LRTA shall establish mechanisms and procedures to protect Stakeholders' rights. Recognizing the vital contribution of its Stakeholders, it shall ensure that they have access to relevant, sufficient and reliable information on a timely and regular basis to be able to exercise their rights. Stakeholders shall have access to legal redress when their rights are violated.


**Section 9.5. Report on Stakeholders Relations.** The LRTA shall communicate with its Stakeholders and the public at large on its Stakeholder policies and provide information on their effective implementation through, but shall not be limited to the following:

1. The LRTA's Newsletter, "Pinoy Ride," the LRTA official website: <http://www.lrt.gov.ph>, and the social network such as Facebook and Twitter, for announcements, transparency seal, other relevant information about programs, projects and activities of LRTA;
2. Posting/publication of contact numbers including e-mail addresses of the Board and Key Officers of LRTA as well as LRTA procurement activities in PhilGEPS;
3. Intranet and webmail provision and access for all officers and employees;
4. Focused group discussions, dialogues, regular staff meetings as well as consultative meetings with oversight agencies;
5. Administrative issuances and communications such as Board Resolutions, Special/Office Orders, Memoranda, Guidelines, letters, Citizen's Charter Handbook, etc.;
6. Bulletin Boards and suggestion boxes; and
7. Transportation Summits, trainings, and seminar/ workshops.

LRTA shall allow its Stakeholder reports to be independently scrutinized in order to strengthen their credibility.

**Section 9.6. Customers.** Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. The LRTA shall operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent quality, reliability and safety in return for the price paid for the same. LRTA shall operate policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances in all aspect of society in order to ensure that it continues to add value to its customers' businesses and/or quality of life. It shall, at least annually conduct a customer's satisfaction survey through a third party and/or public consultation where appropriate, as part of its continual improvement process.

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The Authority shall have clear and strong lines of communication, which allow it to respond quickly and efficiently to customer and market requirements, as well as the public needs, and for the customers to receive consistent service, in order to successfully and consistently deliver what it is mandated to do.

**Section 9.7. Employees.** Every employee in LRTA, as well as the LRTA Employees' Association, Inc., is encouraged to:

1. Remember that the biggest stakeholder is the Government.
2. Share the vision of the LRTA.
3. Be accountable to the public.
4. Listen and learn from his/her co-employees.
5. Think and act as a team.
6. Focus on the customers and strive for customer satisfaction.
7. Respect others.
8. Communicate with customers and other stakeholders.
9. Deliver results and celebrate success.
10. Protect the reputation of the LRTA.

LRTA recognizes that its personnel are its most important resource because they share responsibility with the Board and Management in the sustainability of LRTA's programs and projects including its over-all operational efficiency and protection of corporate image. As such, their engagement is not only necessary but crucial in the attainment of LRTA's targets and commitments. To this end, the Board and Management shall address the general working condition of employment, giving dignity to the LRTA workforce, including the provision for programs that will align individual performance towards the attainment of the agency's targets.


There shall be continuing employee development discussions and structured training programs based on the operational requirements of the Authority for the employees'/officers' personal and professional development. The CSC-approved Strategic Performance Management System (SPMS) that will align individual performance towards the attainment of LRTA's strategic priorities including a performance-based incentive plan that is in accordance with existing government policies, rules and regulations shall, likewise, be adopted.

**Section 9.8. Concessionaires, Development and Business Partners, Suppliers/Contractors, and other Stakeholders.** LRTA shall aim to develop relationships and improve networking with business partners and suppliers/contractors based on mutual trust. The LRTA shall aim to offer, through partnership with its concessionaires and suppliers/contractors, the best combination of state-of-the-art technology and world-class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.

Moreover, LRTA is cognizant of the needs of its other stakeholders such as the media, clergy members, interest groups, the business community, project-affected communities such as lot owners and informal settlers and the general public that may be affected, either positively or negatively, by the plans, programs and projects of the Authority. As such, in the fulfillment of its

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mandate, the Authority shall continually promote transparency and access to information and ensure that the needs of all project-affected communities are adequately and promptly addressed in accordance with existing government policies and procedures. It shall disclose to the public material information about the state of its affairs by maintaining a transparency seal in its official website, conducting public consultations, facilitating dialogues with project-affected people on issues related to right-of-way acquisition, and employ such other means to address their concerns.

**Section 9.9. Health and Safety.** The LRTA shall aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. It shall comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. The staff shall be informed regarding the policies and practices of the LRTA in order to maintain a healthy, safe and enjoyable environment.

**Section 9.10. Environment.** The LRTA shall consider that there are inevitable environmental impacts associated with daily operations. It shall be one of its goals to minimize harmful effects and consider that the development and implementation of environmental standards to achieve this is of great importance. As such, LRTA shall strongly encourage the implementation of the 3 R's: "Reduce," "Reuse," and "Recycle."

In the course of the operations of LRTA, it shall identify opportunities to reduce consumption of energy, water and other natural resources. It shall also strive to re-use and recycle, where possible, and dispose of non-recyclable items responsibly, thereby minimizing the impact on the environment. In doing so, by adopting simple, environmentally-friendly initiatives, the LRTA shall raise awareness among the members of the communities it affects.

**ARTICLE 10  
DISCLOSURE AND TRANSPARENCY REQUIREMENTS<sup>55</sup>**

**Section 10.1. Formal Charter of Expectations.** Each Director shall sign the Charter of Expectations, attached as Annex 1, upon assumption as member of the Board and be committed to the said Charter in pursuance of good corporate governance in the LRTA as provided under Section 42 (b) of GCG M.C. No. 2012-07.


**Section 10.2. Submission of Statements of Assets and Liabilities and Financial Disclosure.** Directors and Officers have an obligation to accomplish and submit declaration under oath of, and the public has the right to know, their assets, liabilities, net worth and financial and business interest including those of their spouses and of unmarried children under eighteen (18) years of age living in their households.

**10.2.1. Statements of Assets and Liabilities and Financial Disclosure –** Directors and Officers, shall file under oath their Statement of Assets, Liabilities and Net Worth (SALN) and a Disclosure of Business Interests and Financial Connections and those of their spouses and unmarried children under eighteen (18) years of age living in their households.

1. The two documents shall contain information such as the extent of their business interest or other material information as required by the GCG, other appropriate government agencies and consistent to the requirements of any

<sup>55</sup> Adopted from Article VIII., GCG Memorandum Circular No. 2012-07, pp. 25-27.

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other relevant provisions of law, as well as circulars, memoranda, rules or regulations applicable to LRTA.

2. Documents must be filed:
  - a) within thirty (30) days after assumption of office;
  - b) on or before April 30, of every year thereafter; and
  - c) within thirty (30) days after separation from the service.
3. Directors and Officers required under this section to file the afore-stated documents shall also execute, within thirty (30) days from the date of their assumption of office, the necessary authority in favor of the Ombudsman to obtain from all appropriate government agencies, including the Bureau of Internal Revenue, such documents as may show their assets, liabilities, net worth, and also their business interests and financial connections in previous years, including, if possible, the year when they first assumed any office in the Government.

**10.2.2. Identification and disclosure of relatives** – It shall be the duty of every Director and Officer to identify and disclose, to the best of his/her knowledge and information, his/her relatives in the Government in the form, manner and frequency prescribed by the Civil Service Commission.

**10.2.3. Accessibility of documents**

1. Any and all statements filed, shall be made available for inspection at reasonable hours and shall be made available for copying or reproduction after ten (10) working days from the time they are filed as required by law.
2. A reasonable fee shall be charged for a request of a copy of a statement to cover the cost of reproduction and cost of certification as well as mailing of such statement, if so required.
3. A filed statement shall be available to the public for a period of ten (10) years after receipt of the statement. It may be destroyed after this period unless needed in an ongoing investigation.

**10.2.4. Prohibited acts** – It shall be unlawful for any person to obtain or use any filed statement for:

1. Any purpose contrary to morals or public policy; or
2. Any commercial purpose other than by news and communications media for dissemination to the general public.


**Section 10.3. Mandatory Website.** In accordance with Section 25 of the Act, LRTA shall maintain a website and post therein the following information for unrestricted public access:

**10.3.1. On Institutional Matters:**

1. The latest version of the LRTA Charter

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2. Brief company background including date of creation, history, functions and mandate.
3. Government Corporate Information Sheet (GCIS) as mandated by the GCG in its Memorandum Circular No. 2012-01.

**10.3.2. On the Board and Officers:**

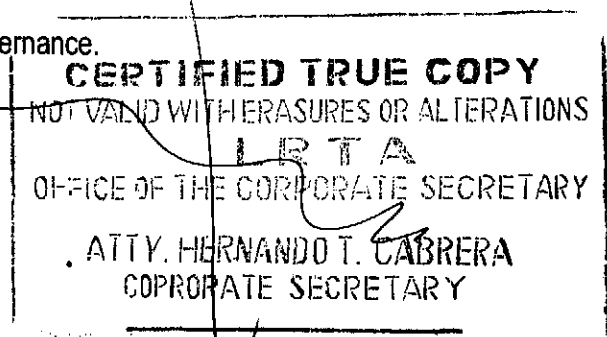
1. Complete listing of the Directors and Officers with attached resume, and their membership in Board Committees.
2. Complete compensation package of all the Board Members and Officers, including travel, representation, transportation and any other form of expenses or allowances.
3. Information on Board Committees and their activities.
4. Attendance record of Directors in Board and Committee meetings.


**10.3.3. On Financial and Operational Matters:**

1. The latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report.
2. Audited Financial Statements in the immediate past three (3) years.
3. Quarterly and annual reports and Trial Balance.
4. Current Corporate Operating Budget (COB).
5. Local and foreign borrowings.
6. Government subsidies and net lending.
7. All borrowings guaranteed by the Government.
8. Any material risk factors and measures taken to manage such risks.
9. Performance Evaluation System (PES).

**10.3.4. On Governance Matters:**

1. Charter Statement/Mission-Vision Statements.
2. Performance Scorecards and Strategy Map.
3. Organizational Chart.
4. Manual of Corporate Governance.
5. CSR Statement.
6. Balance Scorecard.



	<b>REVISED MANUAL OF CORPORATE GOVERNANCE OF THE LIGHT RAIL TRANSIT AUTHORITY (LRTA)</b>	Document Code:	
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		Effectivity:	

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

**Section 10.4. Integrated Corporate Reporting System (ICRS).** LRTA shall be an active participant in the ICRS. In the pursuit of national development and providing better service to the public, and to ensure LRTA'S faithful performance of its mandate using the standards of good governance, transparency, accountability and responsibility, LRTA shall actively participate in the implementation of the Integrated Corporate Reporting System (ICRS) that the National Government, through the GCG, shall develop to provide an extensive database and comprehensive information on GOCCs, pursuant to the parameters set forth in the Code of Corporate Governance. The LRTA, acting through its Board and Management, shall ensure that it becomes an active and responsible member and contributor to the ICRS.

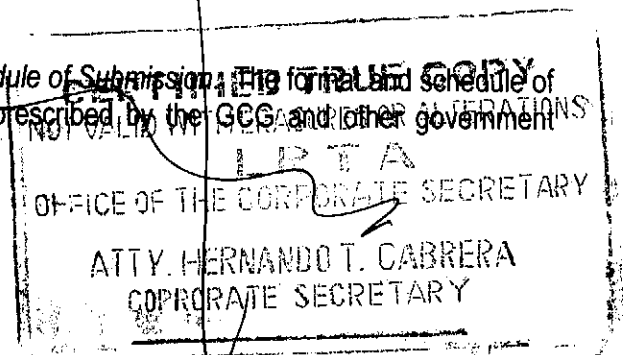
**Section 10.5. Mandatory Reports.** As may be required by the GCG and other government agencies, the Board, through the LRTA Administrator, shall regularly submit the following:


1. Performance Scorecards.
2. Implementation of the audit recommendations of COA.
3. Compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.

**Section 10.6. Other Reportorial Requirements.** LRTA shall periodically submit in electronic form to the GCG the following:

1. Common form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report.
2. Dividend computations and payments in accordance with Republic Act No. 7656, also known as "The Dividends Law," if applicable.
3. Cash and investment balances.
4. Capital expenditure program.
5. Statement of Financial Operations.
6. Acquisition or disposition of assets.
7. Off Balance Sheet transactions.
8. Reports for the annual corporate budget call such as but not limited to the following:
  - a. Physical and Financial Performance Reports (the immediately preceding three (3) years); and
  - b. Sources and Uses of Funds (the immediately preceding three (3) years) and the proposal for the coming year.

**Section 10.7. Report Format and Schedule of Submission.** The format and schedule of submission for the various reports shall be as prescribed by the GCG and other government agencies as may be proper.



	<b>REVISED MANUAL OF CORPORATE GOVERNANCE OF THE LIGHT RAIL TRANSIT AUTHORITY (LRTA)</b>	Document Code:	
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**ARTICLE 11  
HIGHEST STANDARDS PRINCIPLE<sup>56</sup>**

**Section 11.1.** Public service being a public trust, nothing in this Manual shall be construed as:

1. **On Corporate Government Standards** - Relieving or excusing LRTA, its Directors and Officers, from complying with more rigorous standards of corporate governance as those required by other agencies, such as the Office of the Ombudsman, the Civil Service Commission, and the COA, among others.
2. **On Reportorial Requirements** - A waiver of the separate reportorial requirements mandated by the regulatory agencies that have jurisdiction over the LRTA and its business operations.
3. **On Administrative and Criminal Liabilities** - A waiver of the administrative or criminal liabilities imposed by existing laws, rules and regulations, such as the *Anti-Graft and Corrupt Practices Act*, the customized *Code of Conduct for Officials and Employees of the Light Rail Transit Authority* and the *Code of Conduct and Ethical Standards for Public Officials and Employees*, for Government Officials, for offenses or breach of ethical standards committed by Directors, Officers and employees of LRTA.

**ARTICLE 12  
OBLIGATIONS OF THE LRTA TO ITS BOARD OF DIRECTORS AND OFFICERS**

**Section 12.1.** *Provision of Staff Support to the Members of the Board.* The LRTA shall provide the Members of the Board with reasonable staff support and office facilities to allow them to properly discharge their duties and responsibilities.<sup>57</sup>

**Section 12.2.** *Obtaining of Directors and Officers Liability Insurance (DOLI).* With the highest level of responsibility and accountability imposed on the Members of the Board of Directors and its Officers, and for their extraordinary diligence, it is equitable and a prudent measure for the Authority to obtain a Directors and Officers Liability Insurance (DOLI) coverage for itself and the members of the Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting, the actions that may be filed against LRTA arising from the actions of the Board and/or Management that may cause loss or damage to third parties.<sup>58</sup>

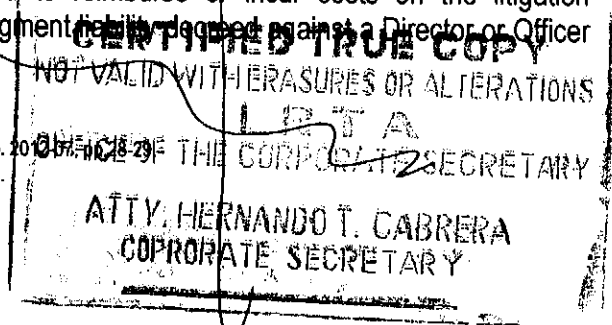
**12.2.1.** The DOLI shall be appropriated to cover events or proceedings when the LRTA itself and/or the Members of the Board and Management are summoned before any court of law or by authorized government instrumentalities/agencies on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith. This would enable them to have proper recovery of the costs of litigation and the judgment liability imposed.


**12.2.2.** LRTA shall not be authorized to reimburse or incur costs on the litigation expenses incurred and the judgment liability imposed against a Director or Officer

<sup>56</sup> Adopted from Article IX, GCG Memorandum Circular No. 2010-07-16 (8-29)

<sup>57</sup> Sec. 31, GCG Memorandum Circular No. 2012-07, p. 22.

<sup>58</sup> Id.



	<b>REVISED MANUAL OF CORPORATE GOVERNANCE OF THE LIGHT RAIL TRANSIT AUTHORITY (LRTA)</b>	Document Code:	
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for breach of any of said person's fiduciary duties or for fraud committed in the performance of the person's duties to the LRTA and/or stakeholders.

**ARTICLE 13  
MISCELLANEOUS PROVISIONS**


**Section 13.1. Penalties Imposed for Non-compliance.** To strictly observe and implement the provisions of this Manual, appropriate penalties shall be imposed after due notice and hearing in accordance with existing policies and with the Guidelines in Handling Administrative Cases.

**Section 13.2. Separability Clause and Amendments.** If, for any reason, any paragraph, part, term and/or provision in this Manual is determined to be invalid or contrary to, or in conflict with, any existing or future law or regulation, such shall not impair or affect the operation of the remaining portions, sections, parts, terms and/or provisions of this Manual.

This document shall be reviewed, updated, and/or revised periodically by the LRTA Corporate Governance Committee in accordance with the existing Procedure on Control of Documents established for the LRTA's Quality Management System.

**Section 13.3. Effectivity.** This Revised Manual shall take effect upon approval of the LRTA Board, and upon the ratification by the GCG. As such, the comments and suggestions of the GCG shall form an integral part of this document.

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**LRTA**  
OFFICE OF THE CORPORATE SECRETARY  
ATTY. HERNANDO T. CABRERA  
CORPORATE SECRETARY

	<b>REVISED MANUAL OF CORPORATE GOVERNANCE OF THE LIGHT RAIL TRANSIT AUTHORITY (LRTA)</b>	Document Code:	
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		Effectivity:	

**APPROVED:**

  
**HON. RENE K. LIMCAOCO**  
*Alternate Chairman (DOTC)*



  
**HON. HONORITO D. CHANECO**  
*Member (LRTA)*

**HON. MARIO L. RELAMPAGOS**  
*Alternate Member (DBM)*

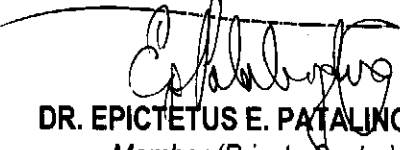
  
**ENGR. RONALDO F. CORPUS**  
*Alternate Member (LTFRB)*

  
**USEC. MARIA CATALINA E. CABRAL**  
*Alternate Member (DPWH)*

  
**HON. RUBEN S. REINOSO, JR.**  
*Alternate Member (NEDA)*

**DR. CESAR B. CHAVEZ**  
*Alternate Member (MMDA)*

  
**DIR. ZARINA M. VASQUEZ**  
*Alternate Member (DOF)*

  
**DR. EPICTETUS E. PATALINGHUG**  
*Member (Private Sector)*

Done this 12<sup>th</sup> of May 2015 at Pasay City, Philippines.

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 OFFICE OF THE CORPORATE SECRETARY  
**ATTY. HERNANDO T. CABRERA**  
 CORPORATE SECRETARY

**LIGHT RAIL TRANSIT AUTHORITY  
CHARTER OF EXPECTATIONS**

(Pursuant to Section 42, GCG Memorandum Circular No. 2012-07)

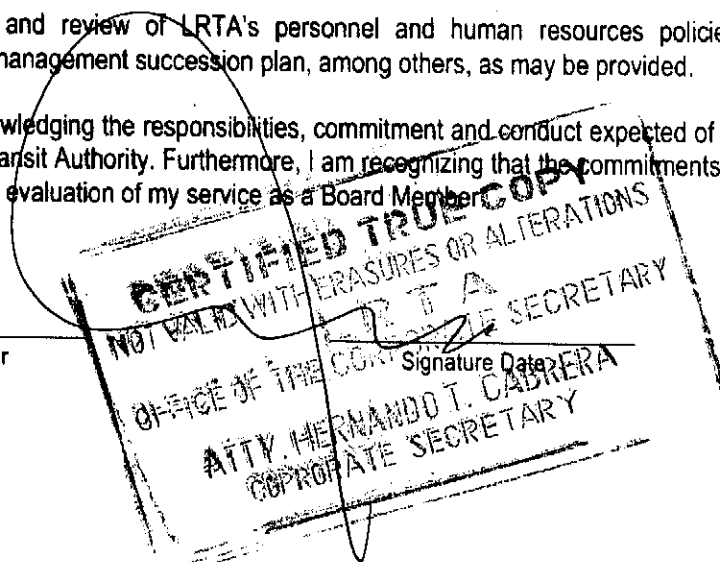
As a member of the Board of Directors of the Light Rail Transit Authority (LRTA), I recognize the important responsibility that I am undertaking. I acknowledge that my role as a Director includes:

- a. Conducting fair business transactions with LRTA and ensuring that personal interest does not compromise Board of Director decisions. The basic principle to be observed is that I shall not use my position to make profit or to acquire benefit or advantage for my related interest. I shall avoid situations that may compromise my impartiality;
- b. Developing time and attention necessary to properly discharge my duties and responsibilities. I offer sufficient time and effort to familiarize myself with the business of the LRTA and shall be constantly aware of the LRTA's condition and be knowledgeable enough to contribute meaningfully to the Board's or Management's work. I shall attend and actively participate in Board or Management meetings, request and review meeting materials, ask questions, and request explanation, if necessary;
- c. Acting judiciously before deciding on any matter brought before the Board or Management. I shall thoroughly evaluate the issues, make inquiries and seek clarifications when necessary;
- d. Exercising independent judgment. I shall view each problem/situation objectively. When there is disagreement with other Board of Directors, I shall carefully evaluate the situation and state my position. I shall not be afraid to take a position even though it might be unpopular. Corollary to this, I shall support plans and ideas that I think are beneficial to LRTA;
- e. Gaining a working knowledge of the statutory and regulatory requirements affecting the LRTA, including the contents of its Charter (EO No. 603, as amended by EO No. 830 and EO 210), applicable laws, rules and regulations, requirements of the Governance Commission for GOCCs (GCG) and pertinent Court decisions. I shall also keep myself informed of industry developments and business trends in order to safeguard LRTA and its Stakeholders' interest;
- f. Observing confidentiality. I shall observe the confidentiality of non-public information acquired by reason of my position. I shall not disclose any confidential information to any other person without the authority of the Board of Directors; and
- g. Ensuring the presence and adequacy of internal control mechanisms and good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
  - i. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
  - ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
  - iii. Reviewing and approving proposed key executive appointments;
  - iv. Ensuring the selection, appointment and retention of qualified and competent management; and
  - v. Ensuring the development and review of LRTA's personnel and human resources policies, compensation plan and the management succession plan, among others, as may be provided.

By signing this document, I am acknowledging the responsibilities, commitment and conduct expected of all Board of Directors of the Light Rail Transit Authority. Furthermore, I am recognizing that the commitments in this document may be used as part of evaluation of my service as a Board Member.

So help me God.

Printed Name & Signature of Director





LIGHT RAIL TRANSIT AUTHORITY

SECRETARY'S CERTIFICATE

I, HERNANDO T. CABRERA, of legal age, Filipino, married and with address at the Administration Building, LRTA Compound, Aurora Boulevard, Pasay City, after having been duly sworn in accordance with law, do hereby depose and say:

That I am the duly appointed and constituted Corporate Secretary of Light Rail Transit Authority, LRTA for brevity, a government owned and controlled corporation with principal address at the Administration Building, LRTA Compound, Aurora Boulevard, Tramo, Pasay City;

That as such Corporate Secretary, I keep minutes and records of the transactions and meetings of the members of the Board of Directors of LRTA;

That on 12 May 2015, the Board of Directors of LRTA held a meeting at the Light Rail Transit Authority, Board Room, 2nd Floor, Admin. Bldg., LRTA Compound, Aurora Boulevard, Tramo, Pasay City;

That during the said meeting in which there was a quorum, the following was passed upon, resolved and approved by the Members of the LRTA Board of Directors:

"RESOLVED AS IT IS HEREBY RESOLVED, to approve the amendments to the proposed Manual of Corporate Governance of LRTA incorporating the comments and changes prescribed by the Governance Commission for GOCCs (GCG);

RESOLVED FURTHER, to endorse the subject Manual of Corporate Governance as amended to GCG."

IN WITNESS WHEREOF, I have hereunto affixed my signature this 13th day of May 2015 at Pasay City, Metro Manila.

Handwritten signature of Atty. Hernando T. Cabrera and date stamp: 13 May 2015

ATTY. HERNANDO T. CABRERA Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 13th day of May 2015 at Pasay City, affiant exhibiting to me his Passport No. EB5924246 Issued at DFA, Manila on July 13, 2012.

Doc No. 64 Page No. 14 Book No. I Series of 2015.

ATTY. ZANDRA A. TURLA NOTARY PUBLIC UNTIL DEC. 31 2016 COMMISSION NO. 5-13 ATTORNEY'S REG. NO. 60504 P.O. OFFICE 1/12/15/ O.C. REG. NO. 713 1/22/15

Administration Bldg., LRTA Compound Aurora Blvd., Pasay City, Metro Manila, Philippines FAX 831-6449 - Telex 64614 LRTA PN - Phone: 853-0041 to 60 / 832-0123, 832-0413, 831-2784, 831-9707, 833-2463

NOTARIZED TRUE COPY OF THE ORIGINAL OF THE SECRETARY'S SIGNATURES OR ALTERATIONS. OFFICE OF THE CORPORATE SECRETARY. ATTY. HERNANDO T. CABRERA CORPORATE SECRETARY



OFFICE OF THE SECRETARY TO THE COMMISSION  
**GOVERNANCE COMMISSION**  
FOR GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS  
3/F, Citibank Center, 8741 Paseo De Roxas, Makati City, Philippines 1226



ANNEX 3



24 April 2015

**HON. JOSEPH EMILIO A. ABAYA**  
Chairman

**HON. HONORITO D. CHANECO**  
Administrator

**LIGHT RAIL TRANSIT AUTHORITY (LRTA)**  
Administration Building, LRTA Compound  
Aurora Blvd., Pasay City, Metro Manila

4/29/15  
12:22 pm  
EMIE

**RE: REVISED LRTA MANUAL OF CORPORATE GOVERNANCE**

Dear Secretary Abaya and Administrator Chaneco,

Formally contained in this letter is the Governance Commission's evaluation of the **REVISED MANUAL OF CORPORATE GOVERNANCE** of the **LIGHT RAIL TRANSIT AUTHORITY (LRTA)** submitted to the GCG in the letter dated 27 February 2015,<sup>1</sup> which according thereto, was duly approved by the LRTA Board of Directors during its regular meeting on 26 February 2015.

We note that in the Revised Manual of Corporate Governance, LRTA adopted the following directives from the Governance Commission as contained in our letter dated 03 March 2014<sup>2</sup> to:

1. Amend the provision in the Manual in accordance with Section 18 of R.A. 10149 which provides that "[t]he CEO or the highest-ranking officer provided in the charters of the GOCCs, shall be elected annually by the members of the Board from among its ranks;"
2. Incorporate a section in its Manual formally adopting a No Gift Policy in accordance with Section 29 of the GCG Code of Corporate Governance;
3. Incorporate provisions on the following:
  - (1) List of Disclosures to be made by Directors;
  - (2) Statement by the Directors confirming the truth and fairness of the GOCC's financial statements similar to a Statement of Management Responsibility; and
  - (3) List of Fines and other consequences when Directors violate, or omit to carry out their duties, under applicable law.
4. Include provisions on the following:
  - (1) Duties and Obligations of Directors and Officers.

<sup>1</sup> Formally received by the Governance Commission on 27 February 2015.

<sup>2</sup> Formally received by the LRTA on 04 March 2014.

REL APR 30 2015 City

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ATTY. HERNANDO T. CABRERA  
CORPORATE SECRETARY



- (a) As Fiduciaries of the State
  - (b) As Public Officials
  - (c) Respect for and Obedience to the Constitution
  - (d) Duty of Diligence
  - (e) Duty of Loyalty
  - (f) Duty of Confidentiality
- (2) Obligations of the GOCC to Directors and Officers
- (a) Providing Staff Support to Directors
  - (b) Obtaining of Directors and Officers Liability Insurance (DOLI)
- (3) Corporate Social Responsibility and Relations with Stakeholders
- (a) Duty to be Responsive with Stakeholders
  - (b) CSR Principles
  - (c) Formal Recognition of the Stakeholders
  - (d) Employees
  - (e) Suppliers
  - (f) Health and Safety
  - (g) Environment

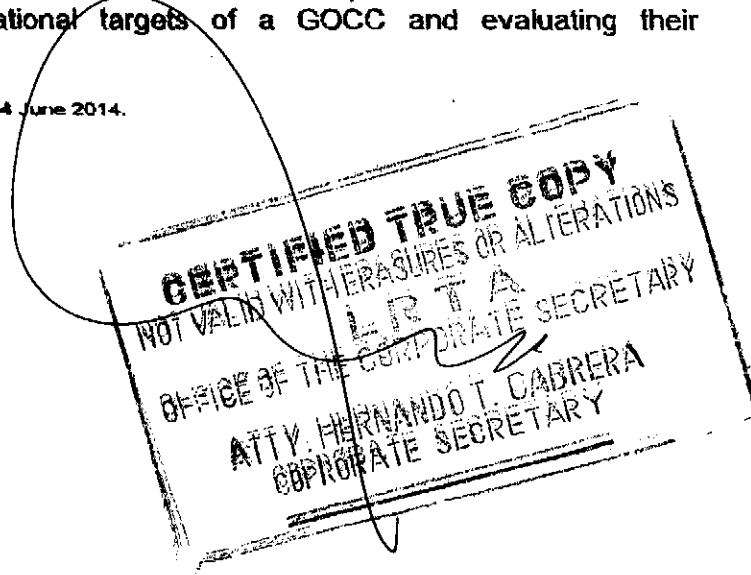
**EVALUATION OF EXISTING PROVISIONS OF THE REVISED MANUAL**

1. **Section 10, Presiding Officer.** – The LRTA Manual provides that "...in the absence of the Chairman, the Board shall elect a temporary presiding officer."

We note that under Section 15.2 of GCG M.C. No. 2012-07, it is the Vice-Chairman who shall automatically preside at board meetings in the absence of the Chairman. Thus, LRTA should have a designated Vice-Chairman.

2. **On Multiple Board Seats.** – An appointive director in LRTA may hold no more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates. It is a declared policy of the Governance Commission to limit the number of Board seats an incumbent GOCC Board member may occupy, from which he/she may receive compensation, to at most three (3) positions, inclusive of their primary position, at any given time, as provided in Section 49, Chapter 10, Book IV of the Administrative Code of 1987 and Section 11 of GCG M.C. No. 2012-07.
3. **Annual Performance Evaluation of the Board.** – Aside from the "Performance Evaluation System (PES) for the GOCC Sector,"<sup>3</sup> the Governance Commission, on 07 April 2014 issued GCG M.C. 2014-03 or the "Performance Evaluation for Directors (PED) in the GOCC Sector." While the PES provides for the framework for setting the organizational targets of a GOCC and evaluating their

<sup>3</sup> GCG M.C. No. 2013-02 (Re-issued), 24 June 2014.



performance based on targets agreed upon, the PED provides for a system of evaluating the performance of "all Appointive Directors as basis for the determination of whether they shall be recommended for reappointment" and "Ex Officio Directors or their Alternates for the purpose of reporting to the President the performance of such Ex Officio Directors, as well as to allow the GCG to evolve a good governance system for Ex Officio Directors in the GOCC Sector."

Thus, we recommend that a section be included in the Revised LRTA Manual as provided in GCG M.C. 2014-03.

4. **Corporate Social Responsibility.** – The Governance Commission reiterates that the CSR Statement must be able to identify and formally recognize LRTA's major and other Stakeholders and at the same time contain and provide the following information: (1) nature of the interests of its stakeholders; (2) hierarchy of interests of these stakeholders in the LRTA; (3) effective communication policy with the stakeholders; and (4) system which renders a proper accounting of how the LRTA has served the varied legitimate interests of all its stakeholders.

The revised LRTA Manual, aside from identifying the major stakeholders, must also identify other stakeholders, their particular interests, and list them in a hierarchy that reflects the order of interests that LRTA shall consider and prioritize should a conflict arise involving these various interests.

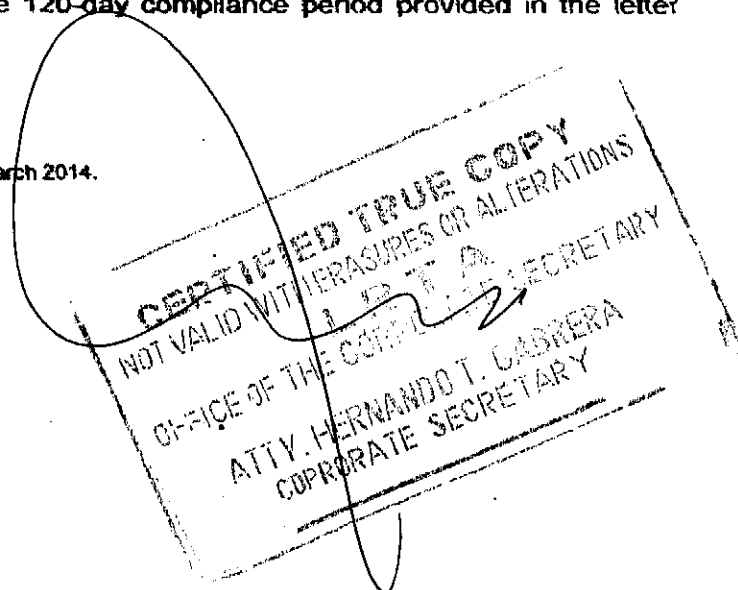
We therefore request the LRTA Governing Board and its Management to undertake a formal compliance with the obligations mandated under Section 35 of GCG M.C. No. 2012-07, and reflect the results thereof in a formal revision of its Manual of Corporate Governance.

5. **Formal Charter of Expectations.** – The Governance Commission reiterates the inclusion of measures providing for a Formal Charter of Expectations signed by each Director as part of the Disclosure and Transparency Requirements provided under Section 42 (b) of GCG M.C. No. 2012-07.

#### **Provisional Acceptance of the Manual on Corporate Governance**

The Governance Commission hereby provisionally accepts the submitted Revised Manual on Corporate Governance, as compliance with the Good Governance Conditions under GCG Memorandum Circular No. 2013-05 (Re-Issued) (2013 Interim Performance-Based Bonus [PBB]), and GCG Memorandum Circular No. 2013-06 (Re-Issued) (2013 Interim Performance Based Incentives [PBI]). We note, however, that the Revised LRTA Manual was submitted and received by the Governance Commission only on 27 February 2015, or 361 days from the official receipt<sup>4</sup> by the LRTA of the Governance Commission's initial evaluation of the Manual, although a request for extension to submit the Revised Manual until January 2015 was filed on 22 December 2014. Please note that the submission is way beyond the 120-day compliance period provided in the letter dated 03 March 2014.

<sup>4</sup> Formally received by the LRTA on 04 March 2014.



The adoption of the indicated changes contained in this letter and the formal approval and adoption thereof of the LRTA Governing Board shall be deemed a condition for the grant of the 2014 PBB and PBI, provided the changes are referred to the Governance Commission for its evaluation within thirty (30) days from receipt hereof.

**FOR YOUR COMPLIANCE.**

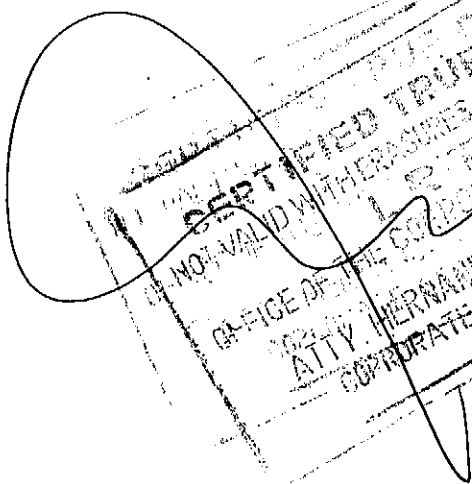
Very truly yours,

**BY AUTHORITY OF THE COMMISSION**

  
**CESAR L. VILLANUEVA**  
Chairman

  
**MA. ANGELA E. IGNACIO**  
Commissioner

  
**RAINIER B. BUTALID**  
Commissioner

  
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ATTY. HERNANDO T. OMBREERA  
CORPORATE SECRETARY



Office of the President of the Philippines  
**GOVERNANCE COMMISSION**  
FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS  
3/F, Citibank Center, 8741 Paseo De Roxas, Makati City, Philippines 1226



ANNEX 4

03 March 2014

**HON. JOSEPH EMILIO A. ABAYA**  
Chairman

**HON. HONORITO D. CHANECO**  
Administrator

**LIGHT RAIL TRANSIT AUTHORITY (LRTA)**  
Administration Building, LRTA Compound  
Aurora Blvd., Pasay City, Metro Manila

LRTA  
PLANNING DEPT.  
**RECEIVED**  
MAR 05 2014  
CITY

**RE : MANUAL OF CORPORATE GOVERNANCE, WITH NO-GIFT POLICY**

Gentlemen,

Formally contained in this letter is the Governance Commission's formal evaluation of the **CODE OF CORPORATE GOVERNANCE OF THE LIGHT RAIL TRANSIT AUTHORITY (LRTA)**, submitted to the Commission in the letter dated 19 December 2013, which according thereto was approved by the LRTA Governing Board last 12 December 2013.

We confirm that submission of LRTA's Manual on Corporate Governance was pursuant to the following requirements of GCG, thus:

- (a) Section 42, GCG Memorandum Circular No. 2012-07 - Code of Corporate Governance for GOCCs; and
- (b) Section 3, GCG Memorandum Circular No. 2013-05 - Interim 2013 Performance-Based Bonus for Officers and Employees.

We recommend that the Code be renamed as "LRTA's MANUAL OF CORPORATE GOVERNANCE" to ensure that it is viewed as the implementing document for LRTA based on its mandate pursuant to an all-governing Code of Corporate Governance for GOCCs which is the organic document that was approved by the President of the Philippines. In other words, the Code of Corporate Governance for GOCCs provides for the overall framework and principles governing public corporate governance within the GOCC Sector, whereas, LRTA's Manual is the particular document that implements and operationalizes the principles and directives of the Code within the LRTA's corporate environment. Also, future references to the two documents would be more accurate by having them referred to by different root names.

<sup>1</sup>Officially received by the Commission on 20 December 2013.

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ATTY. HERNANDO T. ALONSO  
CORPORATE SECRETARY  
LRTA  
PLANNING DEPT.  
**RECEIVED**  
MAR 05 2014  
CITY

**EVALUATION OF EXISTING SPECIFIC PROVISIONS OF THE MANUAL**

1. **Article III Section 3.1 Covering Three (3) Representatives from the Private Sector.** – The Commission notes that out of LRTA's nine (9) man Board, the majority of the Board consisting of eight (8) seats are *ex-officio* in character while the sole remaining Board Seat belonging to the representative from the private sector has been deemed converted into an appointive director seat to be appointed by the President of the Philippines in accordance with R.A. No. 10149, the *GOCC Governance Act of 2011*.

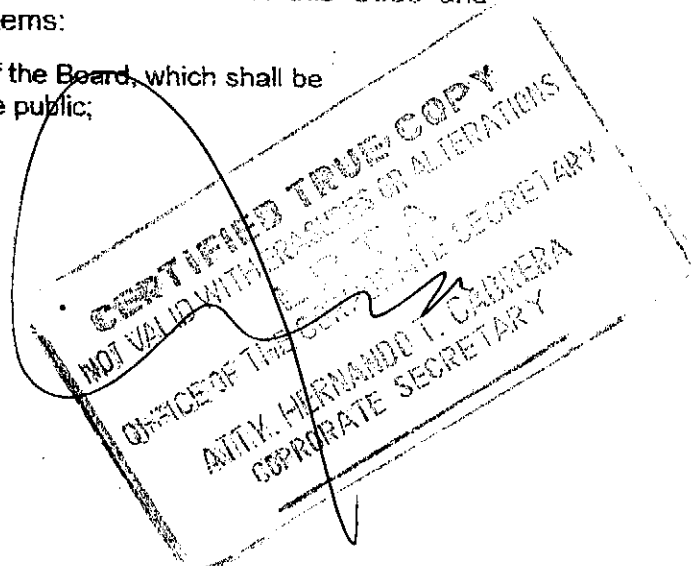
Considering that all but one of the Board seats of LRTA are *ex-officio* in character, the Commission notes that the LRTA has incorporated in its Manual the provisions in the Code and R.A. No. 10149 concerning *ex-officio alternates*, who ideally should be the officials next in rank to the *ex-officio director* and said alternates may be designated as representative of the *ex-officio* director.

2. **Article 4.2b Administrator.** – The provision which states that the Administrator shall be appointed by the President of the Philippines in accordance with LRTA's Charter, is not consistent with Section 18 of R.A. No. 10149 which provides that "The CEO or the highest-ranking officer provided in the charters of the GOCCs, shall be elected annually by the members of the Board from among its ranks." The GOCC Governance Act of 2011 is deemed to have amended the LRTA Charter with respect to the position of Administrator, in that he is no longer appointed by the President of the Philippines, but is first appointed into the LRTA Board as an Appointive Director, with indication that he would be formally nominated and elected by the LRTA Board as Administrator. This is one of the public corporate governance principles introduced by R.A. No. 10149 into the GOCC Sector, to ensure that the CEO, as head of Management, is accountable directly to the Governing Board which elects him. In fact, Section 18 provides that "The CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause."
3. **No Gift Policy.** – While the LRTA has already formally submitted its No Gift Policy together with its submission of its Manual of Corporate Governance, we note that LRTA's Code of Corporate Governance does not contain a provision adopting a No Gift Policy. For purposes of clarity and formality, we advise the LRTA to incorporate a section in its Manual formally adopting a No Gift Policy in accordance with Section 29 of the GCG Code of Corporate Governance.

Please also note that the aforementioned section to be incorporated into LRTA's Manual of Corporate Governance should also include explicit rules on coverage and exemption, as well as the process that would be followed within LRTA when occasions do occur that gifts are received in LRTA offices or in outside events attended by LRTA officers and employees.

4. **Article 8.1 Disclosure and Transparency Requirements.** – Article 8.1 provides that LRTA, acting through its Governing Board, shall promulgate and adopt its corporate governance rules and principles in accordance with this Code and which in addition shall contain the following items:

- (a) Detailed responsibilities of members of the Board, which shall be available to all Stakeholders and to the public;



- (b) Formal Charter of expectations that each Director shall sign and be committed to;
- (c) List of Disclosures to be made by Directors;
- (d) Statement by the Directors confirming the truth and fairness of the GOCC's financial statements similar to a Statement of Management Responsibility; and
- (e) List of Fines and other consequences when Directors violate, or omit to carry out their duties, under applicable law.

Our reading of Section 8.1, in particular paragraphs a to e, shows that it is a mere rehash of Article VIII Section 42 of the Code of Corporate Governance. It should be pointed out that the Commission is of the understanding that the document which LRTA has submitted to the Commission and which is now under review is already LRTA's Manual for Corporate Governance in compliance with the provisions of Section 42 and should therefore already contain the subjects enumerated in Section 42.

We therefore direct the LRTA Governing Board and its Management to already formally incorporate into LRTA's Manual under review, the provisions set forth in Section 42 of the GCG's Code of Corporate Governance, detailing the particulars set forth in Article 8.1 paragraphs a to e pertaining to the disclosure and transparency requirements. Thus, LRTA need not promulgate and adopt another set of corporate governance rules and principles as this would be a redundancy.

5. **Mandatory Provisions to be Included.** – The following sections should also be included in the LRTA Manual of Corporate Governance:

- (1) Duties and Obligations of Directors and Officers
  - (a) As Fiduciaries of the State
  - (b) As Public Officials
  - (c) Respect for and Obedience to the Constitution
  - (d) Duty of Diligence
  - (e) Duty of Loyalty
  - (f) Duty of Confidentiality
- (2) Obligations of the GOCC to Directors and Officers
  - (a) Providing Staff Support to Directors
  - (b) Obtaining of Directors and Officers Liability Insurance (DOLI)
- (3) Corporate Social Responsibility and Relations with Stakeholders
  - (a) Duty to be Responsive with Stakeholders
  - (b) CSR Principles
  - (c) Formal Recognition of the Stakeholders

- (d) Employees
- (e) Suppliers
- (f) Health and Safety
- (g) Environment

As regards the provisions concerning LRTA's stakeholders, it is necessary that the LRTA and its management should provide for the explicit manner by which it responds to its Stakeholders, as well as setting out its Corporate Social Responsibilities similar to Sections 33 and 34 of the GCG Code of Corporate Governance. It is suggested that provisions on how the major stakeholders are affected by the fulfillment of its mandate, the nature of their legitimate interests in the operations and programs of LRTA, and to provide a hierarchy system of resolving conflict of interests between the various stakeholders in the pursuit of LRTA's operations and programs, be provided.

We therefore direct the LRTA Governing Board and its Management to undertake a formal compliance of the foregoing by including the provisions listed above in a formal revision of its Manual of Corporate Governance.

**PROVISIONAL ACCEPTANCE OF THE MANUAL ON CORPORATE GOVERNANCE**

The Governance Commission hereby provisionally accepts the submitted Manual on Corporate Governance, with the section on No Gift Policy, as compliance with the Good Governance Conditions under GCG Memorandum Circular No. 2013-05 (Re-Issued) (2013 Interim Performance-Based Bonus [PBB]) on those two items, with the condition that the revisions and additions mandated herein be submitted to the Commission for its evaluation and formal approval within 120 days from the receipt of this letter as the condition for the Appointive Members of the LRTA Governing Board in being entitled to qualify to receive the Performance-Based Incentives (PBI) for 2013 as provided under GCG Memorandum Circular No. 2013-06 (Re-Issued).

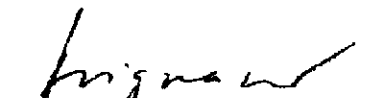
FOR YOUR COMPLIANCE.

Very truly yours,


BY AUTHORITY OF THE COMMISSION



**CESAR L. VILLANUEVA**  
Chairman



**MA. ANGELA E. IGNACIO**  
Commissioner



**RAINIER B. BUTALID**  
Commissioner

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OFFICE OF THE SECRETARY  
ATTY. HERMANO T. LANKERA  
CORPORATE SECRETARY