MANUAL ON CORPORATE GOVERNANCE

PHLPOST

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Office of the President of the Philippines
GOVERNANCE COMMISSION
FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS
9F, Citibank Center, 8741 Paseo De Roxas, Makati City, Philippines 1226

27 January 2015

OFFICE OF THE BOARD OF DIRECTORS
RECEIVED
JAN 29 2015
PHILIPPINE POSTAL CORPORATION

HON. CESAR N. SARINO
Chairman
HON. MA. JOSEFINA M. DELA CRUZ
Postmaster General and CEO
PHILIPPINE POSTAL CORPORATION (PPC)
3rd Floor, Central Office Building,
Liwasang Bonifacio, Manila 1000

RE: PPC REVISED MANUAL OF CORPORATE GOVERNANCE

Dear Chairman Sarino and Postmaster General Dela Cruz,

Formally contained in this letter is the Governance Commission's evaluation of the REVISED MANUAL OF CORPORATE GOVERNANCE OF THE PHILIPPINE POSTAL CORPORATION (PPC), submitted to the GCG in the letter dated 22 December 2014[1] which according thereto, was duly approved by the PPC Board of Directors during a Special Board Meeting Held on 18 December 2014.

We note that in the Revised Manual of Corporate Governance, PPC adopted the following directives from the Governance Commission as contained in our letter dated 24 November 2014 to:

1. Undertake a formal compliance with the obligations mandated under Section 35 of GCG Memorandum Circular (M.C.) No. 2012-07;
2. Further revise the section on the Annual Performance Evaluation of the Board by incorporating GCG M.C. No. 2014-03 as a system of evaluating the performance of all Appointive Directors; and
3. Include the mandatory items listed in Section 42 of GCG M.C. No. 2012-07.

The Governance Commission hereby accepts the submitted Revised Manual of Corporate Governance as full 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) (Interim Performance-Based Incentives [PBI]).

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

Republic of the Philippines
PHILIPPINE POSTAL CORPORATION

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OFFICE OF THE POSTMASTER GENERAL

22 December 2014

The Chairman and Members
Governance Commission for Government-Owned
and Controlled Corporations
3/F Citibank Center
8741 Paseo de Roxas
1226 Makati City

Dear Chairman and Members:

Pursuant to your letter dated 24 November 2014 directing the further revision of our Revised Manual of Corporate Governance, respectfully submitted herewith is the Revised Manual on Corporate Governance of the Philippine Postal Corporation as approved by the PHLPost Board of Directors thru *Board Resolution No. 2014-150*.

For the evaluation of the Commission.

Very truly yours,

MA. JOSEFINA M. DELA CRUZ
Postmaster General & CEO

3rd Floor, Central Office Building, Liwasang Bonifacio, Ermita, 1000 Manila; bmg@philpost.gov.ph
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55485

Republic of the Philippines
PHILIPPINE POSTAL CORPORATION

PHILPOST
OFFICE OF THE CORPORATE SECRETARY

SECRETARY'S CERTIFICATE

This is to certify that during the 12th Special Board Meeting of the Philippine Postal Corporation held on December 18, 2014, the Board of Directors adopted the following resolution, to wit:

Board Resolution No. 2014 – 150

"APPROVING THE REVISED MANUAL OF CORPORATE GOVERNANCE OF THE PHILIPPINE POSTAL CORPORATION (AS REVISED) INCORPORATING THEREIN FURTHER REVISIONS AS DIRECTED BY THE GOVERNANCE COMMISSION FOR GOVERNMENT OWNED AND CONTROLLED CORPORATION (GCG) AS CONTAINED IN ITS LETTER DATED NOVEMBER 24, 2014."

RESOLVED as it hereby resolves to approve the Revised Manual on Corporate Governance of the Philippine Postal Corporation (As Revised) incorporating therein further revisions as directed by the Governance Commission for Government-Owned and Controlled Corporation as contained in its letter dated November 24, 2014.

RESOLVED FINALLY, that the Postmaster General is hereby authorized to formally submit said Revised Manual (As Revised) to the Governance Commission for GOCCs.

Issued this 22nd day of December 2014 at Manila, Philippines.

FLORANTE O. CRUZ
Corporate Secretary

3rd Floor, Central Office Building, Liwasang Bonifacio, 1000 Manila
Tel. Nos.: 527-0142 / 527-0158 / 527-0157 • Fax No.: 527-0045

MANUAL ON CORPORATE GOVERNANCE FOR PHLPOST
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MANUAL ON CORPORATE GOVERNANCE

Philippine Postal Corporation
Liwasang Bonifacio, Manila 1000

1. COMMITMENT TO GOOD CORPORATE GOVERNANCE

1.1 The Board of Directors and management of the Philippine Postal Corporation hereby commit themselves to the principles and best practices of good corporate governance as a critical element in creating and sustaining shareholders value, while considering and balancing the interest of all other stakeholders.

2. OBJECTIVE

2.1 This Manual shall institutionalize the principles of good corporate governance in the entire organization.

2.2 The Board of Directors, management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

3. VISION AND MISSION STATEMENTS

3.1 The Corporate Vision

"By 2016, PHLPOST is the Preferred Universal Delivery service Provider of Communications, Goods and Payment Services in every Filipino Community."

3.2 The Corporation Mission

"Philippine Postal Corporation (PHLPost) provides an Efficient and On-Time Delivery of Communications, Goods and Payment services in any Filipino community."

4. COMPLIANCE SYSTEM

4.1. Plan of Compliance

4.1.1 Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors.

It shall be the Board's responsibility to foster the long –term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

4.1.1.1. Board Directly vested with Corporate Powers – Having vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and hold all the properties of the Corporation, the Governing Board is primarily responsible for the governance of the Corporation. Consequently, it is the Board and not Management that is primarily accountable to the State for the operations and performance of the Corporation.

4.1.1.2. Board Duty to Properly Select and Provide Independent Check on Management – concomitant with the power to elect the CEO from among their ranks and to appoint other Officers of the Corporation, it is the duty of every Governing Board to ensure that they elect and/or employ only Officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity. The Board is therefore obliged to provide an independent check on Management.

4.1.1.3. Mandate and Responsibility of the Corporation's Performance – Although the day-to-day management of the affairs of the Corporation may be with Management, the Board is, however, responsible for providing policy directions, monitoring and overseeing Management actions as articulated in its Articles of Incorporation, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:

- Provide the corporate leadership of the corporation subject to the rule of the law, and the objectives set by the National Government through the Supervising agencies and the GCG;

- Establish the Corporation's vision and mission, strategic objectives, policies and procedures, as well as defining the GOCC's values and standards through:
    - Charter Statements;
    - Strategy Maps; and
    - Other control mechanism mandated by the best business practices;
- Determine important policies that bear on the character of the Corporation to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
- Determine the organizational structure of the Corporation, define the duties and responsibilities of its officers and employees and adopt a compensation and benefit scheme that is consistent with the Corporation's Compensation and Position Classification system (CPCS) developed by GCG and formally approved by the President of the Philippines;
- Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in accordance with applicable laws, rules and regulations;
- Provide sound written policies and strategic guidelines on the Corporation's operation budget and major capital expenditures, and prepare the annual and supplemental budgets of the Corporation;
- Comply with all reportorial requirements, as acquired in the Articles of Incorporation and By-laws, as well as applicable laws, rules and regulations;
- Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurately report the results to GCG; and
- Ensure the fair and equitable treatment of all Stakeholders and
- Enhance the Corporation's relations with Stakeholders.

4.1.1.4. The Board Governance

The Board of Directors (Board) is primarily responsible for the governance of the Corporation. It needs to be structured so that it provides an independent check on management. It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its Stakeholders. As such, it is vitally important that a number of board members be independent from management.

4.1.1.5. Composition of the Board

The Board shall be composed of seven (7) members to be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for GOCCs.

4.1.1.6. Multiple Board Seats

No Appointive Director in PPC may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates.

4.1.1.7 Term of Office of Appointive Directors

Pursuant to Section 17 of R.A. 10149, any provision in the Charters, Articles of Incorporation and/or By-laws of each GOCC to the contrary notwithstanding, the term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause. Provided, however that each Appointive Director shall continue to hold office until his successor is appointed and qualified.

4.1.1.8 Minimum Qualifications of Members of the Board

Every member of the Board must be able to meet the minimum qualifications set forth under Article 5 of GCG Memorandum Circular No. 2012-05, Fit and Proper Rule for Appointive Directors and CEOs of GOCCs.

4.1.1.9 Disqualification of Members of the Board

The members of the Board during their tenure must, at all times, endeavor to observe the rules on disqualification set forth under Article 6 of GCG Memorandum Circular No. 2012-05, Fit and Proper Rule for Appointive Directors and CEOs of GOCCs.

4.1.1.10. Annual Performance Evaluation of PPC Board

A systematic evaluation process of the Board shall be developed as a necessary tool in enhancing its professionalism and as a useful incentive for the Board Members to devote sufficient time and effort to their duties. The evaluation should also be instrumental in developing effective and appropriate training programs for new and existing members of the Board.

The Corporation shall adopt and adhere to the requirements guidelines of GCG's Memorandum Circular 2014-03 re: Performance Evaluation for Directors (PED) or other issuances which the GCG will issue concerning PED.

In accordance with the said Circular, the PED measures the overall performance of an Appointive Director based on the weighted-average of the following components:

1. GOCC Performance based on application of the Performance Evaluation System (PES) for GOCCs under GCG Memorandum Circular No. 2013-02: 60%

2. Director Performance Evaluation: 20% - The individual contribution of a Director shall be measured based on the following:

   (a) Self Appraisal Rating = 6%
   (b) Peer Appraisal Rating = 14%

3. Director Attendance Score: 20%

4.1.1.11. Specific Duties and Functions

To insure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted ***(GCG MC 2012-07, Sec. 8.a)***;

- Determine the Corporation's purpose and value, as well as adopting strategies and policies, including risk management policies and programs, in order to ensure that the Corporation survives and thrives despite financial crises and that its assets and reputation are adequately protected ***(GCG MC 2012-07, Sec. 8.b)***;

- Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results ***(GCG MC 2012-07, Sec. 8.c)***;

- Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the

Officers of the Corporation have the necessary motivation, integrity, competence and professionalism ***(GCG MC 2012-07, Sec. 8.d)***;

- Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions ***(GCG MC 2012-07, Sec. 8.e)***;

- 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 ***(GCG MC 2012-07, Sec. 8.f)***;

- Ensure the integrity of the GOCC's accounting and financial reporting systems, including independent audit and that appropriate system of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards ***(GCG MC 2012-07, Sec. 8.g)***;

- Identify and monitor, and provide appropriate technology and systems for the identification of, key risks and key performance areas ***(GCG MC 2012-07, Sec. 8.h)***;

- Adopt, implement and oversee the process of disclosure and communications ***(GCG MC 2012-07, Sec. 8.l)***;

- Constitute an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions ***(GCG MC 2012-07, Sec. 8.j)***;

- Conduct and maintain the affairs of the Corporation within the scope of its authority, as prescribed under its Charter, and applicable laws, rules and regulations ***(GCG MC 2012-07, Sec. 8.k)***.

4.1.1.12. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;

- To devote time and attention necessary to properly discharge his duties and responsibilities;

- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the requirements of the GCG, and where applicable, the requirements of other regulatory agencies;
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

4.1.1.13. Other Responsibilities of the Board

Each Director shall:

1. Faithfully perform the powers, duties and responsibilities of the Board;
2. Submit yearly a notarized Statement of Assets, liabilities and Net Worth (SALN);
3. Submit a notarized "PANUNUMPA" (Oath of Office) to the Office of the Corporate Secretary pursuant to the appointment letter issued by the Office of the President of the Philippines;
4. Attach a copy of the formal Charter of Expectations, which each Director shall sign, to the copy of the "Oath of Office"; (*See Annex A)*
5. Submit a List of Disclosures. *(See Annex B)*

4.1.2. The Board Officers

4.1.2.1. The Board Officers of the Corporation are the Chairman of the Board, the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens and who shall be elected or appointed by the Board of Directors.

4.1.3. The Chairman of the Board

4.1.3.1. The roles of the Chairman and the CEO should be with different individuals in order to ensure appropriate balance of power, increased accountability, greater capacity of the Board for independent decision-making, and optimum capacity to exercise supervisory function over Management. ***(GCG MC 2012-07, Sec 15.1)***

4.1.3.2. The Chairman shall, when present, preside at all meetings of the Board. ***(GCG MC 2012-07, Sec 15.1 par 3)***

4.1.3.3. Duties and Responsibilities

- Calling meetings to enable the Board to perform its duties and responsibilities; ***(GCG MC 2012-07, Sec 15.1(a))***

- Approving meeting agenda in consultation with the Postmaster General & CEO and the Corporate Secretary; ***(GCG MC 2012-07, Sec 15.1(b))***

- Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and***(GCG MC 2012-07, Sec 15.1(c))***

- Assisting in ensuring compliance with the Corporation's guidelines on corporate governance. ***(GCG MC 2012-07, Sec 15.1(d))***

4.1.3.4. For legal purposes, the Chairman of the Board shall be considered as the "Head of Agency" of the Corporation. ***(GCG MC 2012-07, Sec 15.1)***

4.1.4. The Vice-Chairman

4.1.4.1. In the absence of the Chairman of the Board, the Vice-Chairman shall preside at the meetings of the Board. ***(GCG MC 2012-07, Sec 15.2)***

4.1.5. The Corporate Secretary

4.1.5.1. The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the Corporation come with his duties.

4.1.5.2. The Corporate Secretary shall have the following qualifications:

- He must be a Filipino citizen;
- He must be at least thirty-five (35) years old but no more than sixty-five (65) years old;
- He must be a holder of LLB;

- He must possess CSC Professional Eligibility or CES Eligibility or R.A. 1080 or BAR;
- He must considering his varied functions and duties;
- He must possess at least ten (10) years working experience in organizational and interpersonal skills, financial and accounting skills;
- He is not the general counsel;
- He must have some legal skills;

4.1.5.3. Duties and Responsibilities

- Serve as an adviser to the Board Members on their responsibilities and obligations;

- Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the CEO and other members of the Board as appropriate;

- Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;

- Have charge of the stock certificate book and such other books and papers as the Board may direct;

- Attend to the giving and serving of notices of Board and shareholders meeting, if applicable;

- Be fully informed and be part of the scheduling process of other activities of the Board;

- Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;

- Oversee the adequate flow of information to the Board prior to meetings; and

- Ensure fulfillment of disclosure requirements to regulatory bodies.

4.1.6. *Compliance Officer*

4.1.6.1. To insure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer who shall report directly to the Chairman. He shall have direct reporting responsibilities to the Chairman of the Board.

4.1.6.2. The Compliance Officer must have the following qualifications:

- He/she must be a Filipino citizen
- He/she must be at least thirty-five (35) years old but not more than sixty (60) years old at the time of appointment
- He/she must be a graduate of LLB with CSC Professional Eligibility, or a lawyer, or a CPA
- He/she must have at least ten (10) years of work experience, three (3) years of which must be a managerial position with the Philippine Postal Corporation
- He/she must have attended seminars on Good Corporate Governance conducted by a GCG accredited training outfit or individual and on Anti-Money Laundering conducted by AMLC; and
- He/she should have adequate working knowledge in finance, administration, operations, taxation, information technology, investigation/audit, and statutory and regulatory requirements affecting the Corporation.

4.1.6.3. He shall perform the following duties:

- Monitor compliance by the Corporation of the requirements under the GOCC Governance Act of 2011 or R.A. No. 10149 (the Act), the Code of Corporate Governance for GOCCs under GCG Memorandum Circular No. 2012-07 (the Code), the rules and regulations applicable to the Corporation 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***(GCG MC 2012-07, Sec 15.4(a))***;

- Appear before the GCG when summoned in relation to compliance with the Code or other compliance issues***(GCG MC 2012-07, Sec 15.4(b))***;

- Issue a certification every May 30th of the year on the extent of the Corporation's compliance with the government corporate standards governing GOCCs for the period beginning July 1st of the immediately

preceding calendar year and, if there are any deviations, explain the reason for such deviation ***(GCG MC 2012-07, Sec 15.4(c))***; and

- Submit to the GCG within thirty (30) days from the start of each calendar year a certificate stating and attesting to the qualifications and disqualifications rules applicable to the Appointive Directors and CEO, as found under the Act, the Code, and rules and regulations applicable to the Corporation ***(GCG MC 2012-05, Art. 4))***;

- Submit to the GCG the sworn certifications submitted by each of the Appointive Directors and CEO that he/she possesses all the qualifications and none of the disqualifications pertaining to their positions as found in the charter, the provisions of laws, rules and regulations applicable to the Corporation, and provided for in the Fit and Proper Rule within thirty (30) days after the assumption into office of the Appointive Directors and CEO for each new Term of Office ***(GCG MC 2012-05 ,Art. 10);***

- Perform the duties of AML Compliance Officer embodied under Section 9.2 of AML Manual.

- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board ***(SEC, Manual on Corporate Governance, Model Corporation);*** and

- Identify, monitor and control compliance risks. ***(SEC, Manual on Corporate Governance, Model Corporation).***

4.1.6.4. The Compliance Officer shall be assisted by a Deputy Compliance Officer and an Executive Assistant II.

4.1.6.5. The Deputy Compliance Officer shall have a rank equivalent to a Chief of Division.

4.1.6.6. The Deputy Compliance Officer shall have the following qualifications:

- He/she must be a Filipino citizen
- He/she must be at least thirty (30) years old but not more than sixty (6) year old at the time of appointment
- He/she must have eligibility under R.A. 1080, CES Eligibility, CSC Professional Eligibility or BAR.

- He/she must have at least five (5) years of work experience, three (3) years of which must be a supervisory position with the Philippine Postal Corporation
- He/she should have adequate working knowledge in finance, administration, operations, information technology, investigation/audit, and statutory and regulatory requirements affecting the Corporation.

4.1.6.7. The qualifications of the Executive Assistant II shall be in accordance with the Qualification Standards for Government employees.

4.1.7. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees.

4.1.7.1 Executive Committee

4.1.7.1.1 The Board shall create an Executive Committee composed of all the seven (7) members of the Board, with the Chairman of the Board being the Committee Chairman. ***(GCG MC 2012-07, Sec. 16.1)***

4.1.7.1.2. 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 Corporation's Charter, except with respect to ***(GCG MC 2012-07, Sec. 16.1)***:

- Approval of any action for which shareholders' approval is also required ***(GCG MC 2012-07, Sec. 16.1(a))***;
- Filling of vacancies on the Board in the Executive Committee ***(GCG MC 2012-07, Sec. 16.1(b))***;
- Amendment or repeal of By-Laws or the adoption of new By-Laws ***(GCG MC 2012-07, Sec. 16.1(c))***;
- Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal ***(GCG MC 2012-07, Sec. 16.1(d))***;

- Distribution of cash dividends ***(GCG MC 2012-07, Sec. 16.1(e))***; and

- Exercise of powêrs delegated by the Board exclusively to other committees ***(GCG MC 2012-07, Sec. 16.1(f))***.

4.1.7.1.3 The Executive Committee shall meet regularly once a month.

4.1.7.2. Audit Committee

4.1.7.2.1 The Audit Committee shall be composed of at least three (3) members of the Board. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

4.1.7.2.2 Duties and Responsibilities

- Oversee, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, engage and provide oversight of the Corporation's internal and external auditors, and coordinate with the Commission on Audit (COA);

- Review and approve audit scope and frequency, and 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;

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. ***(SEC Manual on Corporate Governance – Model Corporation)***

- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:

  a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standards (IAS) compliant.

  b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of

such task. ***(SEC Manual on Corporate Governance – Model Corporation)***

- Receive and review reports of internal and external auditors and regulatory agencies, and ensure that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;

- Ensure that internal auditors have free and full access to all the Corporation'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;

- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management; and ***(SEC Manual on Corporate Governance – Model Corporation)***

- Determine the Organizational Structure and Staffing Pattern of the Internal Audit Office; and screen and evaluate the qualifications of all internal audit personnel prior to their hiring/appointment, promotion, or transfer.

- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation's through a policies and step-by-step procedures handbook that will be used by the entire organization.

4.1.7.2.3 The Audit Committee shall meet regularly on the first Thursday of every month, unless another date is agreed upon: Provided, That any member may request for a special committee meeting to discuss urgent audit issues/matters which shall be held between regular monthly meetings : Provided, further, that special meeting shall in no case exceed one meeting per month.

4.1.7.3. Governance Committee

4.1.7.3.1 The Governance Committee shall assist the Board of Directors in fulfilling its corporate responsibilities. The Committee shall be composed of at least three (3) members of the Board, and Chaired by the Chairman of the Board.

4.1.7.3.2 Duties and Responsibilities

- Oversee the periodic performance evaluation of the Board and its committees and Management; and shall also conduct an annual self-evaluation of their performance;

- Decide whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;

- Recommend to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and

- Recommend the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder's value.

4.1.7.3.3 The Governance Committee shall meet regularly on the first Thursday of every month, unless another date is agreed upon: Provided, That any member may request for a special committee meeting to discuss urgent governance issues/matters which shall be held between regular monthly meetings : Provided, further, that special meeting shall in no case exceed one meeting per month.

4.1.7.4. *Nomination and Remuneration Committee*

4.1.7.4.1. The Nomination and Remuneration Committee shall be composed of at least three (3) members.

4.1.7.4.2. Duties and Responsibilities

- Install and maintain a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations; ***(GCG MC 2012-07, Sec 16.4(a))***

- Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board; ***(GCG MC 2012-07, Sec 16.4(b))***

- Recommend to the GCG nominees for the shortlist in line with the Corporation's and its subsidiaries' Board composition and succession plan; ***(GCG MC 2012-07, Sec 16.4(c))***

- Develop recommendations to the GCG for updating the Compensation and Position Classification Standards (CPCS) and ensuring that the same continues to be consistent with the Corporation's culture, strategy, control environment, as well as the pertinent laws, rules and regulations; ***(GCG MC 2012-07, Sec 16.4(d))***

- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once appointed/hired; ***(SEC Manual on Corporate Governance – Model Corporation)***

- Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; and ***(SEC Manual on Corporate Governance – Model Corporation)***

- Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above. ***(SEC Manual on Corporate Governance – Model Corporation)***

4.1.7.4.3 The Nomination and Remuneration Committee shall meet regularly on the first Thursday of every month, unless another date is agreed upon: Provided, That any member may request for a special committee meeting to discuss urgent issues/matters which shall be held between regular monthly meetings : Provided, further, that special meeting shall in no case exceed one meeting per month.

4.1.7.5. *Risk Management Committee*

4.1.7.5.1. The Risk Management Committee shall consist of five (5) members, with at least one (1) member having a background in finance and investments.

4.1.7.5.2. Duties and Responsibilities

- Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the Corporation, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities; ***(GCG MC 2012-07, Sec 16.2.5(a))***

- Developing the Risk Management Policy of the Corporation, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of the Corporation, especially at the Board and Management level; ***(GCG MC 2012-07, Sec 16.2.5(b))***and

- Providing quarterly reporting and updating the Board on key risk management issues as *ad hoc* reporting and evaluation on investment proposals. ***(GCG MC 2012-07, Sec 16.2.5(c))***

4.1.7.5.3 The Risk Management Committee shall meet regularly on the first Thursday of every month, unless another date is agreed upon: Provided, That any member may request for a special committee meeting to discuss urgent risk issues/matters which shall be held between regular monthly meetings : Provided, further, that special meeting shall in no case exceed one meeting per month.

4.1.7.6. Committee Reporting: Each Committee shall report regularly to the Board of Directors.

4.1.8. The Management

4.1.8.1. The Management stands as the center of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

4.1.8.2. Management is responsible to the Board for implementing the infrastructure for the Corporation's success through the following mechanism in its organization as set by the Board:

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

4.1.8.3. Management is primarily accountable to the Board for operations of the Corporation. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of the Corporation's performance, position and prospects on a monthly basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.

4.1.9. The Executive Officers

4.1.9.1. The Corporation shall be managed by a Postmaster General and CEO who shall be assisted by as many Assistant Postmaster Generals as the Board may deem necessary for postal efficiency. ***(R.A. 7354, Sec 20)***

4.1.9.2. The Postmaster General and CEO shall be elected annually by the members of the Board from among its rank. The Postmaster General and CEO shall be subject to the disciplining powers of the Board and may be removed by the Board for cause. ***(GCG MC No. 2012-07, Sec. 20)***

4.1.9.3. The Assistant Postmaster Generals shall be appointed, and may be removed for cause by the Board, upon recommendation of the Postmaster General and CEO. At least majority of the Assistant Postmaster Generals must be career postal officials. ***(R.A. 7354, Sec 20)***

4.1.9.4. Except for the members of the Board who are appointed by President of the Philippines and the consultants, all officers/employees who have reached the retirement age of sixty-five (65) years old shall be compulsorily retired per ***Section 13(b) of R.A. 821 and Section 12, Rule XIII of Memorandum Circular No. 15, s. 1999.***

4.1.10. The Postmaster General and Chief Executive Officer (CEO)

4.1.10.1. The Postmaster General & CEO is the highest ranking executive officer of the Corporation.

4.1.10.2. Duties and Responsibilities

- Exercise the powers and functions under Section 21 of R.A. 7354;
- Exercise general supervision and authority over the regular course of business, affairs, and property of the Corporation, and over its employees and officers;
- See to it that all orders and resolutions of the Board are carried into effect;
- Submit to the Board as soon as possible after the close of each fiscal year, and to the shareholders an the annual meeting, if applicable, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs;
- Report to the Board from time to time all matters which the interest of the Corporation may require to be brought to its notice; and
- Perform such other duties and responsibilities as the Board may impose upon him/her.

4.1.11. The Assistant Postmaster General for Administration and Finance

4.1.11.1. The Assistant Postmaster General Postmaster General for Administration and Finance (APMG for AdFin) is also the Corporate Treasurer and the Chief Finance Officer.

4.1.11.2. The APMG for AdFin shall have the following qualifications:

- He must be a Filipino citizen;
- He must be at least thirty-five (35) years old but no more than sixty-five (65) years old;
- He must be a Certified Public Accountant

- He must possess at least ten (10) years managerial experience, five (5) years of which was gained from the Corporation;
- He must possess organizational and interpersonal skills, financial and accounting skills, and taxation expertise.

4.1.11.3. The APMG for AdFin shall have charge of the funds, securities, receipts and disbursements of the Corporation. He/she shall have duties and responsibilities as follows:

- Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of the Corporation in compliance with applicable laws, rules and regulations;
- Regularly and at least quarterly render to the Postmaster General &CEO and to the Board an account of the condition of funds of the Corporation and all of his/her transactions as such;
- Ensure funds availability on a timely basis and at the most economical means;
- Optimize yields in temporary excess funds;
- Provide relevant and timely financial market information;
- Ensure appropriate coverage and management of risk to resources;
- Provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitoring actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- Maintain the integrity of accounting records as the basis of the financial statements and reports provided to Management for decision making and to government regulatory bodies in compliance with statutory requirements;
- Promote investor and public confidence in the Corporation by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to the concerned agencies are complied with;

- Strengthen 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; and

- Perform such other responsibilities as the Board may impose.

4.1.12. Accountability and Audit

4.1.12.1. The Audit Committee provides oversight to internal and external auditors.

The external auditor provides reasonable assurance on the fair presentation of the Financial Statements and related notes. The internal auditor provides independent and objective assurance and advisory services to the Corporation.

4.1.13. External Auditor

4.1.13.1. In consonance with existing laws and regulations, the Commission on Audit shall be the external auditor of the Corporation.

4.1.13.2. The Corporation however may engage the services of any external auditor, whether a person or a firm, duly accredited by the Board of Accountancy (BOA) and the Securities and Exchange Commission (SEC) for the audit of accounts of the Corporation for the purpose of complying with its international contractual commitments or with the requirements of holders of Class "B" shares.

4.1.13.2.1. The following are its duties and responsibilities:

- An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company, an external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.

- The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

- The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

- The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

- If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

4.1.14. Internal Auditor

4.1.14.1. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Audit Department or a group of Internal Auditors, through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

4.1.14.2. The Internal Auditor shall report directly to the Chairman of Audit Committee.

4.1.14.3. The Internal Auditor shall have the following qualifications:

- He/she must be a Filipino citizen;
- He/she must be at least thirty-five (35) years old at the time of appointment;
- He/she must be Certified Public Accountant (CPA), Certified Internal Auditor (CIA) or Certified Information Systems Auditor (CISA)
- He/she must have at least ten (10) years of work experience, five (5) years of which must be in a managerial or supervisory capacity in the field of auditing; and
- He/she should possess adequate working knowledge in finance, administration, operations, information technology, investigation/audit, and statutory and regulatory requirements affecting the Corporation.

5. CODE OF CONDUCT OF DIRECTORS AND OFFICERS

5.1. The Directors and officers are fiduciaries of the State in that (a) they have the legal obligation and duty to always act in the best interest of the Corporation, with utmost good faith in all dealings with the properties, interest and monies of the GOCC, and (b) they are constituted as trustees in relations to the properties, interests and monies of the Corporation;

5.2. The Directors and officers are also Public Officials as defined by, and are therefore covered by the provisions of the "Code of Conduct and Ethical Standards for Public Officials and Employees," with its declared policies, as follows:

- To promote a high standard of ethics in public service; and
- Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.

5.3. As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause the Corporation to faithfully and time comply, will all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the Corporation, and to act within the bounds of the Charter;

5.4. The fiduciary duty of diligence of Directors and Officers to always act in the best interest of the Corporation, with utmost good faith in all its dealings with the property and monies of the Corporation, includes the following obligations:

- Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the Corporation, using the utmost diligence of a very cautious person with due regard to all circumstances;

- Apply sound business principles to ensure the financial soundness of the Corporation; and

- Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

5.4.1 Every Director or Officer, by the act of accepting such position in the Corporation, affirms and covenants:

- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Charter, the requirements of the GCG, and where applicable, the requirements of other supervising agencies;

- To always keep himself/herself informed of industry developments and business trends in order to safeguard the Corporation's interests and preserve its competitiveness.

5.5. The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the Corporation, with utmost good faith in all its dealings with the properties and monies of the Corporation, includes the obligation to:

- Act with utmost and undivided loyalty to the Corporation;

- Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and

- Avoid (1) taking for themselves opportunities related to the Corporation's business; (2) using the Corporation's property, information or position for personal gain; or (3) competing with the Corporation's business opportunities;

5.6. Directors and Officers shall at all time avoid any actual or potential conflict of interest with the Corporation. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

5.6.1. Any question about a Director's or Officer's actual or potential conflict of interest with the Corporation shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.

5.7. Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and /or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by the GCG, stock options, dividends, and other similar offers or grants from corporations where the GOCC is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of

the Corporation in dealing with its properties, investments in other corporations, management of Subsidiaries and interest, are to be held in trust by such Director or Officer for the exclusive benefit of the Corporation.

5.8. Where a Director or an Officer by reason of his being a member of the Board or an Officer of the Corporation, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in other corporation where the Corporation has an interest, the use of properties of the Corporation for his/her own benefit, the receipt of commission(s) on contract(s) with the Corporation or its assets, or the taking advantage of corporate opportunities of the Corporation, all such profits or benefits shall be subject to any administrative, civil or criminal action against such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.

5.9. Pursuant to Section 24 of R.A. No. 10149, upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that the properties or monies belonging to the CORPORATION without authority, or that profits are earned by the Director or Officer in violation of his/her fiduciary duty, or the aggregate *per diems,* allowances and incentives received in a particular year are in excess of the limits provided under the Act, the Director or Officer receiving such properties or monies shall immediately return the same to the CORPORATION.

Failure by a Director or Officer to make the restitution within thirty (30) days after written demand has been served shall, after trial and final judgment, subject such Director or Officer to the punishment of imprisonment for one (1) year and fine equivalent to twice the amount to be restituted and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.

5.10. Pursuant to Section 23 of R.A No. 10149:

(a) The Charter of the CORPORATION to the contrary notwithstanding, the compensation, *per diems,* allowances and incentives of the Appointive Directors shall be determined by the GCG, using as a reference, among others, Executive Order No. 24, dated February 10, 2011;

(b) Directors shall not be entitled to retirement benefits acting such directors.

5.11. A Director or Officer 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:

- Would be illegal or violation of law;
- Is part of an attempt or agreement to do anything in return;
- Has a value beyond what is normal and customary in the Corporation's business;
- Is being made to influence the member of Board's or Officer's actions as such; and
- Could create the appearance of a conflict of interest.

5.12. Pursuant to their duties of diligence and loyalty, a member of the Board or an officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either:

- To further their private interests, or give undue advantage to anyone; or
- Which may prejudice the public interest

6. OBLIGATIONS OF THE CORPORATION TO DIRECTORS AND OFFICERS

6.1. Each member of the Board shall be provided with reasonable support staffs of not more than three (3) and office facilities to allow them to properly discharge their duties and responsibilities.

6.2. All Board Officers shall also be provided reasonable support staffs and office facilities. Movements or reassigned of officers beginning with Division Chief under the Board shall be determined by the Board of Directors.

6.3 Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, i.e., that of extraordinary diligence, it is equitable that when the Corporation itself and/or the members of the Board and Management are hailed before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore to obtain "Directors and Officers Liability Insurance" (DOLI) coverage for itself and the members of the Board

and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting, the actions that may be filed against the Corporation arising from the actions of the Board and/or Management that may cause loss or damage to third parties.

6.4. Nothing in this section shall be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by the Corporation on the litigation expenses incurred and the judgment liability decreed against a Director or Officer for breach of any of his fiduciary duties or for fraud committed in the performance of his or her duties to the Corporation and/or its stakeholders.

7. CORPORATE SOCIAL RESPONSIBILITY (CSR) AND RELATIONS WITH STAKEHOLDERS

7.1. Duty to be Responsive to Stakeholders - Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to the Corporation and its stockholders, but also with different constituencies or Stakeholders, who have the right to expect that the Corporation is being run in a prudent manner and with due regard to the interests of all Stakeholders. Consequently, members of the Board and Officers shall deal fairly with the Corporation's employees, customers, suppliers and other Stakeholders. No member of the Board or Officer may take unfair advantage of the employees, customers, suppliers and other stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

7.2. Corporate Social Responsibility Statement – Beyond our primary mandate of delivering communications, goods and payment services in any Filipino Community, the Corporation recognizes its bigger responsibility towards the society as a whole.

For our society and the environment, we will endeavor to promote undertakings in community development, cultural involvement, environmental awareness and disaster response.

For our employees, we will encourage and carry out programs that primarily target their development as well-rounded individuals with varied interests and involvement in worthwhile causes.

7.3. Formal Recognition of Stakeholders – The Corporation protects the rights and interests of stakeholders as established by law through mutual agreements. It promotes stakeholder engagement in the corporate governance process. The Corporation recognizes the following as its stakeholders:

- **State through the National Government**
- **Customers/General Public**
- **Officers and Employees**
- **Supplier and Contractor**

7.4 Relationship with Stakeholders

- **State through the National Government**
  The Corporation supports the government in spreading a good governance regime, which makes no room for corruption and bribery.

- **Customers/General Public**
  Our Corporate policy towards customers is embedded on the principle of quality service. We look upon the general public as effective partners with common interest to uplift their lives by linking them through access to communications and information, and delivery of their respective products around the world. Client feedback mechanism will be implemented through periodic customer satisfaction surveys.

- **Officers and Employees**
  The Corporations implements organization policies to meet its obligations toward its employees. It invests in talent development programs and performance-enhancing mechanisms to support its corporate mission of empowering employees to prosper in a climate of integrity and excellence. Corporate Training Needs Assessment (TNA) is being implemented.

  Philpost supports and subscribes to the CSC Memorandum Circular No. 13, s. 1992 known as "Establishment of Educational Support Program in Government Agencies" to enhance employees' competencies to perform their functions more effectively and efficiently. This will likewise assist postal employees to qualify for appointment to permanent positions or higher positions, when their performance warrant.

  In pursuit of Philpost's objective to institutionalize HR development, professionalize public service and fortify its businesses, the Philippine Postal Corporation shall establish EDUCATIONAL ASSISTANCE PROGRAM.

- **Supplier and Contractor**

  The Corporation values its relationship with suppliers and contractors. It follows the rules concerning the fair and transparent process of selecting them.

  Suppliers are selected and evaluated based on their track record, price, payment terms and performance on criteria such as product quality, response to problems and delivery, and should always be in accordance with R.A. No. 9184 (The Government Procurement reform Act) and its Implementing Rules and Regulations.

7.5 Hierarchy of Stakeholders Conflicting Interest. In resolving conflicting interest among stakeholders, the relationships between stakeholders and the balance of power among parties is an important issue. In order to determine the hierarchy of stakeholders interest, PPC should do the stakeholder analysis by identifying, assessing the importance and anticipate the influence (either positive or negative), that each stakeholder will have on the undertaking.

Any question on conflicting interest, they should be brought to the attention of the Governance Committee which will review the conflict in question and accordingly determine the course of action.

7.6 Responsibility towards Health, Safety and Environment Concerns

In course fulfillment, PPC shall ensure its commitment to addressing the overall welfare and conditions of its internal and external stakeholders, who are responsible in the dynamic interplay of transactions and achieved goals and objectives of the Corporation.

Health and Safety:

The Corporations hall always endeavor to protect its employees by providing office space and working conditions that are conducive to high productivity and results. This is to include observing policies on no-smoking, banning liquor and other forms of vices within the organization's premises. The Corporation shall also continue to promote wellness efforts participated-in by the employees to observe work-life balance.

As part of its health awareness campaign, employees shall be periodically immersed with briefings and information regarding quality life and healthy disposition, stress management and proper physical regimen. Likewise, employees are assured of undergoing physical examination and health coverage on annual basis.

Furthermore, the Corporation shall be consistent with safety regulations and policies in order to insulate and protect the employees and its visitors from harmful and destructive elements. Entry to premises is observed with proper biometrics access and security guidance.

Environment:

PPC is continuously implementing the 3R's (re-use, recycle, reduce) as a matter of internal policy – its Green Program, which seeks to observe sustainable campaign via the 3Rs.

The societal contribution of PPC to the environment is shown through proper waste segregation and disposal, conservation of power and the continued adoption of austerity measures to rationalize on use of resources such as paper.

7.7 Communication with Stakeholders. The PPC shall communicate with stakeholders and the public at large on their stakeholder policies and provide relevant information on their effective implementation. The PPC shall allow its stakeholder reports to be independently scrutinized in order to strengthen their credibility.

7.8 Systems of Accountability with Stakeholders. The Corporation acts in good faith in its dealing with all its stakeholders. The Board is primarily accountable to the stakeholders, and Management, in turn to the Board. The Board provides the Stakeholders with a balanced and understandable assessment of Corporation's performance, positions and prospects on a regular basis. Management, on the other hand, does the same for all the members of the Board. This responsibility extends to interim and other price-sensitive public reports to regulators as well as to information required to be presented by statutory requirement. The Board is also responsible for maintaining a sound system of internal control to safeguard stakeholders' investments and Corporation's assets.

8. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

8.1. This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

8.2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

8.3. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filling of all required information for the interest of the stakeholders.

8.4. The reports or disclosures required under this Manual shall be prepared and submitted to the GCG by the responsible Committee or officer through the Corporation's Compliance Officer.

8.5. The Board and executives shall maintain a website and post therein for unrestricted public access, the following:

8.5.1 Institutional Matters;

- Latest version of the Charter
- List of Subsidiaries and Affiliates.

8.5.2 Board and Officers Information

- Complete listing of the Directors and Officers with attached resume, and their membership in Board Committee
- Complete compensation package of all the board members and officers, including travel, representation, transportation and any other form of expenses and allowances
- Information on Board Committees and their activities
- Attendance record of Directors in Board and Committee meetings

8.5.3 Financial and Operational Matters

- Latest annual Audited Financial and Performance Report with thirty (30) days from receipt of such Report
- Audited Financial Statements in the immediate past three (3) years
- Quarterly, and Annual Report and Trial Balance
- Current Corporate Operating Budget(COB)
- Local and foreign borrowings, if any
- Government subsidies and net lending
- All borrowings guaranteed by the Government
- Any material risk factors and measures taken to manage such risks
- Performance Evaluation System (PES)

8.5.4 Governance Matters

- Vision-Mission Statements
- Performance Scorecards and Strategy Map
- Organizational Chart

- Manual of Corporate Governance
- CSR Statement
- Balance Scorecard

8.5.5 Such other information or report that the GCG may require.

9. RESPONSIBILITY FOR THE TRUTHFULNESS AND FAIRNESS OF THE PPC FINANCIAL STATEMENTS

9.1 Responsibility for the truthfulness and Fairness of the Financial Statements. As part of its accountability for the day-to-day operations of the PPC, Management is primarily responsible for the preparation and presentation of the PPC financial statements, as well as the truthfulness and correctness thereof.

The financial statements shall be prepared in conformity to the generally accepted accounting principles and shall reflect amounts that are based on informed judgment of Management with an appropriate consideration to materiality.

The Board through the Internal Audit Department (IAD) shall oversee the maintenance of a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. In the exercise of its oversight function, the Board shall ensure the fairness of the information and representations contained in the financial statements. The Board of Directors shall confirm the truth and fairness of the Financial Statement upon Audit by IAD. (Annex "C" – Statement by the Directors confirming the truth and fairness of the Financial Statement.)

10. COMMITMENT OF COMPLIANCE WITH ANTI-MONEY LAUNDERING LAW AND THE ANTI-RED TAPE ACT

10.1. The Board and the Management commits protect and preserve the integrity and confidentiality of remittance accounts and ensure that Corporation shall not be used as a money laundering channel for the proceeds of unlawful activities. The Board and the Management recognizes that being a registered remittance agent with the Bangko Sentral ng Pilipinas it shall prepare and adopt an Anti-Money Laundering Policies and Operating Manual. Said Anti-Money Laundering Manual shall form an integral part of this Manual.

10.2. The Board and Management shall take positive and effective measures against graft and corruption. It shall aim to promote transparency in the manner of transacting with the public. It shall establish an effective system that will eliminate bureaucratic red tape, avert graft and corrupt practices and improve the efficiency of delivery of frontline services through simplified procedures, established service standards in every transaction, and information of these procedures and standards to clients.

11. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

11.1. Subject to existing civil service laws, rules and regulations, and with ensuring compliance with the requirements of due process, the Board shall have the authority to discipline, or remove from office, officers of the Corporation, upon majority vote of the members of the Board who actually took part in the investigation and deliberation. ***(GCG MC 2012-07, Sec. 22)***

11.2. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff and in case of violation of any provision of this Manual:

- In case of **first violation**, the subject person shall be reprimanded.
- For **second violation**, the impossible penalty is suspension from office. The duration of the suspension shall depend on the gravity of the violation.
- For **third violation**, the maximum penalty of removal from office shall be imposed.

11.3. The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

11.4. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

11.5. The failure by a Director or Officer to make the restitution of COA disallowance within thirty (30) days after a written demand has been served shall, after trial and final judgment, subject such Director or Officer to the punishment of imprisonment for one (1) year and a fine equivalent to twice the amount to be restituted and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.

12. REPEALING CLAUSE

12.1. All business process and practices being performed within any department or business unit of Model Corporation that are not consistent with any portion of this manual shall be revoked unless upgraded to the complaint extent.

13. REVIEW OF THE CODE

13.1. This Manual, including the Anti-Money Laundering Manual, shall be subject to quarterly review, unless the same frequency is amended by the Board.

Approved: December 18, 2014

Approved by:

HON. CESAR N. SARINO
Chairman

HON. MA. JOSEFINA M. DELA CRUZ
Postmaster General/Vice Chairman

HON. RENATO R. SANTICO
Member

HON. RONALDO S. TUAZON
Member

HON. JOEL L. OTARRA
Member

HON. FELIPE A. HIDALGO, JR.
Member

CERTIFICATION

This is to certify that this manual was approved by the Board of Directors on December 18, 2014 under Board Resolution No. 2014 - 150.

ATTY. FLORANTE C. CRUZ
Corporate Secretary

Annex "A"

CHARTER OF EXPECTATIONS FOR DIRECTORS

As a member of the Board of Directors of the Philippine Postal Corporation, I recognize the important responsibility that I am undertaking. I acknowledge that my role as a Board Director includes:

(a) **Conducting fair business transactions with Philpost and ensuring that personal interest does not compromise Board decisions.** The basic principle to be observed is that a Board Director shall not use his position to make profit or to acquire benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest arises on the part of Board Director or Senior Executives, it must be fully disclosed and the concerned director should not participate in decision-making. A Board Director who has continuing conflict of interest of a material nature should consider resigning.

(b) **Developing time and attention necessary to properly discharge duties and responsibilities.** A Board Director should devote sufficient time to familiarize himself with business of Philpost and should be constantly aware of the Corporation's condition and be knowledgeable enough to contribute meaningfully to the Board's work. He should attend and actively participate in Board meetings, request and review meeting materials, ask questions, and request explanation.

(c) **Acting judiciously.** Before deciding on any matter brought before the Board, a Board member should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

(d) **Exercising independent judgment.** A Board Director should view each problem/situation and state his position. He should not be afraid to take to take a position even though it might be unpopular. Corollary, he should support plan and ideas that he thinks are beneficial to Philpost.

(e) **Gaining a working knowledge of the statutory and regulatory requirements affecting Philpost, including the contents of its Charter (RA 7375) and applicable laws, rules and regulations.** A Board Director should also keep himself informed of industry developments and business trends in order to safeguard Philpost's competitiveness.

(f) **Observing confidentiality.** A Board Director should observe the confidentiality of non-public information acquired by reason of his position as director. He should not disclose any information to any other person without the authority of the Board; 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 report system;

(ii) Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

(iii)Reviewing proposed key executive appointments;

(iv)Ensuring the selection, appointment and retention of qualified and competent management; and

(v) Reviewing Philpost's personnel and human resources policies, compensation plan and the management succession plan.

By signing this document, I am acknowledging the responsibilities, commitment and conduct expected of all Board Directors of the Philippine Postal Corporation. Furthermore, I am recognizing that the commitments in this document may be used as part of evaluation of my service as a Board Director.

_____
Board Director's Signature

_____
Date

Annex "B"

List of Disclosures for Directors

Present Positions

- Present Positions in PPC (including membership Committees)
- Present Positions in Government (including Directorships in Government Corporate Institutions)
- Present Positions in other Private Institutions (including Corporate Directorship)

Past Positions

- Past Positions in PPC and duration
- Past Positions in Government (including Directorships in Government Corporate Institutions) and duration
- Past Positions in other Private Institutions (including Corporate Directorship) and duration

Family Relations (Legitimate or Common-Law)

- First Degree Relatives by Consanguinity
- First Degree Relatives by Affinity
- Second Degree Relatives by Consanguinity
- Second Degree Relatives by Affinity
- Third Degree Relatives by Consanguinity
- Third Degree Relatives by Affinity

As stated in the Sworn Statement of Assets and Liabilities (SALN)

Business Interests and Financial Connections

(Of Declarant/Declarant's Spouse/Unmarried Children Below Eighteen (18) Years of Age Living in Declarants's Household)

Relatives in the Government Service

(Within the Fourth Degree of Consanguinity or Affinity including Bilas, Balae, and Inso)

Annex "C"

STATEMENT CONFIRMING THE TRUTH AND FAIRNESS OF THE CY_____ FINANCIAL STATEMENTS OF PHILIPPINE POSTAL CORPORATION

The Management of Philippine Postal Corporation is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, ____, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors or Trustees reviews and approves the financial statements and submit the same to the stockholders or members. In addition, pursuant to Section 8 (g) of the GCG Code of Corporate Governance for GOCCs, the Board of Directors shall ensure the integrity of the corporation's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

In this line, the Board of Directors hereby confirms the truth and fairness of the CY____ Financial Statements of Philippine Postal Corporation.

_____
Chairman

_____
Vice-Chairman/ Postmaster General

_____
Member

_____
Member

_____
Member

_____
Member

_____
Member