

Republic of the Philippines
DEPARTMENT OF AGRICULTURE
NATIONAL TOBACCO ADMINISTRATION

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**The NTA MANUAL OF
CORPORATE GOVERNANCE**

APRIL 2014



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MANUAL OF CORPORATE GOVERNANCE

The National Tobacco Administration's Manual of Corporate Governance is hereby pursuant to the provisions of *Republic Act No. 10149*, otherwise known as the "*Governance Commission for Government-Owned and/or Controlled Corporations (GCG)*" and *GCG Memorandum Circular No. 2012-07*, "*Code of Corporate Governance for GOCCs.*"

This Manual lays down set of ethical standards, and provides clear-cut policies, rules and procedures that will be observed, followed and implemented by the Governing Board, Executive Officers, and Employees of the NTA. Ethical standards, policies, rules and procedures embodied in this Manual will ensure that NTA's corporate governance in the conduct of its operational affairs, programs and activities are carried out in a transparent, responsible and accountable manner with utmost degree of competency, professionalism, efficiency and effectiveness.

I.

DEFINITION OF TERMS AND COVERAGE

SECTION 1. *Definition of Terms.* Unless the context otherwise indicates, the following terms shall mean:¹

1. **Act** – refers to Republic Act No. 10149, and officially entitled the "GOCC Governance Act of 2011."
2. **Appointive Directors** refer to all members of its Board of Directors/Trustees who are not *ex officio* members thereof;
3. **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, Vice-Chairman, and the Board Secretary.
4. **Board of Directors/Trustees, or Board, or Governing Board** – refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all properties, of a GOCC, whether it be formally referred to as the "Board of Directors" or "Board of Trustees"

¹ Section 1, *GCG Memo Circular No. 2012-07, Code of Corporate Governance for GOCCs*

or some other term in its Charter, Articles of Incorporation or By-laws. In the case of NTA, it refers to the NTA Governing Board.

5. **Charter** – refers to the formal act of Congress creating a Chartered GOCC and defining its franchise. In the case of NTA, it refers to Executive Order No. 245, issued on 24 July 1987.
6. **Charter Statement** – refers to a statement of the NTA’s vision, mission and core values.
7. **Chief Executive Officer** – refers to the highest ranking corporate executive who heads Management, who could be named as the President or the General Manager, Chairman or the Administrator of a GOCC. In the case of NTA, it refers to the Administrator.
8. **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 GOCC. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the GOCC or its customers/stakeholders if disclosed, such as: (1) non-public information about the GOCC’s financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions, divestitures, stock splits and similar transactions; (2) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the GOCC is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.
9. **Chartered GOCC** – refers to a GOCC, including a GFI, created and vested with functions by a special law.
10. **Director** – refers to any member of the Governing Board of a GOCC, whether it be formally referred to as the “Board of Directors” or “Board of Trustees” or some other term in its Charter, Articles of Incorporation or By-laws. In the case of NTA, it refers to the NTA Director.
11. **Ex-Officio Board Member** – refers to any individual who sits or acts as a member of the Board of Directors/Trustees by virtue of one’s title to another office, and without further warrant or appointment. In the case of NTA, it refers to the Secretary of the Department of Agriculture, as the Chairman, and a Senior official designated by the Secretary of Agriculture as *ex-officio* Member.

12. **Executive Officer** – refers to the CEO or whoever is the highest ranking officer in the GOCC, and such other corporate officer of the GOCC as expressly provided for in its Charter (for a Chartered GOCC) or By-laws (for a Non-Chartered GOCC), such as the Vice-President, Chief Financial Officer, Chief Investment Officer, and General Manager. As distinguished from the Board Officers, Executive Officers primarily form part of the Management for the GOCC. In the case of the NTA, it refers to the Administrator.
13. **Extraordinary Diligence** – refers to the measure of care and diligence that must be exercised by Directors and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of GOCCs, which is deemed met when Directors and Officers act using the utmost diligence of a very cautious person taking into serious consideration all the prevailing circumstances and Material Facts, giving due regard to the legitimate interests of all affected Stakeholders.
14. **Fit and Proper Rule** - refers to a set of standards for determining whether a member of the NTA Governing Board or the CEO is qualified to hold a position in NTA, which shall include, but not limited to, standards on integrity, experience, education, training and competence, as such standards are set forth under GCG Memorandum Circular No. 2012-05.
15. **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.
16. **Government Financial Institution (GFI)** – refers to any financial institution or corporation in which the government directly or indirectly owns majority of the capital stock and which is either: (a) registered with or directly supervised by the Bangko Sentral ng Pilipinas (“BSP”); or (b) collecting or transacting funds or contributions from the public and places them in financial instruments or asset, such as deposits, loans, bonds and equity, including but not limited to, the Government Service Insurance System and the Social Security System.
17. **Government-Owned and/or Controlled Corporation (GOCC)** – refers to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs, whether governmental or proprietary

in nature and owned by the Government of the Republic of the Philippines, directly or through its instrumentalities, either wholly or, where applicable, as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. The term includes Government Instrumentalities with Corporate Powers (GICP), Government Corporate Entities (GCE) and Government Financial Institutions (GFI). The term also includes a Subsidiary of a GOCC.

18. **Management** – refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of the GOCC. In the case of NTA, Management is composed of the NTA Governing Board, the Administrator, the Deputy Administrators, and all Department Managers.
19. **Material Information (Material Fact)** – refers to information which a reasonable investor, stakeholder, or Supervising Agency would consider important in determining whether: (a) to buy, sell, hold or otherwise transact with the securities issued by a GOCC; or (b) to the exercise with reasonable prudence voting rights related to securities held with such GOCC, relating to corporate acts, contracts and transactions which would adversely affect the operations of the GOCC.
20. **Non-Chartered GOCC** – refers to a GOCC organized and operating under Batas Pambansa Bilang 68, or “The Corporation Code of the Philippines.”
21. **Non-Stock GOCC** – refers to a Chartered or Non-chartered GOCC which has no equity represented by shares of stock.
22. **Officers** – refer to both Board Officer and Executive Officers of the NTA.
23. **Per Diems** – refer to the compensation granted to members of the Governing Boards of a GOCC for actual attendance in meetings.
24. **Performance Evaluation System (PES)** – refers to the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets, and weights.
25. **Performance Scorecard** – refers to a governance and management tool forming part of the performance evaluation system which consists of a set of measures, targets and initiatives that facilitate the achievement of breakthrough results and performance through the effective and efficient monitoring and coordination of the strategic objectives of the GOCC.

26. **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.
27. **Stakeholder** – refers to any individual or entity for whose benefit the GOCC has been constituted, or whose life, occupation, business or well-being is directly affected, whether favourably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the GOCC has been instituted, and which would include a stockholder, member, or other investor in the GOCC, management, employees, supply creditors, or the community in which the GOCC operates.
28. **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 GOCC’s vision in relation to its mission or purpose of having been created.
29. **Subsidiary** – refers to a corporation where at least a majority of the outstanding capital stock is owned or controlled, directly or indirectly, through one or more intermediaries, by the GOCC.
30. **Supervising Agency** – refers to a Government Agency to which a GOCC is attached to for purposes of policy and program coordination and for general supervision. In the case of NTA, it refers to the Department of Agriculture.

SECTION 2. Coverage. The provisions of this Manual shall apply to the members of the Board and Management being the implementers of and accountable for the corporate governance of the NTA.

II.

ROLE OF NTA IN NATIONAL DEVELOPMENT

SECTION 3. As the sole government tobacco agency, the NTA has been mandated, under its Charter, to:²

² Sec. 2, EO No. 245, EO Creating the NTA

1. Improve the economic and living conditions and raise the quality of life of the tobacco farmers including those who depend upon the industry for their livelihood; and,
2. Promote the balanced and integrated growth and development of the tobacco industry to help make agriculture a solid base for industrialization.

With the enactment of Republic Act 9211, otherwise known as Tobacco Regulation Act of 2003, NTA's mandates were further expanded to include:³

3. Tobacco Growers Assistance Program, to financially assist the NTA-registered tobacco farmers who may be displaced due to the implementation of the Act, or has voluntarily ceased planting tobacco;
4. Promote the Tobacco Growers Cooperative Programs, to assist tobacco farmers in developing alternative farming systems, plant alternative crops and other livelihood projects;
5. National Tobacco Free-Public Education Program, to provide scholarships for dependents of tobacco growers, in collaboration with state colleges and universities and technical and vocational schools; and,
6. Research and Development Program, to undertake studies in cooperation with the Department of Science and Technology (DOST) concerning technologies and methods to reduce the risk of dependence on and injury from tobacco product usage and exposure, (or quality assurance for tobacco and tobacco products), development of alternative uses of tobacco and similar research programs.

SECTION 4. To be effective in the pursuance of its mandates, the NTA has been entrusted with the following powers and functions:⁴

- A. General Powers. The NTA shall have the following general powers:
1. To administer and regulate the tobacco industry in the Philippines;
 2. To incur any obligation or enter into contract with any person, natural or juridical, domestic or foreign, essential to the proper administration of its affairs and the accomplishment of its purposes and objectives;
 3. To own, purchase, lease, mortgage, encumber or otherwise dispose of real and personal property as the attainment of its purposes and objectives may reasonably permit.

³ Sec. 33, RA 9211, *An Act Regulating the Packaging, Use, Sale, Distribution & Advertisement of Tobacco Products & For Other Purposes*

⁴ Sec. 3, EO No. 245

B. Specific Powers. The NTA shall have the following specific powers and functions:

1. To promulgate and enforce rules and regulations on the production, standardization, classification, grading and trading of tobacco and tobacco products as may be necessary to attain its purposes and objectives and to pursue the policy of government on tobacco.
2. To conduct agricultural and industrial research and to establish, operate and maintain experimental stations;
3. To accept and receive financial and other support from private and other sources for the development and promotion of the Philippine tobacco industry;
4. To provide incentives and other financial assistance to tobacco growers and association thereof, directly or in conjunction with accredited financial institutions;
5. Impose administrative sanctions for violation of the rules and regulations issued by the NTA.

III.

THE NTA GOVERNING BOARD

SECTION 5. *The NTA Governing Board.* All corporate powers of the National Tobacco Administration are vested in, and exercised by the NTA Governing Board.

SECTION 6. *Composition of the Governing Board.* The NTA Governing Board shall be composed of:⁵

- a. The Secretary of Agriculture, as ex-officio Chairman;
- b. The NTA Administrator, who shall be the Vice-Chairman;
- c. A Senior Official of the Department of Agriculture, duly designated by the Secretary of Agriculture, as ex-officio member; and
- d. Six (6) other members who shall be appointed by the President of the Philippines upon recommendation of the Chairman; Provided, That, one (1) shall come from the tobacco manufacturing sector, one (1) from the tobacco traders/exporters sector, three (3) from the tobacco farmers sector and one (1) from the Academic Community.

⁵ Sec. 4, EO No. 245

SECTION 7. *Qualifications of the Governing Board.* All members of the NTA Governing Board and the Administrator shall be qualified by the Fit and Proper Rule adopted by the GCG in consultation and coordination with the relevant government agencies to which the NTA is attached, and approved by the President of the Republic of the Philippines. The GCG, in coordination with the Supervising Agency shall, subject to the approval of the President, prescribe, pass upon and review the qualifications and disqualifications of individuals appointed as NTA Directors and Administrator, and shall disqualify those found unfit. In determining whether an individual is fit and proper to hold the position of NTA Director and Administrator of the NTA, due regard shall be given to one's integrity, experience, education, training and competence.

SECTION 8. *Powers and Functions of the Board.* The Governing Board shall act as the policy-making body of the NTA to formulate policies, promulgate regulations and prescribed rules in the exercise of its specific powers and those which are necessary, implied, incidental or conducive to the attainment of the Agency's purposes and objectives.⁶

In addition to the abovementioned powers and functions, the NTA Governing Board shall also perform the following duties and responsibilities:⁷

1. Meet regularly, not exceeding 24 meetings in a year, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted;
2. Determine NTA's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the NTA survives and thrives despite financial crises and that its assets and reputation are adequately protected;
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 over-all performance to ensure optimum results;
4. Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of the NTA have the necessary motivation, integrity, competence and professionalism;

⁶ Sec. 4, EO No. 245

⁷ Sec. 8, RA 10149, GOCC Governance Act of 2011

5. Monitor and manage potential conflicts of interests of Directors, Management, and employees, including misuse of corporate assets and abuse in related party transactions;
6. Implement a system of internal checks and balances, which may be applied in the first instance to the Governing Board; and ensure that such systems are reviewed and updated on a regular basis;
7. Ensure the integrity of the NTA's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
8. Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
9. Adopt, implement and oversee the process of disclosure and communications;
10. Constitute an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and
11. Conduct and maintain the affairs of the NTA within the scope of its authority, as prescribed in its Charter, and applicable laws, rules and regulations.

SECTION 9. Mandate and Responsibility for NTA's Performance. Although the day-to-day management of the affairs of the NTA may be with Management, the NTA Governing Board is, however, responsible for providing policy directions, monitoring and overseeing Management actions as articulated in Executive Order No. 245, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:⁸

1. Provide the corporate leadership of the NTA subject to the rule of law, and the objectives set by the National Government through the Supervising Agency and the GCG;
2. Establish NTA's vision and mission, strategic objectives, policies and procedures, as well as defining the NTA's values and standards through:
 - a. Charter Statements;
 - b. Strategy Maps; and

⁸ Sec. 7, GCG MC No. 2012-07

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

SECTION 10. Term of Office. The term of office of each Appointive Member of the Governing Board and Administrator shall be 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. Notwithstanding and/or contrary to any provision in EO No. 245 dated July 24, 1987, the one (1) year Term of Office of all Appointive Members of the NTA Governing Board covered by RA 10149 shall begin on 01 July of the year of appointment and ending on 30 June of the following year.⁹

An Appointive Member of the NTA Governing Board 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

⁹ Sub-Sec. 14.1, GCG MC No. 2012-07

year of tenure as Appointive Director based on the performance criteria for Appointive Director adopted for NTA.¹⁰

An appointment to fill any vacancy shall be for the unexpired term of the predecessor. The appointment of a Director to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Directors.¹¹

SECTION 11. Board Officers. The Board Officers of the NTA are the Chairman of the Board (who is the highest ranking of the Board Officers), the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens.¹²

- a. **Chairman of the Governing Board.** The Chairman shall, when present, preside at all meetings of the Board. The Chairman's responsibilities shall include the following:
 1. Preside over all Board meetings;
 2. Call meetings (through the Board Secretary) to enable the Board to perform its duties and responsibilities;
 3. Approve meeting agenda in consultation with the Administrator and the Board Secretary;
 4. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
 5. Assist in ensuring compliance with the NTA's guidelines on corporate governance.

- b. **Vice Chairman of the Governing Board.** In the absence of the Chairman of the Governing Board, the Vice-Chairman shall preside at the meetings of the Board.¹³

- c. **Board Secretary.** The Corporate Secretary need not be a member of the Governing Board. He/She must possess organizational and interpersonal skills, and the legal skills of a Legal Officer. The Board Secretary shall have the following functions:¹⁴
 1. Serve as an adviser to the Board Members on their responsibilities

¹⁰ Sub-Sec. 14.2, GCG MC No. 2012-07

¹¹ Sub-Sec. 14.3, GCG MC No. 2012-07

¹² Sec.15, GCG MC No. 2012-07

¹³ Sec.15.2, GCG MC No. 2012-07

¹⁴ Sec.15.3, GCG MC No. 2012-07

2. Keep the minutes of meetings of the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the Administrator, and other members of the Board as appropriate;
 3. Keep in safe custody the seal of the NTA and affix it to any instrument requiring the same;
 4. Attend to the giving and serving of notices of Board meetings, if applicable;
 5. Be fully informed and be part of the scheduling process of other activities of the Board;
 6. 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;
 7. Oversee the adequate flow of information to the Board prior to meetings;
 8. Ensure fulfilment of disclosure requirements to regulatory bodies; and
 9. Other responsibilities as the Board may impose upon him/her. The Board shall have separate and independent access to him/her.
- d. **Compliance Officer.** The Governing Board shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such office or appointment, the Board Secretary, who is preferably a lawyer, shall act as Compliance Officer.¹⁵

The Compliance Officer shall perform the following duties:

1. Monitor compliance by the NTA of the requirements under RA 10149, this Manual, the rules and regulations of the appropriate Governing 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/s;
2. Appear before the GCG when summoned in relation to compliance with RA 10149 and other compliance issues; and
3. Issue a Certification every 30 May of the year on the extent of NTA's compliance with the government corporate standards governing

¹⁵ Sec. 15.4, GCG MC No. 2012-07

GOCCs for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.

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

SECTION 12. *Formal Charter of Expectations.* A Formal Charter of Expectations to which the Governing Board and Management shall be committed to in pursuance of good governance in NTA shall be executed, and they are expected to:

- a. Ensure that personal interests do not compromise Board or Management decisions. Every Board member or executive officer shall not use his or her position to gain profit or to acquire benefit or advantage for himself or herself or his or her related interests. He or she shall avoid situations that may compromise his or her impartiality;
- b. Devote sufficient time and effort to familiarize himself or herself with the business of NTA. He/She be constantly aware of the Philippine tobacco industry's condition/situation, development, business trends and be knowledgeable enough to contribute meaningfully to the Board's or Management's work. He/She shall attend and actively participate in Board or Management meetings, request and review meeting materials, ask questions, and request explanations, if necessary;
- c. Thoroughly evaluate the issues, make inquiries and seek clarifications to arrive at judicious actions and decisions on matters brought before the Board and Management;
- d. View each problem and situation objectively. When disagreement occurs, he/she shall carefully evaluate the situation and problem, and correspondingly state his/her position, decide and judge independently;

- e. Observe the confidentiality of material/non-public information acquired by reason of his/her position as Director or Executive Officer;
- f. Establish and institute adequate internal control mechanisms for good governance in NTA. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
 - 1. Formulation and adoption of organizational and procedural controls through an effective management information system and risk management reporting system;
 - 2. Appropriation of remedial measures when conflict-of-interest situations arise;
 - 3. Institute adequate selection, appointment and retention policies and procedures for qualified and competent Management; and
 - 4. Ensure the development and review of personnel and human resource policies of the NTA, compensation plan and the management succession plan, as may be provided.

SECTION 13. Board Committees. The Board Committees and other such oversight bodies shall enable the members of the Governing Board to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting the NTA and the proper handling of all other concerns, and to allow the Governing Board to effectively utilize the expertise of its Directors. The Board Committees shall be chaired by any of the Board Members which shall support the Governing Board in the performance and discharge of its functions, duties and responsibilities. The existence of the Board Committees shall not excuse the Governing Board from collective responsibility for all the matters that are within its primary responsibility and accountability.

SECTION 14. Functions of the Board Committees. The Board committees shall have the following functions:¹⁶

- 1. Establish, adopt and implement its own written by-laws that define their duties, authorities and composition, which shall be determined by the current Governing Board;

¹⁶ Adopted fr. Sec. 16, GCG MC No. 2012-07

2. Report to the Governing Board as a collegial body and the minutes of their meetings shall be circulated to the members of the Governing Board;
3. Conduct an investigation into any matter within the scope of its responsibility;
4. Ask or request assistance from special legal, accounting or other experts-of-the-field to assist them in carrying out their duties;
5. Ask any executive or employee of NTA to attend their meetings and to provide pertinent information and/or assistance, as may be necessary;
6. Perform the tasks/assignments and participate in various meetings as may be directed by the Governing Board; and
7. Review and assess the adequacy of their by-laws regularly and propose changes as may be necessary, subject to the approval of the Governing Board.

a. **Audit Committee** – To serve as a study group to recommend to the Governing Board the adoption/enhancement of policies related to effective management, and operational systems & procedures. Specifically, it shall be responsible for the following:¹⁷

1. Overseeing, monitoring and evaluating the adequacy and effectiveness of NTA's internal control system, engage and provide oversight of the NTA'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 Governing 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 the NTA's records, properties and personnel relevant to and required by its

¹⁷ Sub-Sec. 16.2.2 GCG MC No. 2012-07

function and that the internal auditing activity shall be free from interference in determining its scope, performing its work and communicating its results; and

5. Developing a transparent financial management system that will ensure the integrity of internal control activities throughout the NTA through a procedures and policies handbook that will be used by the entire organization.

b. Governance Committee - To serve as study group to recommend to the Governing Board the adoption/enhancement of policies related to improving organizational productivity and performance. Specifically, the Governance Committee shall be responsible for the following:¹⁸

1. Overseeing the periodic performance evaluation of the Governing Board and its committees and Management, and also conducting an annual self-evaluation of their performance;
2. Deciding whether or not a Member of the Governing Board 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;
3. Recommending to the Board regarding the continuing education of Directors, assignment to the Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
4. Recommending the manner by which the Governing Board's performance may be evaluated and proposing objective performance criteria to be approved by the Governing Board. Such performance indicators shall address how the Governing Board will enhance long-term shareholder value.

c. Nomination and Remuneration Committee shall be responsible for the following:¹⁹

¹⁸ Sub-Sec. 16.2.3, GCG MC No. 2012-07

¹⁹ Sub-Sec. 16.2.4, GCG MC No. 2012-07

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 NTA which require appointment by the Governing Board;
3. Recommending to the NTA nominees for the shortlist in line with the NTA's Board composition and succession plan;
4. Developing recommendations to the GCG for updating the CPCS with the NTA'S culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

d. Risk Management Committee shall be responsible for the following:²⁰

1. Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the NTA, and crisis management, which shall include receiving from NTA Management periodic information on risk exposures and risk management activities;
2. Developing the Risk Management Policy of the NTA, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of the NTA, especially at the Governing Board and Management level; and
3. Providing quarterly reporting and updating the Governing Board on key risk management issues as well as *ad hoc* reporting and evaluation on investment proposals.

e. Other Committees:

- e.1 **Committee on Trading Operations** – to which will be referred all matters relating to the regulatory functions of the NTA pertaining to the trading and financing operations of the NTA.
- e.2 **Committee on Research and Extension** – to which will be referred all matters affecting all research and extension projects of the NTA.

²⁰ Sub-Sec. 16.2.5, GCG MC No. 2012-07

- e.3 **Committee on Finance** – to which will be referred budgetary matters, appropriations, ways and means of raising funds, and similar issues.
- e.4 **Committee on Personnel Administration** – to which will be referred all matters on personnel management, administrative cases involving NTA personnel, disciplinary actions on NTA personnel.
- e.5 **Committee on Legal Matters and Properties** – shall be responsible for studying contracts entered or to be entered into by NTA, questions involving interpretation of law, investigations other than those in which NTA personnel are implicated, and matters similar in nature, as well as, matters pertaining to NTA properties, including dispositions, repairs, improvements to be undertaken on NTA properties.
- e.6 **Committee on Public Relations and Corporate Social Responsibility** – which shall be in charge with matters of public concerns affecting the NTA, publicize in any mass media all Agency matters of public interest and propose/study and recommend programs and projects for the benefit of NTA stakeholders.

SECTION 15. Compensation Rules and Structure of Members of the Governing Board. The rules and structure on compensation entitlements of members of the Governing Board shall be governed by Executive Order (EO) No. 24 and GCG Memorandum Circular No. 2012-02, Revised Interim Rules on *Per Diems* and Other Compensation Entitlements of Members of the Governing Boards of GOCCs Covered by RA 10149.

SECTION 16. Annual Performance Evaluation of the NTA Governing Board. A systematic evaluation process of the NTA Governing Board pursuant to GCG Memorandum Circular No. 2013-02, "Performance Evaluation System of the GOCC Sector" shall serve as a necessary tool in enhancing its professionalism and as a useful incentive for Board Members to devote sufficient time and effort to their duties. Monitoring tools and reporting requirements defined therein shall be observed.

SECTION 17. Fines and Other Consequences for Violations and Liabilities of Board Members. The Board Members shall be collectively and/or individually

liable 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); and
4. Other rules and regulations prescribed by GCG and NTA.

IV. MANAGEMENT

SECTION 18. *Role of NTA Management.* The NTA Management stands as the center of decision-making for the day-to-day affairs of the NTA. It shall determine the activities by putting the targets set by the Governing Board in concrete terms and by implementing basic strategies for achieving those targets.

NTA Management is responsible to the Governing Board for implementing the infrastructure for the NTA's success through the following mechanisms in its organization as set by the Governing Board:²¹

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

SECTION 19. *Management Accountability to the Governing Board.* Management shall be primarily accountable to the Governing Board for the operations of NTA. As part of its accountability, Management shall provide all members of the Governing Board with a balanced and understandable account of

²¹Sec. 18, GCG MC No. 2012-07

the NTA's performance, position and prospects on a monthly basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.

SECTION 20. *The Administrator as Chief Executive Officer (CEO).* The CEO or the highest-ranking Executive Officer provided for in the Charter, shall be elected annually by the members of the Governing Board from among its ranks. The CEO shall be subject to the disciplinary powers of the Governing Board and may be removed by the Board for cause.²²

The Administrator shall be the Chief Executive Officer of the NTA and shall have the power to:²³

1. Submit policy recommendations and proposed measures necessary to carry out the purposes, objectives and functions of the NTA for the consideration of the Board;
2. Recommend to the Board, for approval, an organizational structure, staffing pattern, salary structure, and plantilla of personnel of the NTA, in accordance with existing laws, rules and regulations;
3. Execute, administer and implement policies and measures approved by the Board;
4. Submit to the Board, in line with the national budget cycle, an annual budget and such supplemental budget as may be necessary for its consideration and approval;
5. Represent the NTA in all its dealings with other persons, entities, agencies, and institutions, whether public or private, domestic or foreign, subject to the limitations and conditions herein provided;
6. Appoint, subject to the confirmation of the Board, and discipline or remove for cause in accordance with the Civil Service Law, rules and regulations, the officers and personnel of the NTA;
7. Perform such other duties which are purely managerial or routinary in nature and those which may be assigned to him by the Board or by other competent authority.

In addition to the above, the Administrator shall have the following inherent and mandated duties and responsibilities:²⁴

²² Sec. 18, RA10149

²³ Sec. 8, EO 245

²⁴ Sec. 20, GCG MC No. 2012-07

8. Exercise general supervision and authority over the regular course of business, affairs, and property of the NTA, and over its employees and officers;
9. See to it that all orders and resolutions of the Governing Board are carried into effect;
10. Submit to the Governing Board as soon as possible after the close of each fiscal year, and to the shareholders at the annual meeting, if applicable, a complete report of the operations of the NTA for the preceding year, and the state of its affairs;
11. Report to the Governing Board from time to time all matters which the interest of the NTA may require to be brought to its notice; and

SECTION 21. *Other Executive Officers.* The Administrator shall be assisted be assisted by at least two (2) Deputy Administrators who shall be appointed by the President upon the recommendation of the NTA Administrator. The Deputy Administrator shall have the following powers and functions:²⁵

1. Assist the Administrator in assuming the responsibilities and in the exercise of his powers and functions;
2. Discharge such other responsibilities and functions as may be required by the Administrator or the Board

The Board shall appoint, subject to the provisions of the NTA Charter, other executive officers who shall assist the Administrator in carrying out management duties and responsibilities.²⁶

SECTION 22. *Power of the Governing Board to Discipline/Remove Officers.* Subject to existing civil service laws, rules and regulations, and in ensuring compliance with the requirements of due process, the Governing Board shall have the authority to discipline, or remove from office, the CEO, or any other Officer, upon a majority vote of the members of the Governing Board who actually took part in the investigation and deliberation.²⁷

²⁵ Sec. 8, EO 245

²⁶ Sec. 21, GCG MC No. 2012-07

²⁷ Sec. 22, RA 10149

V.

DUTIES AND OBLIGATIONS OF NTA DIRECTORS AND OFFICERS

SECTION 23. *Fiduciaries of the State.* 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 NTA, with utmost good faith in all dealings with the properties, interests and monies of the NTA,²⁸ and (b) they are constituted as trustees in relation to the properties, interests and monies of the NTA.²⁹

SECTION 24. *Directors and Officers as Public Officials.* 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: (a) to promote a high standard of ethics in public service; and (b) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.³⁰

SECTION 25. *Respect for and Obedience to the Constitution and the Law.* As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause the NTA to faithfully and timely comply with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the NTA, and to act within the bounds of the NTA Charter.

SECTION 26. *Duty of Diligence.* The fiduciary duty of diligence of Directors and Officers to always act in the best interest of the NTA, with utmost good faith in all its dealings with the property and monies of the NTA, 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 the NTA, using the utmost diligence of a very cautious person with due regard to all the circumstances;³¹
2. Apply sound business principles to ensure the financial soundness of the NTA; and

²⁸ Opening paragraph of Sec.19, RA 10149

²⁹ Sec. 20, RA 10149

³⁰ Sec. 2, RA 6713, Code of Conduct and Ethical Standards for Public Officials and Employees

³¹ Sec. 21, RA 10149

3. 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.³²

SECTION 27. Duty of Loyalty. The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the NTA, with utmost good faith in all its dealing with the property and monies, includes the obligation to:

1. Act with utmost undivided loyalty to the NTA;
2. Avoid conflicts of interest and declare any interest they may have in any particular matter before the Governing Board; and
3. Avoid (a) taking for themselves opportunities related to the NTA's businesses; (b) using the NTA's property, information or position for personal gain; or (c) competing with the NTA's business opportunities.

27.1 Avoid Conflict of Interest. Directors and Officers shall at all times avoid any actual or potential conflict of interest with the NTA. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest. Any question about a Director's or Officer's actual or potential conflict of interest with the NTA shall be brought promptly to the attention of the Chairman of the Governing Board, who will review the question and determine an appropriate action.³³

27.2 Trustee Relation to NTA Properties, Interests and Monies. Except for the *per diem* received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, 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 NTA is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of the NTA in dealing with its properties, investments in other corporations, management of Subsidiaries and other interests, are to be held in trust by such Director or Officer for the exclusive benefit of the NTA.³⁴

³² Sec. 19(e.), RA 10149

³³ Sec. 27, par. 27.1, GCG MC No. 2012-07

³⁴ Sec. 20, RA 10149

27.3 Taking of Corporate Opportunities. Where a Director or an Officer, by reason of his being a member of the Governing Board or an Officer of the NTA, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the use of properties of the NTA for his/her own benefit, the receipt of commission/s on contract/s with the NTA or its assets, or the taking advantage of corporate opportunities of the NTA, all such benefits or profits shall be subject to restitution pursuant to Section 24 of RA 10149, without prejudice 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.³⁵

27.4 Restitution. Pursuant to Section 24 of RA 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 properties and monies belonging to the NTA are in the possession of a Director or Officer of the NTA without authority, or that profits are earned by the NTA 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 NTA. Failure by the Director or Officer to make the restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, subject such 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.³⁶

SECTION 28. Limits to Compensation, Per Diems, Allowances and Incentives. Pursuant to Section 23 of the RA 10149:

1. The Charter of the NTA to the contrary notwithstanding, the compensation, *per diems*, allowances and incentives of the Appointive

³⁵ Last paragraph, Sec. 19, RA 10149

³⁶ Sec. 24, RA 10149

Directors shall be determined by the GCG, using as a reference, among others, Executive Order No. 24, dated February 10, 2011; and

2. Directors shall not be entitled to retirement benefits acting as such director.

SECTION 29. No Gift Policy. An NTA 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:

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 NTA’s business;
4. Is being made to influence the Director’s or Officer’s actions as such; or
5. Could create the appearance of a conflict of interest.

The NTA Governing Board shall formally adopt a “No-Gift Policy” within the NTA and ensure its full advertisement to the community and its strict implementation thereof.

SECTION 30. Duty of Confidentiality. Pursuant to the duties of diligence and loyalty, an NTA Director or 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: (a) to further their private interests, or give undue advantage to anyone; or (b) which may prejudice the public interest.

VI.

RELATIONS WITH STAKEHOLDERS

SECTION 31. Duty to be Responsive to Stakeholders. Every Director and Officer of the NTA accepts the position fully aware that he/she assumes certain responsibilities not only to NTA, but also with different constituencies or stakeholders, who have the right to expect that it is being run in a prudent manner and with due regard to the interests of all stakeholders. Consequently, members of the NTA Governing Board and Officers shall deal fairly with its employees, customers, suppliers and other stakeholders. No member of the Governing Board or Officer may take unfair advantage of the NTA’s employees, customers,

suppliers and other stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.³⁷

SECTION 32. Formal Recognition of NTA Stakeholders. As mandated by the GCG, this Manual shall incorporate and formally recognize the stakeholders of the NTA, thus:

1. Tobacco Farmers/Planters;
2. Tobacco Buyers/Trading Center Operators;
3. Tobacco Redrying Plant Operators;
4. Wholesale Tobacco Dealers;
5. Cigarette/Cigar Manufacturers;
6. Tobacco Leaf/Products Importers, Exporters, Trans-shippers;
7. Tobacco Field Representatives;
8. Tobacco Farmers Cooperatives and Associations;
9. Partner government agencies and other external agencies;
10. Oversight Agencies
11. Inter-Agency Committee on Tobacco
12. Media
13. Consumers
14. Tobacco by-products vendors/sellers
15. Tobacco by-products developers
16. Private companies with products for suitability testing for tobacco production
17. Business partners/suppliers/contractors
18. NTA Employees
19. The Government

SECTION 33. NTA Employees. Every NTA employee is encouraged to:³⁸

1. Remember that the biggest stakeholder is the Government;
2. Share the vision of NTA;
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 stakeholders and strive for customer satisfaction;
7. Respect others;

³⁷ Sec. 33, GCG Memo No. 2012-07

³⁸ Sec. 36, GCG Memo No. 2012-07

8. Communicate with the stakeholders/customers;
9. Deliver results and celebrate success; and
10. Protect the reputation of the NTA.

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

SECTION 37. Health and Safety. The NTA shall continuously aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. The NTA 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 NTA in order to maintain a healthy, safe and enjoyable environment.³⁹

SECTION 38. Environment. It shall be the goal of the NTA to minimize harmful effects and consider the development and implementation of environmental standards. As such, the NTA shall strongly encourage 3Rs: “Reduce”, “Reuse”, and “Recycle”.

In the course of the NTA’s operations, it shall identify opportunities to reduce consumption of energy, water and other natural resources. The NTA shall strive to reuse and recycle where possible, and dispose of non-recyclable items responsibly, to minimize the impact on the environment.⁴⁰

VII.

DISCLOSURE AND TRANSPARENCY

SECTION 40. Transparency as the Essence of Corporate Governance. The NTA shall continue to enhance disclosure and transparency, and instill a sense of loyalty in its Governing Board members and Officers, as well as protect the interests of its stakeholders. The NTA shall disclose all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner at all times.

³⁹ Sec. 39, GCG Memo No. 2012-07

⁴⁰ Sec. 40, GCG Memo No. 2012-07

SECTION 41. Disclosure in the NTA Website. The NTA shall continue to periodically update its website and post therein for unrestricted access the following, as applicable:⁴¹

1. **On Institutional Matters:**
 - a. The NTA Charter; and
 - b. Government Corporate Information Sheet
 - c. Rules, Regulations and Memo Circulars
 - d. Invitation to Bid and Awards

2. **On the Governing Board and Officers:**
 - a. Complete listing of the Directors and Officers with attached resume, and their membership in Board Committees;
 - b. Complete compensation package of all Members of the Governing Board and Officers, including travel, representation, transportation and any other form of expenses and allowances;
 - c. Information on Board Committees and their activities; and
 - d. Attendance record of Members of the Governing Board and Committee meetings.

3. **On Financial and Operational Matters:**
 - a. The latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;
 - b. Audited Financial Statements in the immediate past three (3) years;
 - c. Quarterly, and Annual Reports and Trial Balance;
 - d. Current Corporate Operating Budget (COB);
 - e. Government subsidies and net lending;
 - f. All borrowings guaranteed by the Government;
 - g. Any material risk factors and measures taken to manage such risks; and
 - h. Performance Evaluation System (PES).

4. **On Governance Matters:**
 - a. Charter Statement/Mission-Vision Statements;
 - b. Performance Scorecards and Strategy Map;
 - c. Organizational Chart;
 - d. Manual of Corporate Governance;

⁴¹ Sec. 43, GCG Memo No. 2012-07

- e. Balance Scorecard
- f. Citizen's Charter

SECTION 42. *Other Reportorial Requirements.* The NTA shall submit to the GCG periodically in electronic form the following:⁴²

1. Common Form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report;
2. Cash and investment balances;
3. Capital expenditure program;
4. Statement of Financial Operations;
5. Acquisition or disposition of assets;
6. Off Balance Sheet transactions; and
7. 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.

VIII.

COMMUNICATION AND DISSEMINATION

SECTION 43. *Communication and dissemination within the Organization, and Continuing Education of the NTA Governing Board, Executive Officers and Employees on this Manual of Corporate Governance.* The following shall be pursued by the Governing Board and Management toward an effective dissemination of this Manual:

1. Ensure the full dissemination of this Manual to all employees and encourage them to participate in the development of organizational policies and processes;
2. Allocate corporate funds for the conduct of series of orientation programs for the continued education and training of all officers and employees in order to institutionalize this Manual in the NTA;

⁴² Sec. 45, GCG Memo No. 2012-07

3. Ensure the full dissemination of this Manual to all stakeholders through the conduct of public information dissemination campaigns and members' dialogues so as to render the NTA accountable to its stakeholders for any violations committed against the provisions set forth herein.

This Manual shall be made available for inspection by any of the NTA stakeholders at any reasonable hours on business days.

IX.

MISCELLANEOUS PROVISIONS

SECTION 44. *Revision and Updating.* The official repository of this Manual shall be the Corporate Governance Committee of the NTA Governing Board and shall be reviewed, updated, and/or revised periodically.

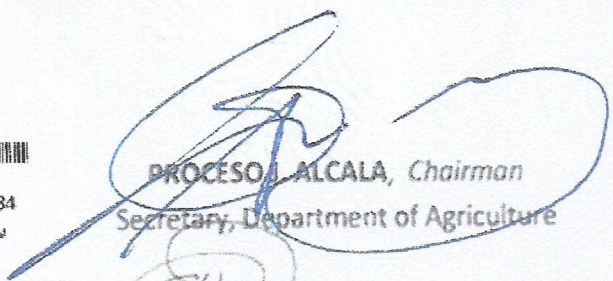
SECTION 45. *Effectivity.* This Manual shall take effect upon approval of the NTA Governing Board and the GCG.

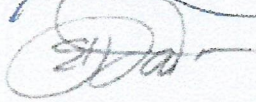
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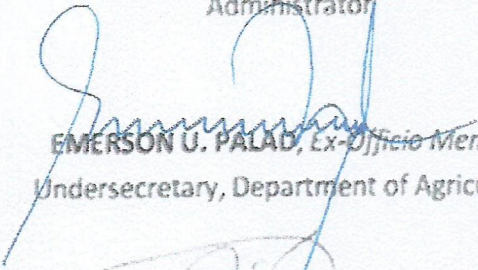
The NTA GOVERNING BOARD

DEPARTMENT OF AGRICULTURE

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PROCESO ALCALA, *Chairman*
Secretary, Department of Agriculture

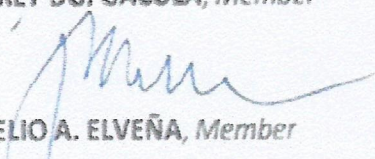

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