



PHILHEALTH BOARD RESOLUTION NO. 1862, S. 2014

**RESOLUTION APPROVING AND ADOPTING THE PHILHEALTH
MANUAL OF CORPORATE GOVERNANCE**

WHEREAS, it is the State's policy to actively promote the principles of accountability and transparency in all Government-Owned or Controlled Corporations (GOCCs), Government Instrumentalities with corporate powers (GIs) and Government Corporate Entities (GCEs) to enhance corporate organization;

WHEREAS, the Office of the Government Corporate Counsel (OGCC) under OGCC Memorandum Circular No. 1, s. 2008 has developed a Model Code of Good Public Corporate Governance to help GOCCs formulate their respective Codes;

WHEREAS, the PhilHealth Board issued Board Resolution No. 1405, series of 2010, which approved and adopted the PhilHealth Code of Good Public Corporate Governance, which is essentially patterned after the OGCC Model Code;

WHEREAS, the Governance Commission for GOCCs (GCG) issued Memorandum Circular No. 2012-07, which enjoins all GOCCs and to formulate their respective Manuals of Corporate Governance;

WHEREAS, the PhilHealth Manual of Corporate Governance was drafted and thereafter presented on 20 February 2014 to the Governance Committee, which recommended its adoption and approval;

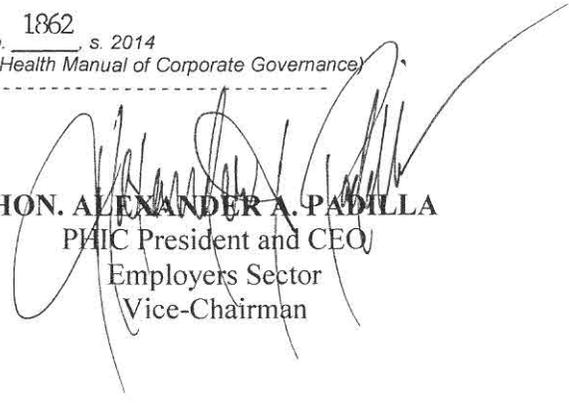
WHEREFORE, premises considered, the Board **RESOLVES**, as it is hereby **RESOLVED**, to **APPROVE** and **ADOPT** the PhilHealth Manual of Governance, a copy of which is attached as Annex "A" hereof;

RESOLVED FURTHER, that the Management is hereby authorized to take such action as may be necessary to ensure its full implementation.

IT SO RESOLVED.

Signed this 27th day of February 2014 at Pasig City, Philippines.

HON. ENRIQUE T. ONA, M.D.
DOH Secretary
Chairperson



HON. ALEXANDER A. PADILLA
PHIC President and CEO
Employers Sector
Vice-Chairman

HON. FRANCISCO T. DUQUE III, M.D., MSc
CSC Chairman
Member

ABSENT

HON. MANUEL A. ROXAS II
DILG Secretary
Member

HON. CESAR V. PURISIMA
DOF Secretary
Member

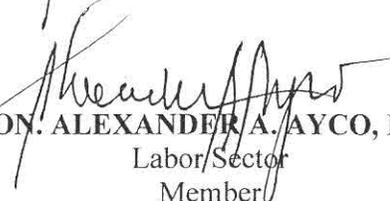
for: 
HON. ROSALINDA D. BALDOZ
DOLE Secretary
Member

ABSENT

HON. CORAZON J. SOLIMAN
DSWD Secretary
Member



HON. JUAN M. FLAVIER, M.D.
Health Care Providers Sector
Member



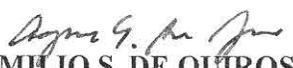
HON. ALEXANDER A. AYCO, M.D.
Labor Sector
Member

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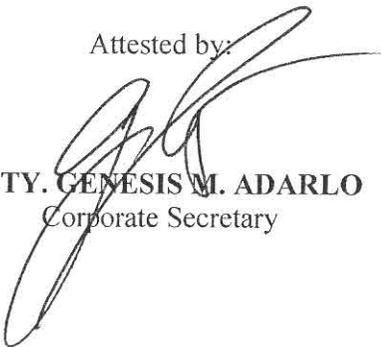

HON. FRANCISCO VICENTE F. LOPEZ, M.D.
Self Employed Sector
Member


HON. JANE M.N. STA. ANA, RN
Overseas Filipino Workers (OFW) Sector
Member

ABSENT
HON. ROBERT G. VERGARA
GSIS President and General Manager
Member


HON. EMILIO S. DE QUIROS, JR.
SSS President and CEO
Member

ABSENT
HON. MARLON J. MANUEL
NAPC-BS Vice Chairperson
Member

Attested by:

ATTY. GENESIS M. ADARLO
Corporate Secretary

PHILIPPINE HEALTH INSURANCE CORPORATION (PHILHEALTH) MANUAL OF CORPORATE GOVERNANCE

The PhilHealth Manual of Corporate Governance is adopted pursuant to Section 42 of the Code of Corporate Governance for GOCCs (Memorandum Circular No. 2012-07) issued by the Government Commission for GOCCs (GCG).

The Manual provides the framework by which PhilHealth shall be directed and guided with the objective of ensuring sound corporate governance. The Corporation commits itself to the principles of transparency, accountability and fair treatment of Stakeholders provided in this Manual.

I. DEFINITION OF TERMS AND COVERAGE

Section 1.1. Definition of Terms. – For purposes of this Manual, the following terms shall have the following meanings:

- (a) “*Appointive Directors*” refers to all members of PhilHealth’s Board of Directors who are not *ex officio* members thereof.
- (b) “*Board of Directors*” or “*Board*” refers to the collegial body that exercises the corporate powers of PhilHealth as provided under Section 18 of the Charter. It is primarily responsible for the governance of PhilHealth, and in charge of setting policy direction and monitoring and implementation of the Program.
- (c) “*Charter*” refers to Republic Act No. 7875, as amended by Republic Acts Nos. 9241 and 10606, otherwise known as the National Health Insurance Act.
- (d) “*Confidential Information*” refers to all non-public information entrusted to or obtained by a member of the Board or Officer by reason of /her position as such with PhilHealth. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to PhilHealth or its customers/stockholders;
- (e) “*Corporate Governance*” is one key element in improving economic efficiency and growth as well as enhancing confidence in the Corporation. It involves set of relationships between Management, the Board and stakeholders. It also provides the structure through which the objectives of the Corporation are set, and the means of achieving those objectives and monitoring performance are determined.¹
- (f) “*Corporation*” refers to the Philippine Health Insurance Corporation (PhilHealth).
- (g) “*Ex Officio Director*” refers to any individual who sits as a Board Director by virtue of one’s title to another government office and without further warrant or appointment.²
- (h) “*Executive Officer*” or “*Officer*” refers to the CEO or whoever is the highest ranking officer in PhilHealth, and such other corporate officers of PhilHealth, such as the

¹ Section 1, PhilHealth Code of Good Public Corporate Governance (hereinafter referred to as “PhilHealth Code”); cf. PhilHealth Board Resolution No. 1405, s. 2010 (“Resolution Approving and Adopting PhilHealth of Good Corporate Governance”).

² Section 1, Title I, GCG Memorandum Circular No. 2012-07 (“Code of Corporate Governance for GOCCs”) (hereinafter referred to as “GCG Code”).

Senior Vice President, Vice President, Regional Vice President, and Senior Manager of PhilHealth. As distinguished from Board Officers, Executive Officers form part of the Management of PhilHealth.³

- (i) “*Extraordinary Diligence*” refers to the measure of care and diligence that must be exercised by Director and Officers in discharging their functions, in conducting business and dealing with the properties and monies of PhilHealth, 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 Stockholders.⁴
- (j) “*Fit and Proper Rule*” refers to a set of standards for determining whether a Board Director is qualified to hold a position in the Corporation.⁵
- (k) “*GCG*” refers to Governance Commission for Government Owned and Controlled Corporations (GOCCs).
- (l) “*Internal Control*” refers to the process carried out by the Board, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with the Charter, Revised IRR, and other applicable laws, regulations and internal policies.⁶
- (m) “*Internal Auditing*” refers to an independent, objective assurance and consulting activity designed to add value and improve the corporation’s operations. It helps the corporation accomplish its objectives by bringing systematic, disciplines approach to evaluate and improve the effectiveness of risk management, control, and governance processes.⁷
- (n) “*Management*” refers to the executive body, headed by the President and Chief Executive Officer, that has been given the authority to implement the policies determined, and resolutions issued, by the Board in directing the course and business activities of the Corporation. It is composed of the Executive Officers.⁸
- (o) “*Manual*” refers to the PhilHealth Manual of Good Corporate Governance.
- (p) “*Program*” refers to the National Health Insurance Program (NHIP).
- (q) “*Revised IRR*” refers to the Revised Implementing Rules and Regulations of the Charter.
- (r) “*Stakeholder*” refers to any person, group or organization that can have an influence on or will be influenced or affected by the implementation of the Program.⁹

Section 1.2. Coverage. – The provisions of this Manual shall apply to the members of the PhilHealth Board and Management and its employees.

³ Section 1, Title I, GCG Code.

⁴ *Ibid.*

⁵ *Id.*

⁶ Section 1, PhilHealth Code.

⁷ *Ibid.*

⁸ *Id.*

⁹ *Id.*

II. **ROLE OF PHILHEALTH IN NATIONAL DEVELOPMENT**

Section 2. Role. – The corporate form of organization, when utilized judiciously, is an institutional form through which the government may participate in economic and social development. PhilHealth acknowledges that its corporate organization is essential to the performance of its functions as an active partner of the government in national development. Such functions include the delivery of public services, as well as the production and creation of wealth necessary to support vital government initiatives.

PhilHealth aims to provide all citizens of the Philippines with the mechanism to gain financial access to health services, serve as the means to help the people pay for health care services, and accelerate the provision of health services to all Filipinos, especially that segment of the population who cannot afford such services.¹⁰

III. **COMMITMENT TO PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

Section 3.1. Commitment to Institutionalize the Principles of Corporate Governance. – PhilHealth is committed to institutionalize the principles of good corporate governance in the entire organization. The Board of Directors, Management and employees of PhilHealth equally commit to the principles contained in this Manual.¹¹

Section 3.2. *Governing Principles of Good Corporate Governance of PhilHealth.* A public office is a public trust. Taking into account the reforms of corporate governance in the public and private sector, the governing principles of good corporate governance of PhilHealth shall be anchored on the following principles:

- (a) PhilHealth shall promote transparency, accountability and fairness, and its business shall be conducted strictly in accordance with the rule of law and shall be supportive of the primary goals and objectives of the government.
- (b) Timely and accurate disclosure shall be made on all material aspects and development regarding PhilHealth, including its financial condition, performance, and governance.
- (c) The strategic guidance of PhilHealth shall be in accord with the objectives set by the government, the effective monitoring of Management by the Board, and the Board's accountability to PhilHealth and its Stakeholders.
- (d) The exercise of Stakeholders' rights shall be protected and facilitated. In addition, PhilHealth shall ensure the equitable treatment of all Stakeholders.
- (e) Active cooperation between PhilHealth and its Stakeholders in ensuring the sustainability of the Program shall be encouraged.¹²

Section 3.3 Promotion of Corporate Governance. – The Board of Directors and Management of PhilHealth believe that good corporate governance is an integral component of sound strategic business management and of transparency and accountability in public

¹⁰ Republic Act No. 7875, as amended by R.A. Nos. 9241 and 10606.

¹¹ Section 2, PhilHealth Code.

¹² Section 2.2, PhilHealth Code.

corporate governance, and will therefore undertake every effort necessary to create awareness thereof within PhilHealth.¹³

IV. PHILHEALTH GOVERNING BOARD

Section 4.1. Board Directly Vested with Corporate Powers. – In addition to the powers and functions enumerated under Sections 16 and 17 of the Charter, which shall be exercised by the Board as the policy-making and quasi-judicial body of PhilHealth, the Board shall be primarily responsible for ensuring good corporate governance in PhilHealth.¹⁴ Accordingly, the Board shall act with utmost and undivided loyalty to PhilHealth and shall be accountable to the State and to the Stakeholders for the operations and performance of PhilHealth.

Section 4.2. Board Duty to Properly Select and Provide Independent Check on Management. – In relation to the Board’s power to select and appoint Officers who are fit and proper to hold such offices, the Board is obliged to provide an independent check on Management.¹⁵

Section 4.3. Mandate and Responsibility for PhilHealth’s Performance. – The Board is responsible for providing policy directions, monitoring and overseeing Management actions. In particular, the Board has the following mandated functions and responsibilities:

- (a) Provide the corporate leadership of PhilHealth, subject to the rule of law and the objectives set by the National Government, the GCG, and the Charter;¹⁶
- (b) Establish PhilHealth’s vision and mission, strategic objectives, policies and procedures, as well as define PhilHealth’s value and standards through Charter Statements, Strategy Maps, and other control mechanism mandated by best business practices;¹⁷
- (c) Foster the long-term success of PhilHealth and secure its sustained competitiveness;¹⁸
- (d) Determine the organizational structure of PhilHealth, defining the duties and responsibilities of its officials and employees, and adopting a compensation and benefit scheme that is consistent with the GOCC Compensation and Position Classification System (CPCS);¹⁹
- (e) Ensure that personnel selection shall be on the basis of merit and fitness and that all personnel action shall be in pursuance of the applicable laws, rules and regulations;²⁰
- (f) Provide sound written policies and strategic guidelines on PhilHealth’s operating budget and major capital expenditures, and prepare the annual and supplemental budgets of the Corporation;²¹

¹³ Section 2.4, PhilHealth Code.

¹⁴ Section 3, PhilHealth Code.

¹⁵ Section 6, Title III, GCG Code.

¹⁶ Section 7(a), Title III, GCG Code; cf. Section 3.1 (a), PhilHealth Code.

¹⁷ Section 7(b), Title III, GCG Code; cf. Section 3.1 (b) to (c), PhilHealth Code.

¹⁸ Section 7(c), Title III, GCG Code; cf. Section 3.1 (d), PhilHealth Code.

¹⁹ Section 7(d), Title III, GCG Code; cf. Section 3.1 (e), PhilHealth Code.

²⁰ Section 7(e), Title III, GCG Code; cf. Section 3.1 (f), PhilHealth Code.

²¹ Section 7(f), Title III, GCG Code; cf. Section 3.2 (m), PhilHealth Code.

- (g) Comply with reportorial requirements, as required by the Charter and by other applicable laws, rules and regulations;²²
- (h) Adopt and conduct annually the mandated Performance Evaluation System and the Performance Scorecard and timely and accurately report the results to the GCG;²³ and
- (i) Ensure the fair and equitable treatment of all Stakeholders and enhance PhilHealth's relations with Stakeholders.²⁴

Section 4.4. *Specific Functions of the Board.* – In addition to those specified in the Charter, the Board shall perform the following specific functions:

- (a) Meet regularly to properly discharge its responsibilities. Independent views during Board meetings shall be given due consideration and all such meetings shall be properly documented in the minutes of the Board meeting;²⁵
- (b) Determine PhilHealth's purpose and value, as well as strategies and policies, to ensure that PhilHealth survives and thrives despite financial crises and its assets and reputation are adequately protected;²⁶
- (c) Determine important policies that bear on the character of PhilHealth with view towards ensuring its long-term viability and strength;²⁷
- (d) Monitor and evaluate on a regular basis the implementation of corporate strategies, policies and business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;²⁸
- (e) Ensure that PhilHealth complies with all relevant laws, regulations and codes of best business practices;²⁹
- (f) Select, appoint, and discipline Officers with the appropriate level of motivation, integrity, competence and professionalism as may be deemed necessary and upon the recommendation of the President and CEO of the Corporation;³⁰
- (g) Establish a competitive selection process to ensure that the Officers of PhilHealth have the necessary motivation, integrity, competence and professionalism;³¹
- (h) Adopt a professional development program for Officers and employees, and succession planning for Officers of PhilHealth;³²
- (i) Align the remuneration of the Board and Officers with the long term interests of the Corporation, subject to applicable laws, rules and regulations;³³

²² Section 7(g), Title III, GCG Code; cf. Section 3.1(h), PhilHealth Code.

²³ Section 7(h), Title III, GCG Code.

²⁴ Section 7(i), Title III, GCG Code.

²⁵ Section 8(a), Title III, GCG Code; cf. Section 3.2(a), PhilHealth Code.

²⁶ Section 8(b), Title III, GCG Code; cf. Section 3.2(b), PhilHealth Code.

²⁷ Section 8(b), Title III, GCG Code; cf. Section 3.2(c), PhilHealth Code.

²⁸ Section 8(c), Title III, GCG Code; cf. Section 3.2(d), PhilHealth Code.

²⁹ Section 8(g), Title III, GCG Code; cf. Section 3.2(e), PhilHealth Code.

³⁰ Section 8(d), Title III, GCG Code; cf. Section 3.2(f), PhilHealth Code.

³¹ Section 8(d), Title III, GCG Code; cf. Section 3.2(g), PhilHealth Code.

³² Section 8(d), Title III, GCG Code; cf. Section 3.2(h), PhilHealth Code.

³³ Section 3.2(i), PhilHealth Code.

- (j) Monitor and manage potential conflicts of interest of Management and the Board, including misuse of corporate assets and abuse in related party transactions;³⁴
- (k) Ensure the integrity of PhilHealth’s accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk, management and financial and operational control, and compliance with the law and relevant standards;³⁵
- (l) Oversee the process of disclosure and communications;³⁶
- (m) Implement a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems should be regularly reviewed and updated;³⁷
- (n) Identify, monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas;³⁸
- (o) Constitute an Audit Committee and such other specialized committees as may be necessary to assist the Board in discharging its functions;³⁹ and
- (p) Conduct and maintain the affairs of PhilHealth within the scope of its authority as prescribed under the Charter, the Revised IRR, and applicable laws, rules and regulations.⁴⁰

Section 4.5. Composition of the Governing Board. – As provided for in the Charter, the PhilHealth Board of Directors shall be composed of the following:

- (a) The Secretary of Health, who shall be the *ex officio* Chairperson;
- (b) The Secretary of Labor and Employment or a permanent representative;
- (c) The Secretary of the Interior and Local Government or a permanent representative;
- (d) The Secretary of Social Welfare and Development or a permanent representative;
- (e) The Secretary of Finance or a permanent representative;
- (f) The President and Chief Executive Officer (CEO) of the Corporation, who shall be the Vice Chairperson;
- (g) The SSS Administrator or a permanent representative;
- (h) The GSIS General Manager or a permanent representative;
- (i) The Vice Chairperson for the basic sector of the National Anti-Poverty Commission or a permanent representative;

³⁴ Section 8(e), Title III, GCG Code; cf. Section 3.2(j), PhilHealth Code.

³⁵ Section 8(g), Title III, GCG Code; cf. Section 3.2(k), PhilHealth Code.

³⁶ Section 8(i), Title III, GCG Code; cf. Section 3.2(l), PhilHealth Code.

³⁷ Section 8(f), Title III, GCG Code; cf. Section 3.2(n), PhilHealth Code.

³⁸ Section 8(h), Title III, GCG Code; cf. Section 3.2(o), PhilHealth Code.

³⁹ Section 8(j), Title III, GCG Code; cf. Section 3.2(p), PhilHealth Code.

⁴⁰ Section 8(k), Title III, GCG Code; cf. Section 3.2(q), PhilHealth Code.

- (j) The Chairperson of the Civil Service Commission or a permanent representative;
- (k) A permanent representative of Filipino migrant workers;
- (l) A permanent representative of the members in the informal economy;
- (m) A permanent representative of the members in the formal economy;
- (n) A representative of employers;
- (o) A representative of health care providers to be endorsed by their national associations of health care institutions and medical health professionals;
- (p) A permanent representative of the elected local chief executives to be endorsed by the League of Provinces, League of Cities and League of Municipalities; and
- (q) An independent director to be appointed by the Monetary Board.⁴¹

Section 4.6. *Ex Officio Alternates.* – Ex Officio Directors may designate their respective alternates, who ideally shall be the officials next-in-rank to them, whose acts shall be considered the acts of their principals.⁴²

Section 4.7. *Multiple Board Seats.* – No Appointive Director of the Corporation may hold more than two (2) other Board seats in other GOCCs.⁴³

Section 4.8. *Appointment of Appointive Directors.* – Appointive members of the Board shall be appointed by the President of the Philippines in accordance with the provisions of the Charter and Republic Act No. 10149, otherwise known as the “GOCC Governance Act of 2011”.⁴⁴

The Appointive Directors shall be qualified by the standards contained in the Fit and Proper Rule and those expressly provided for in the Charter. Due regard shall be given to one’s integrity, experience, education, training and competence.⁴⁵

Section 4.9. *Term of Office.* – The term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause. Provided, however, that the Appointive Director shall continue to hold office until his successor is appointed.

Section 4.10. *Board Officers.* – The Officers of the PhilHealth Board are the Chairman of the Board, the Vice Chairman, the Corporate Secretary, and the Compliance Officer who must all be Filipino citizens. They shall be vested with powers and functions, to wit:

4.10.1 *Chairman of the Board.* – The Chairman of the Board shall, when present, preside at all meetings of the Board. He shall:

- (a) Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the operations of the Corporation;⁴⁶

⁴¹ Section 18, RA 7875, as amended.

⁴²Section 10, Title III, GCG Code.

⁴³ Section 11, Title III, GCG Code.

⁴⁴ Section 12, Title III, GCG Code.

⁴⁵ Section 13, Title III, GCG Code.

⁴⁶ Section 15.1(a), Title III, GCG Code; cf. Section 3.10(a)(a), PhilHealth Code.

- (b) Decide on the meeting agenda in consultation with the President & CEO;⁴⁷
- (c) Call meetings, through the Corporate Secretary, to enable the Board to perform its duties and responsibilities;
- (d) Preside over all Board meetings;
- (e) Act as the Chairman of the Executive Committee and Ex-Officio Chairman of all Board Committees;
- (f) Exercise control over quality, quantity and timeliness of the flow of information between Board and Management;⁴⁸ and
- (g) Take the lead in ensuring compliance with PhilHealth's guidelines on corporate governance.

4.10.2 *Vice-Chairman.* – The Vice-Chairman, who is also the President and Chief Executive Officer, shall preside at all meetings, in the absence and upon instructions of the Chairman of the Board.⁴⁹

4.10.3 *Corporate Secretary.* – The Corporate Secretary shall be selected and appointed by the Board and his/her term shall be coterminous with the Board. He/she must possess organizational and interpersonal skills. The Corporate Secretary, who shall preferably be a lawyer, shall have the following functions:

- (a) Serve as an adviser to the Board on its responsibilities and obligations;⁵⁰
- (b) Keep the minutes of meetings of the Board and its Committees in a book kept for that purpose, and furnish copies thereof to all Board of Directors and officers of the Corporation as may be appropriate;⁵¹
- (c) Keep in safe custody the seal of the Corporation, safeguard the same against unauthorized use, and affix it to any instrument requiring the same;⁵²
- (d) Attend to the giving and serving of notices of meetings of the Board and its Committees;⁵³
- (e) Be fully informed and be part of the scheduling process of other activities of the Board;⁵⁴

⁴⁷ Section 15.1(b), Title III, GCG Code; cf. Section 3.10(a)(b), PhilHealth Code.

⁴⁸ Section 15.1(c), Title III, GCG Code; cf. Section 3.10(a)(c), PhilHealth Code.

⁴⁹ Section 15.2, Title III, GCG Code; cf. Section 3.10(b), PhilHealth Code.

⁵⁰ Section 15.3(a), Title III, GCG Code; cf. Section 3.10(c)(i), PhilHealth Code.

⁵¹ Section 15.3(b), Title III, GCG Code; cf. Section 3.10(c)(ii), PhilHealth Code.

⁵² Section 15.1(c), Title III, GCG Code; cf. Section 3.10(c)(iii), PhilHealth Code.

⁵³ Section 15, subsection 15.3(e), Title III, GCG Code; cf. Section 3.10(c)(iv), PhilHealth Code.

⁵⁴ Section 15.3(f), Title III, GCG Code; cf. Section 3.10(c)(v), PhilHealth Code.

- (f) Prepare an annual schedule and the regular agenda of Board meetings and put the Board on notice of such agenda at every meeting;⁵⁵
- (g) Oversee the adequate flow of information to the Board prior to meetings;⁵⁶
- (h) Record, document and reproduce in sufficient number all proceedings of Board meetings and disseminate relevant Board decisions, resolutions or information to those units concerned;
- (i) Coordinate, through the Office of the President and Chief Executive Officer, with all functional areas and units concerned and monitor the manner of implementation of approved Board resolutions, policies, and directives;
- (j) Maintain a permanent, complete, systematic and secure compilation of all previous minutes of Board meetings, together with all their supporting documents;
- (k) Attend, testify, and produce in court or in administrative bodies duly certified copies of Board resolutions, whenever required;
- (l) Undertake the necessary physical preparations for scheduled Board meetings;
- (m) Prepare the budget for *per diem* and Committee allowances of the Board;
- (n) Pay *per diems* and Committee allowances of the Appointive Directors who actually attended the Board or Committee meetings;
- (o) Ensure fulfillment of disclosure requirements to regulatory bodies;⁵⁷
- (p) Act as the Clerk of the Board *en banc* and the Board Committees. As Clerk of the Board, the Corporate Secretary shall perform the following functions and duties:
 - (i). Receive all pleadings, motions, and other papers required to be filed with the Board in connection with any appeal pending therewith and to legibly stamp the exact date and hour of the receipt thereof, duly signed by the receiving personnel. If the filing is by registered mail, the Office of the Corporate Secretary shall legibly stamp or indicate on the first page of the pleading, motion or other paper the date of receipt thereof, the fact that the same was received by registered mail and the date of posting

⁵⁵ Section 15.3(g), Title III, GCG Code; cf. Section 3.10(c)(vi), PhilHealth Code.

⁵⁶ Section 15.3(h), Title III, GCG Code; cf. Section 3.10(c)(vii), PhilHealth Code.

⁵⁷ Section 15.3(i), Title III, GCG Code; cf. Section 3.10(c)(viii), PhilHealth Code.

thereof, duly signed by the receiving personnel. The corresponding envelope or portion thereof showing the date of posting and registry stamp shall be attached to the *rollo*;

- (ii). Keep such books and documents as may be necessary for recording all the proceedings of the Board and the Board Committees;
- (iii). Send notices to the appellant as regards the filing of the verified Memorandum of Appeal and the submission of the appeal bond;
- (iv). Require the parties to submit the necessary pleadings, required number of copies of their pleadings, and/or legible copies of the assailed decision or order; and
- (v). Enter judgment upon finality of a decision or final resolution.
- (vi). The Corporate Secretary shall have other responsibilities as the Board may impose upon him. The Board shall have separate and independent access to the Corporate Secretary.

Section 4.11. Compliance Officer. – The Board may appoint a Compliance Officer who shall report directly to the Chairman. However, nothing shall preclude the Board from appointing the Corporate Secretary to act as the Compliance Officer. The appointment of a Compliance Officer shall not relieve the Board of its primary responsibility to the State, acting through the GCG, to ensure that PhilHealth has complied with all its reportorial, monitoring and compliance obligations.

The Compliance Officer shall have the following duties and responsibilities:

- (a) Submit to 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;
- (b) Provide the GCG the sworn certifications submitted by each Appointive Director that he/she possesses all the qualifications and none of the disqualifications pertaining to his or her position within thirty (30) days after the assumption into office of the Appointive Director for each new term of office;
- (c) Monitor compliance by PhilHealth with the requirements under R.A. No. 10149, the GCG Code of Corporate Governance for GOCCs, other applicable rules and regulations, 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.⁵⁸
- (d) Appear before the GCG when summoned in relation to compliance with R.A. No. 10149, the GCG Code of Corporate Governance, or other compliance issues;⁵⁹

⁵⁸ Section 15.4(a), Title III, GCG Code.

⁵⁹ Section 15.4(b), Title III, GCG Code.

- (e) Issue a certification every 30 May of the year on the extent of PhilHealth's compliance with the government corporate standards governing PhilHealth for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation⁶⁰.

However, the appointment of a Compliance Officer shall not relieve the Board of its primary responsibility to ensure that PhilHealth has complied with all reportorial, monitoring and compliance obligations;

Section 4.12. *Qualifications of Board Director.* – In addition to the qualifications provided for in the Charter and R.A. No. 10149, a Board Director must possess the following minimum qualifications:

- (a) Be a Filipino citizen;
- (b) Be at least thirty (30) years of age at the time of appointment to the Board;
- (c) Be of good moral character, of unquestionable integrity, and of known probity;
- (d) Have a college degree, with at least five (5) years relevant work experience, except for a sectoral representative who only needs to be a bonafide member of the indicated sector or the association being represented as provided for in the Charter;
- (e) Possess management skills and competence preferably relating to the operations of PhilHealth to which he/she is appointed; and
- (f) Have attended, or will attend within three (3) months from the date of appointment, a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.⁶¹

Section 4.13. *Disqualification of Board Directors.* –

4.13.1. *Permanent Disqualification.* – The following shall be grounds for the permanent disqualification from appointment or re-appointment or to continue holding the position:

- (a) Conviction by final judgment of a court or tribunal of:
 - (i) a crime or offense involving dishonesty or breach of trust such as, but not limited to, moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; Provided, however, that when the penalty imposed in the final judgment of conviction is censure or reprimand, the GCG shall determine from the terms of the judgment whether it shall constitute a ground for permanent or temporary disqualification;

⁶⁰ Section 15.4(c), Title III, GCG Code.

⁶¹ Article 5, Title II, GCG Memorandum Circular No. 2012-05 (“Fit and Proper Rule for Appointive Directors and CEOs of GOCCs”) (hereinafter referred to as GCG M.C. No. 2012-05).

- (ii) a crime or offense where the sentence imposed is a term of imprisonment of at least six (6) years and one (1) day; or
 - (iii) a violation of the laws, rules and regulations particularly applicable to the sector under which PhilHealth is classified, and in other related sectors;
- (b) Judicially declared insolvent, spendthrift or incapacitated to contract;
- (c) Directors, President & CEO, and Officers of PhilHealth who have been:
- (i) found by a competent administrative body as administratively liable for violation of laws, rules and regulations of PhilHealth, as well as those covered by related sectors, and where a penalty of removal from office is imposed, which finding of the administrative body has become final and executory;
 - (ii) determined by the Commission on Audit (COA), pursuant to a Notice of Disallowance which has become final and executory, to have, by virtue of their office, acquired or received a benefit or profit, of whatever kind or nature; or
 - (iii) found to be culpable for PhilHealth's insolvency, closure, or cessation of operations;
- (d) Directors and officers found to be unfit for the position of Appointive Director because they were found administratively liable for:
- (i) violation of laws, rules and regulations of PhilHealth, as well as in related sectors; or
 - (ii) any offense/violation involving dishonesty or breach of trust, and which finding of such government agency has become final and executory.⁶²

4.13.2. *Temporary Disqualification.* – The Board, in the exercise of its discretion, may, by a vote of majority of all its members, pass a Resolution, temporarily disqualifying an incumbent Board Director or any of the following grounds:

- (a) Refusal or failure to disclose the extent of business interest or material information when required. The disqualification shall be in effect as long as the refusal persists;⁶³
- (b) Failure, without justifiable reason, to attend six (6) consecutive Board or Committee Meetings;⁶⁴

⁶² Article 6.1, Title III, GCG M.C. No. 2012-05.

⁶³ Article 7.2(a), GCG M.C. No. 2012-05.

- (c) Dismissal/termination from the Board of another corporation for cause until he has cleared himself of any involvement in the alleged irregularity;⁶⁵ and
- (d) Conviction that has not yet become final in any of the following instances:
 - (i) For offenses involving moral turpitude or fraudulent acts or transgressions, be it by local, or foreign court or equivalent administrative agency;
 - (ii) For willfully violating or willfully aiding, abetting, counseling, inducing, or procuring the violation of any provision of the Charter and the Revised IRR; and
 - (iii) For offenses punishable by imprisonment for a period exceeding six (6) years, or a violation of the Charter and the Revised IRR, committed within five (5) years prior to the date of his appointment.⁶⁶

If the ground for temporary disqualification applies to the designated representative or alternate of a Board Director, the latter shall be requested to designate another representative or alternate and the former designation shall automatically be considered as cancelled and revoked.⁶⁷

A temporary disqualification shall have the effect of suspending the rights and privileges of a Board Director, including, but not limited to, participation in Board and Committee Meetings and reimbursement of expenses incurred in the discharge of official functions.⁶⁸

Section 4.14. Board Committees. – The Board may create Committees as it may deem necessary for the efficient and effective performance of its functions, which, as a minimum, shall include the following committees:

4.14.1. *Executive Committee.* – There shall be an Executive Committee composed of not less than three (3) members of the Board, with the Chairman of the Board being the Committee Chairman.⁶⁹

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 delegated to the Committee in accordance with the Charter, except with respect to:

⁶⁴ Section 3.5(a), PhilHealth Code.

⁶⁵ Section 3.5(b), PhilHealth Code.

⁶⁶ Section 3.5(c), PhilHealth Code.

⁶⁷ Section 3.5, PhilHealth Code.

⁶⁸ Section 3.5, PhilHealth Code.

⁶⁹ Section 16.2.1, Title III, GCG Code.

- (a) Approval of any action for which shareholder's approval is also required;
- (b) Filling of vacancies on the Board or in the Executive Committee;
- (c) Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
- (d) Distribution of cash dividends; and
- (e) Exercise of powers delegated by the Board exclusively to other committees.⁷⁰

4.14.2. *Audit Committee.* – The Audit Committee shall consist of at least three (3) Directors, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following:

- (a) Oversee, monitor and evaluate the adequacy and effectiveness of PhilHealth's internal control system, engage and provide oversight of the Corporation's internal and external auditors, and coordinate with the Commission on Audit (COA);
- (b) Review and approve audit scope and frequency, 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 audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
- (c) Receive and review reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- (d) Ensure that internal auditors have free and full access to all PhilHealth's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be from interference in determining its scope, performing its work and communicating its results; and
- (e) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout PhilHealth through a procedures and policies handbook that will be used by the entire organization.⁷¹

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

⁷⁰ *Ibid.*

⁷¹ Section 16.2.2, Title III, GCG Code.

- (a) Oversee the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;
- (b) 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;
- (c) 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
- (d) Recommend the manner by which the Board's performance may be evaluated and propose an objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value.⁷²

4.14.4. *Nomination and Remunerations Committee.* – The Nomination and Remunerations Committee shall consist of at least three (3) members of the Board. The Committee shall be responsible for the following:

- (a) 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;
- (b) Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board;
- (c) Recommend to the GCG nominees for the shortlist in line with PhilHealth's Board composition and succession plan; and
- (d) Develop recommendations to the GCG for updating the Compensation and Position Classification System (CPCS) and ensure that the same continues to be consistent with PhilHealth's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.⁷³

4.14.5. *Investment Committee.* – Reviews investment that are beyond the authority of the Management under the approved Investment Guidelines such as redemption/ exchange of investments into fixed assets, such as land, asset and pool certificates, for final approval by

⁷² Section 16.2.3, Title III, GCG Code.

⁷³ Section 16.2.4, Title III, GCG Code.

the Board. ⁷⁴The Committee shall consist of at least three (3) members of the Board.

4.14.6. *Committee on Appealed Administrative Case against Health Care Providers and Members.* – Studies and recommends to the Board appropriate action on appeals from decisions of the Arbitration Department and Accreditation Committee.⁷⁵ The Committee shall consist of at least three (3) members of the Board.

4.14.7. *Risk Management Committee.* – The Risk Management Committee shall consist of at least three (3) members of the Board, with at least one member having a background in finance and investments. The Risk Management Committee shall be responsible for the following:

- (a) Perform 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;
- (b) Develop 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 PhilHealth, especially at the Board and Management level; and
- (c) Provide quarterly reporting and update the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.⁷⁶

Section 4.15. Annual Performance Evaluation of the Board. – The Board shall develop a systematic process for evaluating its performance as a necessary tool in enhancing its professionalism and as a useful incentive for the Directors to devote sufficient time and effort to their duties. The evaluation could also be instrumental in developing effective and appropriate induction and training programs for new and existing members of the Board of Directors.⁷⁷

Section 4.16. Fines and Other Consequences for Violations and Liabilities of Board Members. – The members of the Board shall be collectively and/or individually liable and shall be subjected to the following fines and/or penalties including but not limited to:

- (a) Section 24 on Restitution under R.A. No. 10149 (GOCC Governance Act of 2011);
- (b) Section 11 on Penalties under R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
- (c) Section 3 on Corrupt Practices of Public Officers and Section 9 on Penalties for Violations under R.A. No. 3019 (Anti-Graft and Corrupt Practices Act); and

⁷⁴Section 3.9(c), PhilHealth Code.

⁷⁵Section 3.9(d), PhilHealth Code.

⁷⁶Section 16.2.5, Title III, GCG Code.

⁷⁷Section 17, Title III, GCG Code; cf. Section 3.11, PhilHealth Code.

- (d) Other issuances, rules and regulations prescribed by the GCG, Civil Service Commission, and PhilHealth.

V. MANAGEMENT

Section 5.1. Role of Management. – The Management shall stand as the center of decision-making for the day-to-day affairs of PhilHealth. It determines PhilHealth’s activities by putting its targets in concrete terms and by implementing basic strategies for achieving these targets. The Management also puts in place the infrastructure for PhilHealth’s success by establishing the following mechanisms in its organization:

- (a) Organizational structures that work effectively and efficiently in attaining the goals of PhilHealth;⁷⁸
- (b) 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 PhilHealth;⁷⁹ and
- (c) A plan of succession that formalizes the process of identifying, training and selection of successors in key positions.⁸⁰

Section 5.2. Management Primarily Accountable to the Board. – Management is primarily accountable to the Board for the operations of PhilHealth. As part of its accountability, Management shall provide the Board with complete and adequate information on the operations and affairs of PhilHealth in a timely manner without the necessity of a request from the Board.⁸¹

Section 5.3. President and Chief Executive Officer (CEO). – The President & CEO is ultimately accountable for PhilHealth’s organizational and financial controls. In addition to the duties imposed upon him by the Board, the President & CEO shall:

- (a) Exercise general supervision of the business, affairs, and properties of the Corporation and over its officers and employees;⁸²
- (b) Ensure that all orders and resolutions of the Board are carried into effect;⁸³
- (c) Submit to the Board as soon as possible after the close of each fiscal year, complete reports on the operations and expenditures of PhilHealth for the preceding year, disciplinary actions issued to rank-and-file employees and state of its affairs;⁸⁴ and
- (d) Report to the Board from time to time all matters which the interest of PhilHealth may require to be brought to its notice.⁸⁵

⁷⁸ Section 18, Title V, GCG Code; cf. Section IV, PhilHealth Code.

⁷⁹ Section 18, Title V, GCG Code; cf. Section IV, PhilHealth Code.

⁸⁰ Section 18, Title V, GCG Code; cf. Section IV, PhilHealth Code.

⁸¹ Section 4.1, PhilHealth Code.

⁸² Section 20(a), Title V, GCG Code; cf. Section 4.2a(i), PhilHealth Code.

⁸³ Section 20(b), Title V, GCG Code; cf. Section 4.2a(ii), PhilHealth Code.

⁸⁴ Section 20(c), Title V, GCG Code; cf. Section 4.2a(iii), PhilHealth Code.

⁸⁵ Section 20(d), Title V, GCG Code; cf. Section 4.2a(iv), PhilHealth Code.

Section 5.4. Executive Vice President and Chief Operating Officer. – In addition to the duties that may be imposed upon him by the Board, the Executive Vice President and Chief Operating Officer (EVP-COO) shall:

- (a) Collaborate with the President & CEO in the formulation of overall objectives, targets, strategies and plans of PhilHealth;⁸⁶
- (b) Responsible for the day-to-day operations of PhilHealth and ensure that the necessary processes are in place and authorities and responsibilities are properly delegated, subject to adequate controls;⁸⁷ and
- (c) Ensure that all organizational units conform to PhilHealth policies, systems and procedures, controls, and government regulations.⁸⁸

Section 5.5. Other Executive Officers. – Subject to the provisions of the Charter, the Executive Officers shall be appointed by the Board.

Section 5.6. 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 Board shall have the authority to discipline, or remove from office, the President & CEO, or any other Officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.⁸⁹

VI. **DUTIES AND OBLIGATIONS OF THE BOARD**

Section 6.1. Fiduciary Capacity of the Board. – A Board Director assumes a position of trust and confidence and as such, he/she must act in the best interest of PhilHealth. His/her actions must be characterized by transparency, accountability, fairness and responsibility and he must exercise leadership, prudence and integrity in directing PhilHealth towards sustained progress over the long term.⁹⁰

Section 6.2. Collective and Individual Liability of the Board. – A Board Director who willfully and knowingly votes or consents to patently unlawful acts of PhilHealth or who is guilty of gross negligence or bad faith in directing the affairs of PhilHealth or acquire any personal or pecuniary interest in conflict with his duties as member of the Board of Directors, shall be liable jointly and severally with the other members of the Board who voted or consented to such act for all damages resulting therefrom suffered by PhilHealth and/or its stakeholders, without prejudice to the imposition of criminal or administrative penalties.⁹¹

In addition, when a Board Director attempts to acquire or acquires, in violation of his/her duty, any interest adverse to PhilHealth in respect of any matter which has been reposed in him/her in confidence, as to which equity imposes a disability upon him/her to deal in his/her own behalf, he/she shall be liable as a trustee for PhilHealth and must account for the profits which otherwise would have accrued to PhilHealth.⁹²

Any Board Director who enters into a transaction or contract that is grossly disadvantageous to PhilHealth and the government, whether he/she profited from it or not,

⁸⁶ Section 4.2b(i), PhilHealth Code.

⁸⁷ Section 4.2b(ii), PhilHealth Code.

⁸⁸ Section 4.2b(iii), PhilHealth Code.

⁸⁹ Section 22, Title IV, GCG Code.

⁹⁰ Section 3.6, PhilHealth Code.

⁹¹ Section 3.7, PhilHealth Code.

⁹² Section 3.7, PhilHealth Code.

shall be liable for violation of Republic Act No. 3019 or the Anti-Graft and Corrupt Practices Act, Charter, Revised IRR, and other applicable laws, rules and regulations.⁹³

Section 6.3. Exercise of Objective and Independent Judgment. – To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making, the positions of Chairman of the Board and of President and Chief Executive Officer shall be separate from each other.⁹⁴

Section 6.4. Board Meetings and Quorum Requirement. – The Board shall hold regular meetings at least once a month. Special meetings may be convened at the call of the Chairman or by a majority of the Board of Directors. The presence of a majority of all the members shall constitute a quorum. In the absence of the Chairman and Vice Chairman, a temporary presiding officer shall be designated by the majority of the quorum.

Section 6.5. Compensation, Per Diems, Allowances and Incentives. – Pursuant to the Charter and R.A. No. 10149:

- (a) The Appointive Directors of the Board shall receive a per diem for every meeting actually attended subject to GCG issuances, Executive Order No. 24, series of 2010, and other pertinent budgetary laws, rules and regulations on compensation, honoraria and allowances;⁹⁵
- (b) Directors shall not be entitled to retirement benefits acting as such directors;⁹⁶ and
- (c) The total yearly per diems and incentives in the aggregate which the Appointive Directors may receive shall be determined by the GCG based on the achievement of the Corporation of its performance target(s).⁹⁷

Section 6.6. Formal Charter of Expectations. – This shall contain the set of expectations set forth for all existing and future Board of Directors. Each Board Director shall sign and be committed to the Charter of Expectations (**Annex A**).⁹⁸

VII.

GOVERNANCE POLICY ON CONFLICT OF INTEREST

Section 7.1. Conflict of Interest. – The personal interest of the Board of Directors and Officers shall never prevail over the interest of PhilHealth. As such, the Board of Directors and Officers may not directly or indirectly derive any personal profit or advantage by reason of their position in PhilHealth.⁹⁹

Section 7.2. Duty of Loyalty. – The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of PhilHealth, with utmost good faith in all its dealings with the property and monies of PhilHealth, includes the obligation to:

- (a) Act with undivided loyalty to PhilHealth;

⁹³ Section 3.7, PhilHealth Code.

⁹⁴ Section 3.8, PhilHealth Code.

⁹⁵ Section 28(a), Title V, GCG Code.

⁹⁶ Section 28(b), Title V, GCG Code.

⁹⁷ Section 28(c), Title V, GCG Code.

⁹⁸ Section 3.6(a) to (g), PhilHealth Code.

⁹⁹ Section 5, PhilHealth Code.

- (b) Avoid conflicts and declare any interest they may have in any particular matter before the Board; and
- (c) Avoid (1) taking for themselves opportunities related to PhilHealth's business; (2) using PhilHealth's property, information or position for personal gain; or (3) competing with PhilHealth's business opportunities.¹⁰⁰

7.2.1. *Determination of Conflict of Interest.* - In addition to the pertinent provisions of other applicable laws, a conflict of interest exists when a Board Director or Officer:

- (a) Supplies or is attempting to supply goods or services to PhilHealth;
- (b) By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to PhilHealth; and
- (c) Is engaged in or attempting to engage in a business or activity which works contrary to the best interest of PhilHealth.¹⁰¹

7.2.2. *Disclosure of Conflict of Interest.* - If an actual or potential conflict of interest should arise on the part of a Board Director, it should immediately be fully disclosed and the concerned Board Director should not participate in the decision-making on the issue. Failure to make a timely disclosure shall warrant the imposition of administrative sanctions as may be determined by the Board in the exercise of its discretion.¹⁰²

7.2.3. *Validity of Contract between the Corporation and a Board Director or Officer.* - A contract of PhilHealth with one or more of its Board of Directors or Officers is voidable at the option of PhilHealth, unless all of the following conditions are present:

- (a) The presence of such Board Director in the Board meeting when such contract was approved was not necessary to constitute a quorum for such meeting;
- (b) The vote of such Board Director was not necessary for the approval of the contract;
- (c) The contract is fair and reasonable under the circumstances; and
- (d) In the case of an Officer, the contract has been previously approved by the Board.

Where any of the first two (2) conditions set forth in the preceding paragraph is absent, in the case of a contract with a Board Director, such a contract may be ratified by the vote of all members of the Board. Provided that:

- (a) Full disclosure of the adverse interest of the concerned Board Director is made; and

¹⁰⁰ Section 27, Title V, GCG Code.

¹⁰¹ Section 5.1, PhilHealth Code.

¹⁰² Section 5.2, PhilHealth Code.

(b) Further, that the contract is fair and reasonable under the circumstances.¹⁰³

Section 7.3. No Gift Policy. – 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:

- (a) Would be illegal or in violation of law;
- (b) Is part of an attempt or agreement to do anything in return;
- (c) Has a value beyond what is normal and customary in PhilHealth's business;
- (d) Is being made to influence the member of Board's, or Officer's, actions as such;
or
- (e) Could create the appearance of a conflict of interest.¹⁰⁴

The PhilHealth Board shall formally adopt a "No Gift Policy" and ensure its full advertisement to the community and its strict implementation by particular set of rules.¹⁰⁵

Section 7.4. Duty of Confidentiality. – 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: (1) to further their private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.¹⁰⁶

VIII.

RELATIONS WITH STAKEHOLDERS

Section 8.1. Formal Recognition. – PhilHealth recognizes the rights of Stakeholders established by law or through mutual agreements and encourage active cooperation between PhilHealth and its Stakeholders in accomplishing the mandate and ensuring the sustainability of the operations of the Corporation.¹⁰⁷

Section 8.2. Recognition and Respect of Stakeholders' Rights Established by Law or through Mutual Agreements. – PhilHealth shall establish mechanisms and procedures to protect Stakeholders' rights. Recognizing the vital contribution of its Stakeholders, PhilHealth shall ensure that Stakeholders have access to relevant, sufficient and reliable information on a timely and regular basis to be able to exercise their rights. Stakeholders should have access to legal redress when their rights are violated.¹⁰⁸

Section 8.3. Report on Stakeholders Relations. – PhilHealth shall communicate with its Stakeholders and the public at large on Stakeholder policies and provide information on their effective implementation. PhilHealth shall allow its Stakeholder reports to be independently scrutinized in order to strengthen their credibility.¹⁰⁹

¹⁰³ Section 5.3, PhilHealth Code.

¹⁰⁴ Section 29, Title V, GCG Code.

¹⁰⁵ *Ibid.*

¹⁰⁶ Section 30, Title V, GCG Code.

¹⁰⁷ Section VI, PhilHealth Code.

¹⁰⁸ Section 6.1, PhilHealth Code.

¹⁰⁹ Section 6.2, PhilHealth Code.

Section 8.4 *Development, Implementation and Communication of Compliance Programs for Internal Codes and Ethics.* – The Board shall apply high ethical standards in the Corporation with checks and balances that will ensure that PhilHealth is protected from deviation from these standards in the course of the interaction of business considerations with political and public policy issues. PhilHealth shall develop an internal Code of Ethics that would give clear and detailed guidance as to the expected conduct of all employees and disciplinary measures for non-compliance therewith. The Board shall ensure that the Code of Ethics is duly implemented by Management.¹¹⁰

IX. **DISCLOSURE AND TRANSPARENCY**

Section 9.1. *Disclosure on PhilHealth’s Financial Situation, Performance and Governance.* – Subject to GCG issuances, PhilHealth shall disclose information on the following matters:

- (a) Financial and operating results;
- (b) Remuneration policy for the Board and key executives;
- (c) Information about Board Directors, including their selection process;
- (d) Issues regarding employees; and
- (e) Governance structures and policies and the process by which they are implemented.¹¹¹

The Board of Directors shall issue a Statement confirming the truth and fairness of PhilHealth’s financial statements. (**Annex B**)

Section 9.2. *Mandatory Website.* – PhilHealth shall maintain a website and post therein for unrestricted public access:

9.2.1. On Institutional Matters:

- (a) Latest version of PhilHealth’s Charter; and
- (b) Government Corporate Information Sheet (GCIS).¹¹²

9.2.2. On the 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 the Board Directors and officers, including travel, representation, transportation and any other form of expenses or allowances;
- (c) Information on Board Committees and their activities; and

¹¹⁰ Section 6.3, PhilHealth Code.

¹¹¹ Section 42, Title VIII, GCG Code.

¹¹² Section 43, Title VIII, GCG Code.

- (d) Attendance record of Directors in Board and Committee meetings.¹¹³

9.2.3. On Financial and Operational Matters:

- (a) 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) Local and foreign borrowings;
- (f) Government subsidies and net lending;
- (g) All borrowings guaranteed by the Government;
- (h) Any material risk factors and measures taken to manage such risks; and
- (i) Performance Evaluation System (PES).¹¹⁴

9.2.4 On Governance Matters:

- (a) Charter Statement/ Mission-Vision Statements;
- (b) Performance Scorecards and Strategy Map;
- (c) Organizational Chart;
- (d) Manual of Corporate Governance;
- (e) CSR Statement; and
- (f) Balance Scorecard.¹¹⁵

X.

REVISIONS AND PERIODIC REVIEW

Section 10. *Revisions and Review.* – The provisions in this Manual shall be evaluated and reviewed periodically by the PhilHealth Governance Committee in order to determine if appropriate amendments are needed thereto. PhilHealth’s changing needs, present conditions, and regulatory requirements shall be taken into account in the review and revision, if any, of this Manual.

¹¹³ Section 43.2, Title VIII, GCG Code.

¹¹⁴ Section 43.3, Title VIII, GCG Code.

¹¹⁵ Section 43.4, Title VIII, GCG Code.

XI.
EFFECTIVITY

Section 11. *Effectivity.* – This Manual shall take effect on the date of its approval and adoption by the PHIC Board of Directors and shall remain in force and in effect until revised, amended or repealed.

CHARTER OF EXPECTATIONS

As a member of the Board of Directors of the Philippine Health Insurance 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 PhilHealth 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 PhilHealth 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 PhilHealth.
- (e) *Gaining a working knowledge of the statutory and regulatory requirements affecting PhilHealth, including the contents of its Charter (RA 7875 as amended) and applicable laws, rules and regulations.* A Board Director should also keep himself informed of industry developments and business trends in order to safeguard PhilHealth'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 PhilHealth'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 Health Insurance 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

**STATEMENT OF BOARD'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Board of Directors of the Philippine Health Insurance Corporation is responsible for ensuring the integrity of PhilHealth's accounting and financial reporting systems, including independent audit. Any information and representations contained in the financial statements are reviewed and approved by the Board. The financial statements have been prepared according to high quality internationally recognized standards as maybe appropriate.

In this regard, the Board takes all measures to attain highest quality accounting and auditing standards. In addition, it ensures the presence and adequacy of internal control mechanisms to ascertain presentation of financial statements that are free from material misstatement.