



**GSIS** Government Service Insurance System  
Financial Center, Pasay City, Metro Manila 1308

## **THE REVISED GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS) MANUAL OF CORPORATE GOVERNANCE, AS AMENDED**

It is the policy of the GSIS to actively promote and pursue corporate governance reforms and to consciously observe principles of accountability and transparency. The Board of Trustees (BOT) and Management of the GSIS hereby promulgate and adopt this Manual of Corporate Governance to significantly enhance the corporate organization of the GSIS by making it a valuable partner of the government in national development, at par with the private sector and globally competitive.

### **A. DEFINITION OF TERMS AND COVERAGE**

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

- a. Board of Trustees – the collegial body that exercises the corporate powers of the GSIS as specified in Section 41 of Republic Act (RA) 8291, which shall hereinafter be referred to as the “Board.” It is primarily responsible for the governance of the GSIS and, hence, in charge of setting policy direction and monitoring implementation of strategic and long-term goals.
- b. Conflict of Interest – arises when a member of the Board or an executive officer has a substantial interest in a business, and the interest of such corporation or business, or his or her rights or duties therein, may be opposed to or affected by the faithful performance of his or her official duties in the GSIS.<sup>1</sup>
- c. Corporate Governance – the framework of rules, systems and processes in the GSIS that governs the performance by the Board and Management of their respective duties and responsibilities to the stakeholders.<sup>2</sup>
- d. Executive Officers - refer to the President and General Manager as Chief Executive Officer, the Senior Vice Presidents and Vice Presidents of the GSIS. As distinguished from Board Officers, Executive Officers form part of the Management of the GSIS.<sup>3</sup>

<sup>1</sup> Adopted from RA 6713, *Code of Conduct and Ethical Standards for Public Officials and Employees.*

<sup>2</sup> Adopted from SEC Memorandum Circular No. 6 Series of 2009, *Revised Code of Corporate Governance.*

<sup>3</sup> Based on Section 1, GCG Memorandum Circular No. 2012-07, *Code of Corporate Governance for GOCCs.*

6. Implement a system of internal checks and balances, which may be applied in the first instance to the Board and ensure that such systems are reviewed and updated on a regular basis;
  7. Ensure the integrity of the GSIS' accounting and financial reporting systems, including the conduct of independent audit, and the establishment of appropriate systems of control, particularly systems for risk management, financial and operational control, and compliance with the law and relevant standards;
  8. Identify, 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 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 GSIS within the scope of its authority, as prescribed in its Charter and applicable laws, rules and regulations.
- d. *Composition of the GSIS Board.* The GSIS shall have a Board composed of nine (9) members consisting of a Chairperson and eight (8) members to be appointed by the President of the Philippines from a shortlist prepared by the GCG in accordance with the provisions of RA 10149, whose representation shall be in accordance with GSIS' Charter. The Trustees shall elect from among themselves the Chairperson and the President and General Manager of the GSIS who shall automatically be the Vice-Chairperson.
- e. *Term of Office.*<sup>12</sup> The term of office of each member of the Board shall be for one (1) year, unless sooner removed for cause: *Provided, however,* that the member of the Board shall continue to hold office until the successor is appointed. A member of the Board may be nominated by the GCG for reappointment by the President based on the conditions set forth by the GCG.

Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a member of the Board to fill such vacancy shall be in accordance with Section 15 of RA 10149.

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<sup>12</sup>Section 17, Chapter IV, RA 10149, *GOCC Governance Act of 2011*.

evaluate the situation and state his or her position. He or she shall not be afraid to take an unpopular position. Corollarily, he or she shall support plans and ideas that he or she thinks are beneficial to the System;

- e. Gain a working knowledge of the statutory and regulatory requirements affecting the GSIS, including the contents of RA 8291, applicable laws, rules and regulations, requirements of the GCG and pertinent Court decisions. A Board member or executive officer shall also keep himself or herself informed of industry developments and business trends in order to safeguard the interests of the GSIS and its stakeholders;
- f. Observe confidentiality as needed. A Board member or executive officer shall observe the confidentiality of material/non-public information acquired by reason of his or her position as trustee or executive officer. He or she shall not disclose any confidential information to unauthorized persons without the authority of the Board or Management; and
- g. Ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
  - 1. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
  - 2. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
  - 3. Reviewing and approving proposed key executive appointments;
  - 4. Ensuring the selection, appointment and retention of qualified and competent Management; and
  - 5. Ensuring the development and review of personnel and human resource policies of the GSIS, compensation plan and the management succession plan, among others, as may be provided.

**Section 10. Board Committees.** When necessary, the Board shall set up committees to support itself in the performance of its functions. While the creation of committees is not mandated by law, the Board may do so to efficiently manage their time and ensure proper understanding and resolution of all issues affecting the GSIS. However, the existence of these committees shall not excuse the Board from its collective responsibility for all matters that are within their primary responsibility and accountability. The Committees shall have written by-laws or charters that define their duties, authorities and composition, which composition shall be determined by the current Board. The

- d) Manual of Corporate Governance;
- e) CSR Statement; and
- f) Balanced Scorecard.

#### K. RESPONSIBILITY FOR THE TRUTHFULNESS AND FAIRNESS OF THE GSIS FINANCIAL STATEMENTS

**Section 33.** *Responsibility for Truthfulness and Fairness of Financial Statements.* As part of its accountability for the day-to-day operations of the GSIS, Management is primarily responsible for the preparation and presentation of the GSIS financial statements, as well as the truthfulness and correctness thereof.

The financial statements shall be prepared in conformity to the generally accepted accounting principles and shall reflect amounts that are based on informed judgment of Management with an appropriate consideration to materiality.<sup>54</sup>

The Board shall oversee the maintenance of a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. In the exercise of its oversight function, the Board shall ensure the fairness of the information and representations contained in the financial statements.

#### L. COMMUNICATION

**Section 34.** *Communication within the Organization, with Stakeholders, and Continuing Education of GSIS Board, Executive Officers, and Employees on this Manual of Corporate Governance.* The following shall be pursued by the Board and Management toward an effective communication of this Manual:

- a. *Communication within the Organization.* The Board and Management shall ensure the full dissemination of this Manual to all employees and shall enjoin the development of organizational policies and processes consistent with this Manual.
- b. *Education on the Manual of Corporate Governance.* Funds shall be allocated for the conduct of an orientation program to institutionalize this Manual and for the continued education and training of all officers and employees to ensure compliance herewith.

<sup>54</sup> Based on COA Template on Statement of Management's Responsibility for Financial Statements.