



**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.*

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 personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in consonance with applicable laws, rules and regulations;
  6. Provide sound written policies and strategic guidelines on the GSIS' operating budget and major capital expenditures, and approve the annual and supplemental budgets of the GSIS;
  7. Comply with all requirements under the GSIS Charter as well as applicable laws, rules and regulations; and
  8. Ensure the fair and equitable treatment of all its Stakeholders and enhance GSIS' relations with its Stakeholders.
- c. *Specific Functions of the Board.*<sup>11</sup> In addition to those specified under RA 8291 and RA 10149, the Board shall also perform the following functions:
1. Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, with all such meetings properly documented or minuted;
  2. Determine the GSIS' purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the GSIS 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 overall 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 GSIS have the necessary motivation, integrity, competence and professionalism;
  5. Monitor and manage potential conflicts of interest of Trustees, Management, and stakeholders, including the issuance of measures to prevent misuse of corporate assets and abuse in related party transactions;

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<sup>11</sup> Ibid.

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

## E. MANAGEMENT

**Section 15. *The Role of Management of the GSIS.*** The Management shall stand as the center of decision-making for the day-to-day affairs of the GSIS. It shall determine the activities of the GSIS by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

Management shall be responsible to the Board for implementing the infrastructure for the success of GSIS through the following mechanisms in its organization as set by the Board: organizational structures that work effectively and efficiently in attaining the goals of GSIS; 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 GSIS; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions.<sup>35</sup>

**Section 16. *Accountability of Management to the Board.*** Management shall be primarily accountable to the Board for the operations of the GSIS. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of the performance, position and prospects of GSIS on a monthly basis.<sup>36</sup>

- a. *Powers and Duties of the President and General Manager.* He or she shall, among others, execute and administer the policies and resolutions approved by the Board and direct and supervise the administration and operations of the GSIS. The President and General Manager, subject to the approval of the Board, shall appoint the personnel of the GSIS, remove, suspend or otherwise discipline them for cause, in accordance with the existing Civil Service rules and regulations, and prescribe their duties and qualifications to the end that only competent persons may be employed.<sup>37</sup>

In addition to his powers and duties stated, the President and General Manager shall.<sup>38</sup>

1. Submit to the Board as soon as possible after the close of each fiscal year, a complete report of the operations of the GSIS for the preceding year, and the state of its affairs; and
2. Report to the Board from time to time all matters which the interest of the GSIS may reasonably require to be brought to its notice.

<sup>35</sup> Section 18, GCG Memorandum Circular No. 2012-07, *Code of Corporate Governance for GOCCs.*

<sup>36</sup> Section 19, GCG Memorandum Circular No. 2012-07, *Code of Corporate Governance for GOCCs.*

<sup>37</sup> Section 45, RA 8291, *Government Service Insurance System Act of 1997.*

<sup>38</sup> Section 45, RA 8291, *Government Service Insurance System Act of 1997.*

b) Government Corporate Information Sheet.

2. On the Board and Officers:

- a) Complete listing of the members of the Board and executive officers with attached resumé, and their membership in Board Committees;
- b) Complete compensation package of all the Board members and executive officers, including travel, representation, transportation and any other form of expenses or allowances;
- c) Information on Board Committees and their activities; and
- d) Attendance record of Board members in Board and Committee meetings.

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 five (5) years;
- c) Quarterly and Annual Reports and Short Version of the Trial Balance;
- d) Current Corporate Operating Budget;
- 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 as stated above; and
- i) Performance Evaluation System.

4. On Governance Matters:

- a) Charter Statement/Mission-Vision Statements;
- b) Performance Scorecards and Strategy Map;
- c) Organizational Chart;

