



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.¹
- 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.²
- 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.³

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

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

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

8. Determine, fix and impose interest upon unpaid or unremitted premiums and/or contributions;
9. Do and perform any and all acts necessary, proper or incidental to the attainment of the purposes and objectives of RA 8291;

RA 10149:

10. Elect annually from among its ranks the President and General Manager;⁸ and
11. Subject to existing civil service laws, rules and regulations, exercise disciplinary powers over, or order the removal from office of the President and General Manager or any other executive officer upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.⁹

b. *Mandate and Responsibility of the Board for GSIS' Performance.*¹⁰ The Board shall be responsible for providing policy direction, monitoring and overseeing Management actions. These mandated functions and responsibilities shall include the following:

1. Provide the corporate leadership to the GSIS subject to the rule of law, and the objectives set by the National Government through the supervising agencies and the Governance Commission for GOCCs (GCG);
2. Establish the GSIS vision and mission, strategic objectives, policies and procedures, as well as define the GSIS values and standards through:
 - a) Charter Statements;
 - b) Strategy Maps; and
 - c) Other control mechanism mandated by best business practices;
3. Determine important policies that bear on the character of the GSIS 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 GSIS, define the duties and responsibilities of its officers and employees and adopt a

⁸ Based on Section 18, RA 10149, *GOCC Governance Act of 2011*.

⁹ Section 22, RA 10149, *GOCC Governance Act of 2011*.

¹⁰ Memorandum Circular No. 2012-07, *Code of Corporate Governance for GOCCs* approved by the President of the Philippines on 28 November 2012.

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.*¹¹ 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;

¹¹ Ibid.

year and, if there are any deviations, explain the reason for such deviation; and

6. Monitor the implementation of the GSIS Policy on Gifts and submit a consolidated report on the same to the Board.

Section 7. *Minimum Qualifications of Members of the Board.* Every member of the Board must be able to meet the minimum qualifications set forth under Article 5 of GCG Memorandum Circular No. 2012-05, Fit and Proper Rule for Appointive Directors and CEOs of GOCCs.

Section 8. *Disqualification of Members of the Board.* The members of the Board during their tenure must, at all times, endeavor to observe the rules on disqualification set forth under Article 6 of GCG Memorandum Circular No. 2012-05, Fit and Proper Rule for Appointive Directors and CEOs of GOCCs.

Section 9. *Formal Charter of Expectations.* There shall hereby be declared a Formal Charter of Expectations³¹ to which the Board and Management shall be committed in pursuance of good corporate governance in the GSIS. Along this line, every member of the Board and Management shall be expected to:

- a. Conduct fair business transactions with the GSIS and ensure that personal interest does not compromise Board or Management decisions. The basic principle to be observed is that a 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 time and attention necessary to the proper discharge of his or her duties and responsibilities. A Board member or executive officer shall offer sufficient time and effort to familiarize himself or herself with the business of the GSIS and shall be constantly aware of the System's condition and be knowledgeable enough to contribute meaningfully to the Board's or Management's work. He or she shall attend and actively participate in Board or Management meetings, request and review meeting materials, ask questions, and request explanations, if necessary;
- c. Act judiciously before deciding on any matter brought before the Board or Management. A Board member or executive officer shall thoroughly evaluate the issues, make inquiries and seek clarifications when necessary;
- d. Exercise independent judgment. A Board member or executive officer shall view each problem or situation objectively. When a disagreement with other Board members or executive officers occurs, he or she shall carefully

³¹ Adopted from the norms of conduct specified under SEC Memorandum Circular No. 6 series of 2009, *Revised Code of Corporate Governance*.

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