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SUGAR REGULATORY ADMINISTRATION
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THE SUGAR REGULATORY ADMINISTRATION (SRA) MANUAL OF CORPORATE GOVERNANCE

The Sugar Regulatory Administration's Manual of Corporate Governance (SRA-MCG, for brevity) is based on the provisions of *Republic Act (RA) No. 10149, "Governance Commission for Government-Owned and/or Controlled Corporation (GCG)"* and *GCG Memorandum Circular No. 2012-07, "Code of Corporate Governance for GOCCs."*

The Manual lays down set of ethical standards, and provides clear-cut policies, rules and procedures that will be observed, followed and implemented by the governing boards, executive officers and employees of SRA. Ethical standards, policies, rules and procedures embodied in this Manual will ensure that SRA's corporate governance in the conduct of its operational affairs, programs and activities are carried out in a transparent, responsible and accountable manner with utmost degree of competency, professionalism, efficiency and effectiveness.

A. DEFINITION OF TERMS AND COVERAGE

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

1. **Act** - refers to Republic Act No. 10149, and officially named the "GOCC Governance Act of 2011."
2. **Appointive Directors** refer to:
 - a. In the case of Chartered GOCCS such as SRA, all members of its Board of Directors/Trustees who are not ex officio members thereof;
 - b. In the case of Subsidiaries and Affiliates, members of its Board of Directors/Trustees whom the GOCC nominates, or is entitled to nominate, to the extent of its percentage shareholdings in such Subsidiary or Affiliate.
3. **Board Officers**- refer to Officers whose primary task is to serve the Board or to pursue the immediate functions of the Board, such as the Chairman, Vice-Chairman and the Corporate Secretary.
4. **Board of Directors/Trustees, or Board, or Governing Board**- refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all properties of a GOCC whether it is formally referred to as the "Board of Directors" or "Board of Trustees" or some other term in its Charter, Articles of Incorporation or By-laws. In the case of SRA, it refers to the Sugar Board.
5. **Charter**- refers to the formal act of Congress creating a Chartered GOCC and defining its franchise. In the case of SRA, it refers to E.O. No. 18, series of 1986.
6. **Charter Statement**- refers to a statement of the SRA'S vision, mission, and core values.
7. **Chief Executive Officer**- refers to the highest ranking corporate executive who heads Management, who could be named as the President or the General Manager, Chairman or the Administrator of a GOCC. In the case of SRA, it refers to the Administrator.
8. **Confidential Information**- refers to all non-public information entrusted to or obtained by a member of the Board or Officer by reason of his/her position as such with the GOCC. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the GOCC or its customers/stakeholders if disclosed, such as:
(1) non-public information about the GOCC's financial condition, prospects or plans, its

¹ Section 1, Definition of Terms, GCG Memorandum Circular no. 2012-07, Code of Corporate Governance for GOCCs



marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions, divestitures, stock splits and similar transactions; (2) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the GOCC is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.

9. **Chartered GOCC**- refers to a GOCC, including a GFI, created and vested with functions by a special law.
10. **Director**- refers to any member of the Governing Board of a GOCC, whether it be formally referred to as the "Board of Directors" or "Board of Trustees" or some other term in its Charter, Articles of Incorporation or By-Laws. In the case of SRA, it refers to Board Member.
11. **Ex Officio Board Member**- refers to any individual who sits or acts as a member of the Board of Directors/Trustees by virtue of one's title to another office, and without further warrant or appointment. In the case of SRA, It refers to the Secretary of the Department of Agriculture.
12. **Executive Officer**- refers to the CEO or whoever is the highest ranking officer in the GOCC, and such other corporate officer of the GOCC as expressly provided for in its Charter (for a Chartered GOCC) or Bylaws (for a Non-chartered GOCC), such as the Vice-President, Chief Financial Officer, Chief Investment Officer, and General Manager. As distinguished from Board Officers, Executive Officers primarily form part of the Management of the GOCC.
13. **Fit and Proper Rule**- refers to a set of standards for determining whether a member of the Sugar Board or the CEO is qualified to hold a position in SRA which shall include, but not be limited to, standards on integrity, experience, education, training and competence, as such standards are set forth under GCG Memorandum Circular No. 2012-05.
14. **Government Agency**- refers to any of the various units of the Government of the Republic of the Philippines, including a department, bureau, office, instrumentality or GOCC, or a local government or a distinct unit.
15. **Government-Owned and/or Controlled Corporation (GOCC)** - refers to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs, whether governmental or proprietary in nature and owned by the Government of the Republic of the Philippines, directly or through its instrumentalities, either wholly or, where applicable, as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. The term includes Government Instrumentalities with Corporate Powers (GICP), Government Corporate Entities (GCE) and Government Financial Institutions (GFI). The term also includes a Subsidiary of a GOCC.
16. **Management**- refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of the GOCC. In the case of SRA, the management is composed of the Sugar Board, the Administrator, Deputy Administrator, Assistant Administrator, and all Department Managers.
17. **Material Information (Material Fact)** - refers to information which a reasonable investor, stakeholder or Supervising Agency would consider important in determining whether: (1) to buy, sell, hold or otherwise transact with the securities issued by a GOCC; or (2) to the exercise with reasonable prudence voting rights related to securities held with such GOCC, relating to corporate acts, contracts and transactions which would adversely affect the operations of the GOCC.

18. **Non-Stock GOCC**- refers to a Chartered or Non-chartered GOCC which has no equity represented by shares of stock.
19. **Officers**- refer to both Board Officers and Executive Officers of SRA.
20. **Per Diems**- refer to the compensation granted to members of Governing Boards of a GOCC for actual attendance in meetings.
21. **Performance Evaluation System (PES)** - refers to the process of appraising the accomplishments of GOCCS in a given fiscal year based on set performance criteria, targets and weights.
22. **Performance Scorecard**- refers to a governance and management tool forming part of the performance evaluation system which consists of a set of measures, targets and initiatives that facilitate the achievement of breakthrough results and performance through the effective and efficient monitoring and coordination of the strategic objectives of the GOCC.
23. **Public Officials or Public Officers**- refers to elective and appointive officials and employees, whether permanent or temporary, whether in the career or non-career service, whether or not they receive compensation, regardless of amount," who are in the National Government, and all other instrumentalities, agencies or branches of the Republic of the Philippines, including government-owned-or-controlled corporations, and their subsidiaries.
24. **Stakeholder**- refers to any individual or entity for whose benefit the GOCC has been constituted, or whose life, occupation, business or wellbeing is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the GOCC has been instituted, and which would include a stockholder, member, or other investor in the GOCC, management, employees, supply creditors, or the community in which the GOCC operates.
25. **Strategy Map**- refers to an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of the GOCC's vision in relation to its mission or purpose for having been created.
26. **Supervising Agency**- refers to a Government Agency to which a GOCC is attached to for purposes of policy and program coordination and for general supervision. In the case of SRA, It is the Department of Agriculture.

Section 2. Coverage. The provisions of this Manual shall apply to the members of the Board and Management, its employees and other concerned stakeholders.

B. ROLE OF SRA IN THE NATIONAL DEVELOPMENT

Section 3. The primary purpose of SRA's creation is to promote the growth and development of the sugar industry through greater and significant participation of the private sector, and to improve the working condition of laborers.²

SRA as a Government-Owned and/or Controlled Corporation (GOCC) is considered a vital instrument of the government to contribute to the country's economic and social development. It recognizes the importance of its mandated functions, goals and objectives for the efficient and effective delivery of its basic public services to clients and stakeholders. These functions are the strengthening and operationalization of the Mill District Development Committees (MDDCs) as conduits of development in the sugarcane milling districts which include the establishment of

² Section 1, Declaration of Policy, Executive Order No. 18, Creation of Sugar Regulatory Administration (SRA)

MDDC-supervised yield verification trials and high-yielding variety nurseries; block farming; farm-based trainings and outreach programs for the sugarcane industry; breeding, propagation and distribution of high-yielding varieties; sugar mill and refinery performance/efficiency improvement programs through performance audits, technical assistance on energy and environmental audits and good manufacturing practices; crop estimate system, promotion of diversified products from sugarcane such as bioethanol, power generation, and other products which are commercially viable and strict implementation of regulation and enforcement of policies on sugar production, distribution, and marketing and the production of other products from sugarcane such as bioethanol which include registration of millers, refiners, sugar traders, and bioethanol producers; enforcement of sugar production allocations, through quedan system; monitoring of sugar production, withdrawals and stocks in mills/refineries; food safety and sugar quality assessment and assessment and monitoring the conformance to the PNS of raw and refined sugar products.

Section 4. In order to carry out and effectively implement these policies, SRA has the following mandates and objectives:³

1. To institute an orderly system in sugarcane production for the stable, sufficient and balanced production of sugar, for local consumption, exportation and strategic reserves;
2. To establish and maintain such balanced relation between production and requirement of sugar and such marketing conditions as will insure stabilized prices at a level reasonably profitable to the producers and fair to consumers;
3. To promote the effective merchandising of sugar and its by-products in the domestic and foreign markets so that those engaged in the sugar industry will be placed on a basis of economic viability; and,
4. To undertake such relevant studies as may be needed in the formulation of policies and in the planning and implementation of action programmes required in attaining the purposes of objectives set forth under this Executive Order.

Section 5. In order to pursue economic development and to promote growth consistent with national development policies and programs, SRA is vested with the following powers and functions:⁴

1. To recommend the establishment of a sugar production, coefficient and a production quota which shall be attached the land for each planter;
2. To institute regulations for implementing, controlling and monitoring the production quotas;
3. To establish domestic, export and reserve allocation;
4. To explore and expand the domestic market and foreign markets for sugar and by-products, to assure mutual benefits to consumers and producers, and to promote and maintain proper balance of production of sugar and its by-products;
5. To institute, implement and regulate an orderly system of quedanning, disposition and withdrawals of various forms of sugar from warehouses;
6. To evaluate and recommend to the Président new projects involving the production of sugar and its by-products and another products derived from sugarcane and sugar;

³ Section 2, *The Sugar Regulatory Administration, Executive Order No. 18, Creation of SRA*

⁴ Section 3, *Powers and Functions, Executive Order No. 18, Creation of SRA*

7. To issue permits and licenses and collect corresponding fees and levies on the processing and manufacture of sugar and its by-products and another products derived from sugarcane and sugar;
8. To enter, make and execute routinary contracts may be necessary for or incidental to the attainment of its purposes between any persons, firm, public or private, and the Government of the Philippines;
9. To do all such other things, transact such other businesses and perform such functions directly or indirectly necessary incidental or conducive to the attainment of the purposes of the Sugar Regulatory Administration.

C. CORPORATE GOVERNANCE STATEMENT

Section 6. Corporate Governance Statement. As guiding principles to the governing boards, executive officers and employees, SRA adopts a Corporate Governance Statement which will inspire their actions and decisions in the operations and affairs of SRA:

"The SRA shall be a transparent, accountable, dynamic, trustworthy, responsive, competitive and professional Government-Owned and/or Controlled Corporation (GOCC) primarily responsible for the growth and development of the Philippine sugarcane industry. It shall be governed by an ethical and competent Board and Management who shall promote good governance and maintain high quality standards of public service to protect and safeguard the interests and rights of its stakeholders, sugarcane industry partners and other clientele."

D. COMMITMENT TO PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Section 7. Commitment to Principles of Good Corporate Governance. The governing boards, executive officers and employees shall adhere to the principles of good corporate governance and shall adopt these standards in their policy-making and operational decisions.

a) **Governing Principles of Good Governance of SRA.** The corporate good governance of SRA shall be anchored on the following principles:

1. The SRA shall promote transparency, accountability and fairness with utmost degree of professionalism, effectiveness and efficiency in the conduct of its operations and delivery of public services.
2. Full and accurate disclosure shall be made in all aspects and phases of its operations which includes the financial condition, performance and governance strategies.
3. The stakeholders' rights shall be upheld and protected at all times. The SRA shall ensure the equitable treatment of all its stakeholders and clientele.
4. The SRA Board and Management, being fiduciaries of the State, shall act in the best interest of SRA with utmost good faith in all its dealings with the properties and monies of the latter. Their actions shall be characterized by transparency, accountability, fairness and responsibility and they shall exercise prudence and

integrity in directing the SRA towards sustained progress over the long term. In this regard, they have the legal obligation and duty to:⁵

- i. Act with utmost and undivided loyalty to the SRA;
 - ii. Act with due care, extraordinary diligence, skill and good faith in the conduct of the business of the SRA;
 - iii. Avoids conflict of interest and declare any interest they may have in any particular matter before the Board;
 - iv. Apply sound business principles to ensure the financial soundness of SRA;
 - v. Elect and/or employ only personnel who are fit and proper to hold such office with due regard to their qualifications, competence, experience and integrity; and,
 - vi. Hold a trustee relation with respect to the properties, interests and monies of SRA.
- c) **Commitment to Institutionalize the Principles of Corporate Governance.** The governing boards, executive officers, management and employees shall be committed to observe, abide and implement the principles of good corporate governance in SRA.

E. THE SRA GOVERNING BOARD

Section 8. The SRA Governing Board. All corporate powers of the Sugar Regulatory Administration are vested in, and exercised by the Sugar Board.⁶

Section 9. Composition of the Governing Board. The Board shall be composed of the Secretary of the Department of Agriculture (DA), who shall act as Ex-Officio Chairman⁷, the Administrator as Vice-Chairman, and other two (2) members representing the miller and planter sectors of the sugarcane industry.⁸ The Administrator shall be elected annually by the members of the Board from among its ranks. He/she shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.

- a) **Term of Office.** The term of office of each Appointive Sugar Board Member and Administrator shall be for one (1) year, unless sooner removed for cause: Provided, however, that each Appointive Sugar Board Member and Administrator shall continue to hold office until the successor is appointed and qualified.

An Appointive Sugar Board Member who has fully served his/her term of one (1) year may be nominated by the GCG for reappointment by the President only if he/she obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure based on the performance criteria laid down by GCG for SRA.⁹

⁵ Items a to e, Section 19, Republic Act No. 10149, GOCC Governance Act for 2011

⁶ Paragraph 1, Section 4, Governing Body; Sugar Board, Executive Order No. 18, Creation of SRA

⁷ Section 49, Chapter 10, Book IV of Administrative Code of 1987

⁸ Section 4, Executive Order No.18

⁹ Section 17, Republic Act No. 10149 and Section 14, GCG Memorandum Circular No. 2012-07

b) **Appointment to any vacancy shall only be for the unexpired term of the predecessor.** The appointment of the Sugar Board Member and/or Administrator to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Sugar Board Members and Administrator.¹⁰

Section 10. Ex-Officio Alternate. The Ex-officio Chairman may designate his ex-officio alternate, whose acts shall be considered his acts, in accordance with qualifications for ex-officio alternates set-forth by GCG M.C. 2012-08.

Section 11. Multiple Board Seats. No Appointive Board Member shall hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates¹¹.

Section 12. Qualifications and Eligibilities of the Sugar Board. All members of Sugar Board and the Administrator shall be qualified by the Fit and Proper Rule adopted by the GCG in consultation and coordination with the relevant government agencies to which SRA is attached, and approved by the President. The GCG, in coordination with the Supervising Agencies shall, subject to the approval of the President, prescribe, pass upon and review the qualifications and disqualifications of individuals appointed as Sugar Board Members and Administrator, and shall disqualify those found unfit. In determining whether an individual is fit and proper to hold the position of Sugar Board Member and Administrator of SRA, due regard shall be given to one's integrity, education, training, competence and relevant experience in the Sugarcane Industry.

a) **Sugar Board Member Directly Vested With Corporate Powers.** Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the businesses, and to hold all the properties of SRA, the Governing Board is primarily responsible for the governance of SRA. Consequently, it is the Board and not the Management that is primarily accountable to the State for the operations and performance of SRA. Hence, the Sugar Board has the following powers and functions, to wit:¹²

1. To prescribe, amend, modify, or repeal rules and regulations, governing the manner in which the general business of the Board shall be exercised subject to the approval of the President;
2. To establish policies pertaining to the sugar and sugarcane production control, que-danning of sugar produced; withdrawals from sugar warehouses; issuance of permits and licenses in the processing and manufacture of raw sugar, refined and other classes of sugar; issuance of permits and licenses and other related issues pertaining to the specific and general powers prescribed in this Executive Order;
3. To enter into contracts, transactions, or undertakings of whatever nature which are necessary or incidental to its functions and objectives with any natural or juridical persons and with any foreign government institutions, private corporations, partnership or private individuals;

¹⁰Sub-section 14.3, Section 14, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance

¹¹Section 11, GCG Memorandum Circular No. 2012-07

¹²Section 6, Functions of the Sugar Board, Executive Order No. 18, Creation of SRA

4. To fix the compensation of the Administrator and the other officers and employees of the Sugar Regulatory Administration, subject to the approval of the Office of the President of the Philippines;
5. To approve the annual and/or such supplemental budgets of the Sugar Regulatory Administration as may be submitted to it by the Administrator from time to time; and
6. To perform such other duties as may be assigned to it by the President of the Philippines.

In addition to the abovementioned powers and functions, the Board shall also perform the following duties and responsibilities:¹³

7. Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minutes;
8. Determine SRA's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the SRA survives and thrives despite financial crises and that its assets and reputation are adequately protected;
9. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as SRA's over-all performance to ensure optimum results;
10. Adopt a competitive selection and promotion process, a professional development program, and succession plan to ensure that the Officers of SRA have the necessary motivation, integrity, competence and professionalism;
11. Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
12. Implement a system of internal checks and balances, which may be applied to the Board; and ensure that such systems are reviewed and updated on a regular basis;
13. Ensure the integrity of SRA's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
14. Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
15. Adopt, implement and oversee the process of disclosure and communications;
16. Constitute other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and,
17. Conduct and maintain the affairs of SRA within the scope of its authority, as prescribed in Executive Order No. 18 dated May 28, 1986, and other applicable laws, rules and regulations.

- b) **Mandate and Responsibility of the Board for SRA's Performance.** The Board is, however, responsible for providing policy directions, monitoring and overseeing management actions as articulated in Executive Order No. 18, and other relevant

¹³Section 8, *Specific Functions of the Board, Republic Act No. 10149, GOCC Governance Act for 2011*

legislation, rules and regulations. These mandated functions and responsibilities include the following:¹⁴

1. Provide the corporate leadership of SRA subject to the rule of law, and the objectives set by the National Government through the Supervising Agencies and the GCG;
2. Establish SRA's vision and mission, strategic objectives, policies and procedures, and define the SRA's 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 SRA to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
4. Determine the organizational structure of SRA, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with the GOCC Compensation and Position Classification System (CPCS) developed by 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 based on applicable laws, rules and regulations;
6. Provide sound policies and strategic guidelines on SRA's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of SRA;
7. Comply with all reportorial requirements, as required in E.O. No. 18 as well as other applicable laws, rules and regulations;
8. Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurate submission of reports the results to the GCG; and,
9. Ensure the fair and equitable treatment of all Stakeholders and enhance SRA's relations with its Stakeholders.

Section 13. Board Officers. The Board Officers of SRA are the Chairman of the Board, the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens.¹⁵

a) **Chairman of the Board.** The Chairman shall, when present, preside at all meetings of the Board. The Chairman's responsibilities may include:

1. Preside over all Board meetings;
2. Act as the Chairperson of the Executive Committee and the Ex-Officio Chairperson of all Board Committees;
3. Call meetings (through the Board Secretary) to enable the Board to perform its duties and responsibilities;
4. Approve agenda for Board meetings in consultation with the Administrator and the Board Secretary;

¹⁴ Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs approved by the President of the Republic of the Philippines on November 28, 2012

¹⁵ Section 15, Code of Corporate Governance for the GOCC Sector

5. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
 6. Take the lead in ensuring compliance with the GCG and SRA guidelines on corporate governance.
- b) Vice-Chairman of the Sugar Board.** In the absence of the Chairman of the Board, the Vice-Chairman shall preside at the meetings of the Board.¹⁶
- c) Board Secretary.** The Board Secretary need not be a member of the Governing Board. He/she must possess organizational and interpersonal skills, and the legal skills of a Legal Officer. He/she shall have the following functions:¹⁷
1. Serve as an adviser to the Board Members on their responsibilities and obligations;
 2. Ensure that the Board has the proper advice and resources for discharging its fiduciary duty under the SRA Charter, and to ensure further that the Board's actions are accurately recorded;
 3. Plan, organize, control and set into operation the activities pertinent or related to the preparation of the minutes, resolutions or directives ensuring the accurate and faithful compliance of the intentions of the Board;
 4. Undertake research into past Board resolutions, policies and decisions, directives and other Board action, and relate these to present matters under Board consideration;
 5. Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the CEO and other members of the Board as appropriate;
 6. Keep in safe custody the seal of SRA and affix it to any instrument requiring the same;
 7. Attend to the giving and serving of notices of Board and shareholder meetings, if applicable;
 8. Be fully informed and be part of the scheduling process of other activities of the Board;
 9. Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
 10. Oversee the adequate flow of information to the Board prior to meetings;
 11. Submit copies of all Board resolutions as mandatory reportorial requirements to the Commission on Audit (COA) – SRA Resident Auditor Annually;
 12. Ensure fulfillment of disclosure requirements to regulatory bodies; and,
 13. He/she shall have such other responsibilities as the Board may impose upon him. The Board shall have separate and independent access to him/her.
- d) Compliance Officer.** The Board shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such office or appointment, the Board

¹⁶Sub-section 15.2, Section 15, Board Officers, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance

¹⁷Sub-section 15.3, Section 15, Board Officers, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance

Secretary, who is preferably a lawyer, shall act as Compliance Officer. The Compliance Officer shall perform the following duties:¹⁸

1. Monitor compliance of SRA of the requirements under RA 10149, this Code, the rules and regulations of the appropriate Government Agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
2. Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues; and
3. Issue a certification every 30 May of the year on the extent of SRA's compliance with the government corporate standards governing GOCCs for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation. The appointment of a Compliance Officer shall not relieve the Governing Board of its primary responsibility vis-a-vis the State, acting through the GCG, to ensure that SRA has complied with all its reportorial, monitoring and compliance obligations.

Section 14. 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 No. 2012-05, Fit and Proper Rule for Appointive Directors and CEOs of GOCCs.

Section 15. 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 No. 2012-05, Fit and Proper Rule for Appointive Directors and CEOs of GOCCs.

Section 16. Formal Charter of Expectations. A Formal Charter of Expectations to which the Board and Management shall be committed in pursuance of good corporate governance in SRA, and they are expected to:

- a. Ensure that personal interests do not compromise Board or Management decisions. Every Board member or executive officer shall not use his or her position to gain profit or to acquire benefit or advantage for himself or herself or his or her related interests. He or she shall avoid situations that may compromise his or her impartiality;
- b. Devote sufficient time, attention and effort to familiarize himself or herself with the business of SRA. He/she shall be constantly aware of the Philippine sugarcane industry's condition/situation, development, business trends 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. Thoroughly evaluate the issues, make inquiries and seek clarifications to arrive at judicious actions and decisions on matters brought before the Board and Management;
- d. View each problem and situation objectively. When disagreement occurs, he/she shall carefully evaluate the situation and problem, and correspondingly state his or her position, decide and judge independently;

¹⁸Sub-section 15.4, Section 15, Board Officers, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance

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

Section 17. Board Committees. The Board committees shall be chaired by any of the Sugar Board Members which shall support the Board in the performance and discharge of its functions, duties and responsibilities. The existence of the Board committees shall not excuse the Board from its collective responsibility for all the matters that are within their primary responsibility and accountability.

Section 18. Functions of the Board Committees. The Board committees shall have the following functions:¹⁹

- 1. Establish, adopt and implement its own written by-laws that define their duties, authorities and composition, which shall be determined by the current Board;
 - 2. Report to the Board as a collegial body and the minutes of their meetings shall be circulated to the members of the Board;
 - 3. Conduct an investigation into any matter within the scope of its responsibility;
 - 4. Ask or request assistance from special legal, accounting or other consultants to assist them in carrying out their duties;
 - 5. Ask any executive or employee of SRA to attend their meetings and to provide pertinent information and/or assistance as may be necessary;
 - 6. Perform the tasks/assignments and participate in various meetings as may be directed by the Board; and,
 - 7. Review and assess the adequacy of their by-laws regularly and propose changes as may be necessary, subject to the approval of the Board.
- a. **Executive Committee.** In accordance with the authority granted by the Board, it shall be composed of the Administrator as Chairperson, the Deputy Administrator as Vice-Chairperson, the Assistant Administrator and all Department Managers as members, which shall have the following roles and responsibilities:
- 1. Assist in policy development and coordination;
 - 2. Monitor the implementation of policies, projects and programs;
 - 3. Promote the development and improved performance of the SRA's various departments through a range of functions, duties and responsibilities.

¹⁹ Adopted from Section 16, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

However, the Management Committee is not authorized to act, decide and approve with respect to the following:

1. Approval of any action for which shareholders and Boards' approval is also required;
 2. Filling of vacancies on the Board or in the Management Committee;
 3. Amendment or repeal of By-Laws or the adoption of new By-Laws;
 4. Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal; and
 5. Exercise of powers delegated by the Board exclusively to other committees.
- b. **Governance Committee.** The Governance Committee shall be headed by any of the Sugar Board Members composed of SRA officers and Employees Union Officers which shall assist the Sugar Board in fulfilling its corporate governance responsibilities, and shall be responsible for the following:²⁰
1. Overseeing the periodic performance evaluation of the Board and its committees and Management; and conducting an annual self-evaluation of their performance;
 2. Deciding whether or not a Sugar Board Member is able to, and has been adequately carrying out his/her duties as Board Member bearing in mind the member's contribution and performance (i.e. competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted to address the competing time commitments that are faced when directors serve on multiple boards;
 3. Recommending to the Board the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performances; and
 4. Recommending the manner by which the Board's performance may be evaluated and proposing an objective performance criterion to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value.
- c. **Audit Committee.** The Audit Committee shall consist of at least one (1) Board Member as Chairman, and three (3) auditors as members which shall have the background and knowledge in audit, accounting or finance background. The Committee shall be responsible for the following:
1. Oversee, monitor and evaluate the adequacy and effectiveness of SRA's internal control system, engage and coordinate with the Commission on Audit (COA) and other external auditors;
 2. Review and approve audit scope and frequency, and the 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 the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
 3. Receive and review reports of external auditors and regulatory agencies, appropriate corrective actions have been taken to address the issues on control and compliance functions with other regulatory agencies;

²⁰Section 18, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

4. Ensure that internal auditors have free and full access to all SRA's records, properties and personnel relevant to, and required by its functions and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
 5. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout SRA through a procedures and policies handbook that will be used by the entire organization.
- d. **Risk Management Committee.** The Risk Management Committee shall consist of at least one (1) Board Member, and at least two (2) members which shall have a background in finance and investments. The Risk Management Committee shall be responsible for the following:
1. Perform oversight risk management functions specifically in the areas of:
 - i. Management of financial liquidity, solvency and viability, organizational and operational stability and sustainability, legal, reputational and other risks.
 - ii. Crisis management which includes receiving from Senior Management periodic information on risk exposures and risk management activities.
 2. Develop the Risk Management Policy, and ensure that the risk management processes and compliances are embedded throughout the operations of SRA, especially at the Board and Management level; and
 3. Provide quarterly reporting and update the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.
- e. **Nomination and Remunerations Committee.** The Nomination and Remunerations Committee shall consist of at least one (1) Board Member as Chairman, and three (3) members of which the two (2) members shall come from the Administrative and Finance Department and one (1) member from the SRA Employees Association of the Philippines (SUGAREAP). The Committee shall be responsible for the following:
1. Install and maintain a nomination process that officers or employees to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
 2. Review and evaluate the qualifications of all persons nominated to positions in SRA which require appointment by the Board;
 3. Recommend to GCG the nominees or appointees for the shortlist in line with SRA's Board composition and succession plan; and
 4. Develop recommendations to the GCG for updating the CPCS consistent with SRA's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

Section 19. Compensation Rules and Structure of Members of the Board. The rules and structure on compensation entitlements of members of the Board shall be governed by Executive Order (EO) No. 24 and GCG Memorandum Circular No. 2012-02, Revised Interim Rules on Per Diems and Other Compensation Entitlements of Members of the Governing Boards of GOCCs Covered by RA 10149.

Section 20. Annual Performance Evaluation of the SRA Board. The annual performance of all members of the Board shall be monitored and evaluated regularly. Members of the Board shall submit themselves for evaluation by the Governance Commission during its annual Performance Evaluation for Directors (PED), which criteria and mechanics shall be in accordance with the pertinent GCG Memorandum Circular.

Section 21. 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:

1. Section 24 on Restitution under RA 10149 (GOCC Governance Act of 2011);
2. Section 11 on Penalties under RA 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
3. Section 3 on Corrupt Practices of Public Officers and Section 9 on Penalties for Violations under RA 3019 (Anti-Graft and Corrupt Practices Act); and
4. Other rules and regulations prescribed by GCG and SRA.

F. MANAGEMENT

Section 22. Role of Management of SRA. Management shall be the primary implementer, enabler, mover and front-runner for the day-to-day affairs and operations of SRA. It shall determine the activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets. Management is responsible to the Board for implementing the infrastructure for the success through the following mechanisms in its organization as set by the Board; organizational structures that work effectively and efficiently in attaining the goals of SRA; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approaching information systems that are defined and aligned with an information technology strategy and the business goals of SRA; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions.²¹

Section 23. Accountability of Management to the Board. Management shall be primarily accountable to the Board for the operations of SRA. As part of its accountability, management shall provide all members of the Board with a balanced and understandable account of SRA's performance, position and prospects on a monthly basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.²²

- a. **Powers and Duties of the Administrator as Chief Executive Officer (CEO).** He or she shall execute and administer the policies and resolutions approved by the Board and direct and supervise the administration and operations of SRA. The Administrator shall appoint and promote the personnel of SRA, remove, suspend or otherwise discipline them for a cause, in accordance with the existing Civil Service rules and regulations, and prescribe their duties and qualifications to the end that only qualified and competent persons may be employed. In addition, the Administrator shall have the following inherent or mandated duties and responsibilities:

²¹Section 18, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

²²Section 19, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

1. Exercise general supervision and authority over the regular course of business, affairs, and property of SRA, and over its employees and officers;
 2. See to it that all orders and resolutions of the Board are carried into effect;
 3. Submit to the Board as soon as possible after the close of each fiscal year, and to the shareholders at the annual meeting, if applicable, a complete report of the operations of SRA for the preceding year, and the state of its affairs;
 4. Report to the Board from time to time all matters which the interest of SRA may require to be brought to its notice; and
 5. Perform such other duties and responsibilities as the Board may impose upon him/her.
- b. **Other Executive Officers.** The Board shall appoint, subject to the provisions of SRA Charter, other executive officers who shall assist the Administrator in carrying out management duties and responsibilities.
- c. **Power of the Governing Board to Discipline or 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 CEO, or any other Officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.

Section 24. Specific Duties of Management. The SRA management shall perform the following functions:

Requiring Board Approval:

1. Evaluate and propose changes to corporate priorities, programs, policies, rules and regulations for approval of the Board;
2. Develop corporate plans and budgets in support of established goals and objectives;
3. Formulate Policy and Procedural Guidelines, Manuals and other policy documents for approval of the Board; and,
4. Perform a clearing house function for matters that should be elevated to the Board.

Not Requiring Board Approval:

1. Formulate Office Orders to implement a uniform interpretation of existing processes or to streamline procedures;
 2. Monitor implementation of plans, programs and special projects and institute remedial measures to correct deviations, if necessary;
 3. Resolve operational problems and issues; and
 4. Perform a clearing house function for matters that need not be elevated to the Board.
- a. **Secretariat in Executive Committee Meetings.** The Policy and Planning Department shall serve as the Secretariat of the ExeCom during its meetings and shall perform the following strategic functions:
1. Assist in the preparation of agenda and prepare notices of meetings;

2. Consolidate reviewed presentation materials of the presenting groups;
3. Record all deliberations and agreements and prepare minutes of meetings ensuring completeness and accuracy of each discussion;
4. Properly document all proceedings, particularly directives and resolutions for implementation, and make available all materials for ExeCom members or any authorized requesting party;
5. Monitor and follow-up implementation of ExeCom directives and resolutions; and
6. Provide other technical, logistical, and/or administrative assistance to ExeCom.

G. DUTIES AND OBLIGATIONS OF BOARD MEMBERS, OFFICERS AND EMPLOYEES²³

Section 25. The Administrator, appointive Board Members, Officers and Employees shall have the following duties and obligations to SRA as:

1. Fiduciaries and Trustees

The legal obligation and duty to always act in the best interest of SRA, with utmost good faith in all dealings with the properties, interests and monies such as but not limited to:

- i. Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties using the utmost diligence of a very cautious person with due regard to all the circumstances;
- ii. Apply sound business principles to ensure the financial soundness of the SRA;
- iii. Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity. Every Board Member and officer or employee, by the act of accepting such position in SRA, affirms and covenants: (1) to have a working knowledge of the statutory and regulatory requirements affecting SRA he/she is to serve, including the contents of its Charter, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; and (2) to always keep himself informed of industry developments and business trends in order to safeguard SRA's interests and preserve its competitiveness.
- iv. Act with utmost and undivided loyalty to SRA;
- v. Avoid conflicts of interest and declare any interest they may have, and any questions on the actual or potential conflict of interest shall be brought before the Chairman of the Board, who shall review the questions and determine the appropriate course of action;
- vi. Avoid: (1) taking for themselves the corporate opportunities related to SRA's operational business prospects and ventures; (2) using the SRA property, information or position for personal gain; and (3) competing with SRA's business opportunities.

a. Public Officials and Employees

- i. Duties and obligations to observe and follow the provisions of the Republic Act No. 6713, or the "Code of Conduct and Ethical Standards for Public Officials and Employees" with its declared policies: (1) to promote a high standard of ethics in public service; and (2) to be accountable to the people and shall discharge their duties with utmost responsibility,

²³ Article V, Duties and Obligations of Directors and Officers, Code of Corporate Governance for GOCCs, GCG Memorandum Circular No. 2012-07.

integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest at all times.

- ii. Respect and obey the Constitution, and cause SRA to faithfully and timely comply with all its legal provisions, rules and regulations, and other applicable corporate governance standards, and to act within the bounds of its Charter.

Section 26. Restitution. The actions and performances of the Administrator, Board Members, Officers and Employees shall be covered by, and be exercised in pursuance to the provisions of Section 24 of the Restitution Law, but not limited to the following circumstances:

- a. Upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to SRA in the possession of an officer or employee without authority, or that profits are earned by the officer or employee in violation of his/her fiduciary duty, or the aggregate per diems, salaries, allowances and incentives received in a particular year are in excess of the limits provided under the Act, the Administrator, Board Members, officer or employee receiving such properties or monies shall immediately return the same amount to SRA. Failure to make the restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, Administrator, Board Members, officers or employees shall be subject to the punishment of imprisonment for one (1) year and a fine equivalent to twice the amount to be restituted and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.
- b. Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of the Administrator, Board Members, Officers and Employees in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where the SRA is a stockholder or investor, and any benefit from the performance of the Administrator, Board Members, Officers and Employees acting for and in behalf of SRA in dealing with its properties, investments in other corporations, management of Subsidiaries and other interest, are to be held in trust by the Administrator, Board Members, Officers and Employees for the exclusive benefit of the GOCC represented.
- c. Where the Administrator, or Board Member, or Officer or Employee acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to the use of the properties of SRA for his/her own benefit, the receipt of commission(s) on contract(s) with SRA or its assets, or the taking advantage of corporate opportunities of SRA, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Act, without prejudice to any administrative, civil or criminal action against members of the such officers and employees. The remedy of restitution shall apply notwithstanding the fact that such Officer or Employee risked his/her own funds in the venture.

Section 27. The appointed Board members are entitled to receive the allowable per diems, allowances and incentives to be determined by the GCG, using as a reference, among others, Executive Order No. 24, dated February 10, 2011 and other existing government budgeting, accounting and auditing rules and regulations. However, they shall not be entitled to retirement benefits.

Section 28. No Gift Policy. Administrator, Board members, officers and employees 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; and
- b. Is part of an attempt or agreement to do anything in return.

H. OBLIGATIONS OF SRA TO BOARD MEMBERS AND OFFICERS

Section 29. Provision of Support Staff. SRA shall provide its Board members with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

Section 30. Directors and Officers Liability Insurance (DOLI). Board members and officers shall be provided with reasonable DOLI coverage against contingent claims and liabilities, and prosecutorial expenses that may be incurred from the cases or lawsuits filed against SRA arising from their actions as governing Board and/or Management that may cause loss or damage to third parties. Nothing in this section shall be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by the SRA on the litigation expenses incurred and the judgment liability decreed against a Board member or Officer for breach of any of his/her fiduciary duties or for fraud committed in the performance of his or her duties to SRA and/or its stakeholders.

I. GOVERNANCE POLICY ON CONFLICT OF INTEREST

Section 31. Conflict of Interest. Public policy dictates that the personal interest of the Board members and executive officers should never prevail over the interest of SRA.

- a. **Determination of Conflict of Interest.** A conflict of interest exists when a Board member or executive officer of SRA:
 1. Attempts to supply goods or services to SRA, or endorses those supplied by their relatives or friends;
 2. Supplies goods, services or information/data to the entities in completion with SRA;
 3. By virtue of his or her office, acquires for himself or herself a business opportunity which should belong to SRA;
 4. Accepts an offer or receives a favor for delivering the business of SRA to a third party; and
 5. Engages in business activities which compete with or works contrary to the best interests of SRA.
- b. **Disclosure of Conflict of Interest.** If an actual or potential conflict of interest should arise on the part of the Board members or executive officer, it shall be fully disclosed before the Board²⁴ and the concerned Board member or executive officer shall not participate in the decision-making. A Board member or executive officer who has

²⁴ Section 19 (c), RA 10149, GOCC Governance Act of 2011

continuing conflict of interest shall either divest or resign subject to existing administrative laws, rules and regulations.

Any question about a Board member's or executive officer's actual or potential conflict of interest with the SRA shall be brought promptly to the attention of the Chairman of the Board, who together with the Board shall review the question and determine an appropriate course of action.²⁵ If the Chairman of the Board is the trustee in question, he or she shall voluntarily inhibit and the Vice Chairman together with the Board shall take over in reviewing the question and deciding on the action to be taken.

J. FORMAL RECOGNITION AND RELATIONS WITH STAKEHOLDERS

Section 32. Formal Recognition of SRA Stakeholders. As mandated by the GCG, this Manual shall incorporate and formally recognize the stakeholders of SRA,²⁶ thus:

- a. Sugarcane Planters/Farmers;
- b. Sugar Millers, Refiners and Traders;
- c. Sugar Importers and Exporters;
- d. Sugar Mill District Development Foundation, Inc.;
- e. Sugar Alliances, Associations, Federations, Foundations and Cooperatives;
- f. Sugarcane Workers and Laborers;
- g. Public Sector Union;
- h. Oversight agencies;
- i. Partner government agencies and other external agencies;
- j. Media;
- k. Private corporations having similar nature of business as SRA; and
- l. General Public.

Section 33. Nature of Stakeholders' Interests. To be more responsive and effective in the delivery of SRA's basic services to its stakeholders, it is important to understand the legitimate interests of the latter to the mandate, plans and programs of SRA:

| Stakeholders | Nature of Interest |
|----------------------------|--|
| Sugarcane Planters/Farmers | <ul style="list-style-type: none"> • Sugarcane improvement and development plans, programs and projects such as propagation of high sugarcane varieties/planting materials; cost-efficient farm and production technologies and practices to increase farm productivity, farmers' income and sugar production, and attain lower production cost; • Reliable information and data on sugar prices, crop estimation; sugar production allocation and sugar movement monitoring systems; • Conduct of soil analysis (laboratory) tests and technical assistance and other form of extension services; and outreach |

²⁵ Paragraph 27.1, Section 27, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

²⁶ Section 35, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

| | |
|--|--|
| | <p>and capability building programs such as farm-based trainings on cost-efficient practices in sugarcane farming, technical trainings on fertilizer usage and application, advisory services, on-site trainings, and farm visits, and the like.</p> |
| Sugar Millers, Refiners and Traders | <ul style="list-style-type: none"> • Quality assurance of raw sugar, refined sugar and muscovado sugar; • Technical audit and assessment of sugar mills and refineries; • Monitoring of production, withdrawals, coastwise shipments/movements and prices of sugar; • Physical inventory of sugar stocks and audits of sugar quedans; • Issuance of food safety regulations such as Sanitary and Phytosanitary (SPS) certifications and import permits; • Effective formulation of production allocation/market distribution, sugar policies, rules and regulations; |
| Sugar Importers and Exporters | <ul style="list-style-type: none"> • Licenses, clearances, registrations and permits for import and export of sugar; and • Sugar orders, policies, rules and regulations and shipments; and circular letters. |
| Sugar Mill District Development Foundation, Inc. | <ul style="list-style-type: none"> • Technical assistance and funding support; • Programs and projects collaboration and coordination such as expansion of sugarcane areas; and • Development and promotion of sugarcane-based industries. |
| Sugar Alliances, Federations, Associations, Foundations and Cooperatives | <ul style="list-style-type: none"> • Formulation of sugar policies, procedures, rules and regulations; • Development and implementation of plans, programs and projects of the sugarcane industries; and • Sugarcane industry benefits. |
| Sugarcane Workers and Laborers | <ul style="list-style-type: none"> • Monitoring and sound implementation of Social Amelioration Program; • Collection of sugar liens as fund for the socio-economic needs of the sugarcane industry's dependents; and • Convergence initiatives with DAR, DA, DOLE, DepED, DSWD, DPWH, DTI, NEDA, DOE for the farmers and workers welfare. |
| Public Sector Union | <ul style="list-style-type: none"> • Concerns on SRA formulation and implementation of policies, procedures, rules and regulations • |
| | |

| | |
|---|--|
| Oversight Agencies | <ul style="list-style-type: none"> • Compliance with regulatory issuances and reportorial requirements. |
| Partner Government Agencies and other external agencies | <ul style="list-style-type: none"> • Collaboration, coordination and integration of related or similar projects, programs and activities for appropriate implementation and monitoring; |
| Media | <ul style="list-style-type: none"> • Articles on SRA matters, i.e. sugar production and allocation, sugar prices and stocks inventory, current scenario on supply and demand, and sugar policies and issuances. |
| Private Corporations having similar nature of business as SRA | <ul style="list-style-type: none"> • Benchmarking of latest applicable technologies and good practices and techniques related to the industry. |
| General Public | <ul style="list-style-type: none"> • Sugar prices and qualities; and • Health issues and benefits of sugar. |

Section 34. Hierarchy System of Resolution of Conflict of Interests between Stakeholders. Considering the differences in the nature of the legitimate interests of stakeholders, SRA shall ensure resolution thereof based on the following order of priority:

1. Direct stakeholders such as sugarcane planters and farmers, sugar millers/refineries and traders, sugar importers and exporters; sugar Mill District Development Foundation, Inc., and sugar alliances, associations, federations, foundations and cooperatives, and sugarcane workers;
2. Indirect stakeholders such as:
 - a. PSUs, oversight agencies, partner government agencies and other external agencies; and
 - b. media, private corporations having similar nature of businesses as the SRA and the general public.

Section 35. Relations with Stakeholders. The SRA shall establish policies to promote strong relationship, and protect the rights of stakeholders. It shall encourage active cooperation with its stakeholders by providing adequate Philippine sugarcane industry safeguards; by giving due valuable importance and priorities in the increase of sugar production, farm productivity, mill efficiency, income and welfare of sugarcane farmers; policy support for the Philippine Biofuel Program; public relations and industry communication program; and promotion of good governance and transparency in public service. It shall remain steadfast in its commitment to be equally transparent, participative and consultative to all its stakeholders.

- a. **Recognition and Respect of Stakeholders' Rights Established by Law or Through Mutual Agreements.** The SRA shall establish mechanisms and procedures to protect and safeguards

stakeholders' rights. It shall ensure that stakeholders have equal access to the relevant and reliable information on a timely and regular basis to be able to exercise their rights and privileges.

- b. **Duty to be Responsive to Stakeholders.** Stakeholders shall expect that SRA is administered and managed with due regard to their interests. The members of the Board and Management shall have the duty to deal fairly with SRA stakeholders, suppliers, private and public clients, and other government agencies. No member of the Board or Officer shall take unfair advantage of these stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.²⁷
- c. **Monitoring of Stakeholder Satisfaction.** To ensure that it has sufficiently addressed the legitimate interests of its stakeholders, the SRA shall develop and utilize a customer feedback survey system. This shall reflect whether the SRA has adequately served their interests and determine areas for improvement.

K. DISCLOSURE AND TRANSPARENCY

Section 36. Disclosure and Transparency. The SRA shall continue to enhance disclosure and transparency, and instill a sense of loyalty in its Board members and executive officers, as well as protect the interests of stakeholders. Timely and accurate disclosure shall be made on all material matters regarding the SRA, including its financial condition, performance, ownership and governance strategies.

- a. **Disclosure in the SRA Website.** The SRA shall maintain a website and post therein for unrestricted public access the following, as applicable:²⁸

1. On Institutional Matters:

- a) Latest version of SRA Charter; and
- 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 resume, 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 on 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;

²⁷ Section 33, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

²⁸ Section 43, 43.1, 43.2, 43.3, 43.4 and 43.5, Code of Corporate Governance for the GOCC Sector, Section 25(b) of RA 10149, GOCC Governance Act of 2011

- 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 Government Matters:

- a) Charter Statement/Mission-Vision Statements;
- b) Performance Scorecard and Strategy Map;
- c) Organization Chart;
- d) Manual of Corporate Governance;
- e) Corporate Social Responsibility (CSR) Statement; and
- f) Balanced Scorecard.

L. RESPONSIBILITY FOR THE TRUTHFULNESS AND FAIRNESS OF THE SRA FINANCIAL STATEMENTS

Section 37. Responsibility for Truthfulness and Fairness of Financial Statements.²⁹ As part of its accountability for the day-to-day operations of SRA, Management is primarily responsible for the preparation and presentation of the SRA 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.

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.

M. COMMUNICATION

Section 38. Communication with Stakeholders. SRA shall communicate with stakeholders and clientele its policies and provide relevant information/data on the effective implementation and enforcement. It shall allow its stakeholder reports to be independently scrutinized in order to strengthen their credibility.

1. Dissemination of SRA Policies and Programs Affecting Stakeholders. The SRA through its Records and Library Section shall disseminate every new sugar policy or program being implemented for its stakeholders.

²⁹Based on COA Template on Statement of Management's Responsibility for Financial Statements

2. Regular Dialogues and Seminars. To ensure an effective feedback mechanism, the SRA shall implement regular information dissemination campaigns through dialogues, seminars, conferences and meetings. Regular conferences, meetings and seminars shall continuously be conducted to provide stakeholders with a venue for active interaction and exchanges to address their queries and concerns.
3. Communication with Stakeholders through Multimedia. The SRA shall likewise utilize multimedia as a communication tool. It shall take advantage of technological innovations in communicative media to further its relationship with its stakeholders and maintain the implementation of its current activities utilizing print, radio, TV, social network/internet, SMS and the like.

Section 39. Communication within the Organization, Continuing Education of SRA 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:

1. Ensure the full dissemination of this Manual to all employees and shall encourage them to participate in the development of organizational policies and processes.
2. Allocate corporate funds for the conduct of series of orientation programs for the continued education and training of all officers and employees in order to institutionalize this Manual in SRA.
3. Ensure the full dissemination of this Manual to all stakeholders through the conduct of public information dissemination campaigns and members' dialogues so as to render the SRA accountable to its stakeholders for any violations committed against this Manual.³⁰

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

N. MISCELLANEOUS PROVISIONS

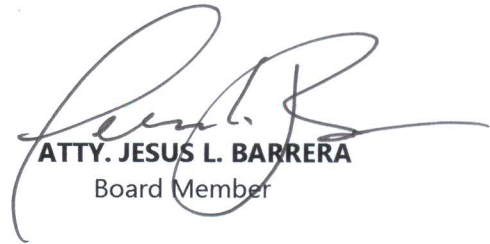
Section 40. Revision and Updating. The depository of the Manual rests with SRA Corporate Governance Committee and shall be reviewed, updated, and/or revised periodically.

Section 41. Effectivity. This Manual shall take effect upon approval of the SRA Board and GCG.

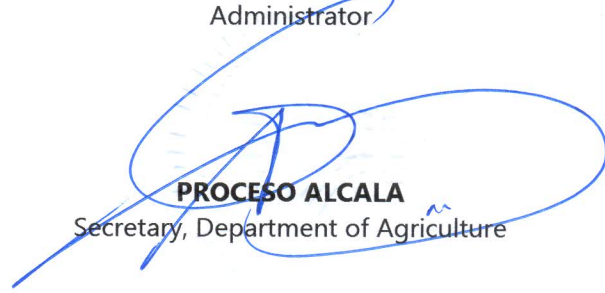
³⁰Section 42, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs

Approved by:


PABLITO S. SANDOVAL
Board Member


ATTY. JESUS L. BARRERA
Board Member


MA. REGINA BAUTISTA-MARTIN
Administrator


PROCESO ALCALA
Secretary, Department of Agriculture

DEPARTMENT OF AGRICULTURE

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