

[ **OP Executive Order No. 24, s. 2011, February 10, 2011** ]

**PRESCRIBING RULES TO GOVERN THE COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS/ TRUSTEES IN GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS**

*Adopted: 10 February 2011*

*Date Filed: 07 June 2011*

**WHEREAS**, Section 1, Article XI of the 1987 Constitution provides that a "Public office is a public trust. Public officers and employees must at all times be accountable to the people, serve them with utmost responsibility, integrity, loyalty, and efficiency, act with patriotism and justice, and lead modest lives.";

**WHEREAS**, pursuant to this constitutional mandate, Republic Act No. 6713 (*The Code of Conduct and Ethical Standards for Public Officials and Employees*) directs public officials and employees to uphold public interest over personal interest and for this purpose, to use government resources and the powers of their offices efficiently, effectively, honestly and economically to avoid wastage of government resources;

**WHEREAS**, transparency, accountability and prudence in government spending are among the core governance policies being adopted by this Administration;

**WHEREAS**, government-owned or-controlled corporations (GOCCs) including government financial institutions (GFIs) are government agencies and their funds are public funds which must be used prudently at all times with a view to prevent dissipation and waste;

**WHEREAS**, membership in the Board of Directors/ Trustees of GOCCs is a public office under the Executive Department;

**WHEREAS**, the Board of Directors/ Trustees of certain GOCCs have granted their members excessive salaries, *per diems*, allowances, bonuses, incentives and other benefits which cause demoralization in the bureaucracy and depletion of government revenues;

**WHEREAS**, pursuant to Section 17, Article VII of the 1987 Constitution, the President shall have control of all the executive departments, bureaus and offices;

**WHEREAS**, consistent with the precept of public accountability, it becomes imperative for the President of the Philippines to exercise his power of control over GOCCs to rationalize the compensation of the members of their Board of Directors/ Trustees.

**NOW, THEREFORE, I, BENIGNO S. AQUINO III**, President of the Philippines, by virtue of the powers vested in me by the Constitution and by law, do hereby order:

**SECTION 1. Policy Considerations** – Cognizant of the role of the Board of Directors/ Trustees as steward of the corporation it serves and caretaker of the best interests of the people who are the true shareholders of the corporation, the rationalization of the compensation for members of the Board of Directors/ Trustees in GOCCs shall be anchored on the following policy considerations of the State:

- a) Promote transparency, accountability, and prudence in government spending;
- b) Enable the GOCCs to perform their mandated developmental, social, commercial, proprietary, and regulatory functions, and respond to the demands for an effective and efficient delivery of essential public services, thereby significantly contribute to national development;
- c) Strengthen the overall governance and management of GOCCs by, among others, attracting highly qualified and competent individuals;
- d) Improve the monitoring, supervision, and evaluation of the management and operations of GOCCs; and
- e) Provide for the standardization and rationalization of the compensation of members of the Board of Directors/ Trustees that is reasonable, justifiable, and appropriate to prevent abuses in the grant of salaries, *per diems*, allowances, bonuses, incentives, and other benefits.

**SECTION 2. Definition of Terms** – Unless otherwise provided elsewhere in the Executive Order, the following terms shall mean as follows:

- a) **GOCC** – 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 directly or through its instrumentalities either wholly, or, where applicable, as in the case of stock corporations, to the extent of at least 51% of its capital stock.
- b) **Chartered GOCC** – A GOCC, including a GFI, created and vested with corporate functions by a special law.
- c) **Non-chartered GOCC** – A GOCC organized and operating under Batas Pambansa Bilang 68 (*The Corporation Code of the Philippines*).
- d) **GFI** – A financial institution in which the Government directly or indirectly owns majority of the capital

stock and which are either registered with or directly supervised by the *Bangko Sentral ng Pilipinas*.

- e) **Subsidiary** – A corporation more than 50% of the voting stock of which is owned or controlled, directly or indirectly through one or more intermediaries, by a GOCC.
- f) **Ex-Officio Board Member** – An individual who sits or acts as a member of the Board of Directors/ Trustees by virtue of his/her title to another office, and without further warrant or appointment.
- g) **Authorized Alternate/Representative** – An individual who is officially designated by an *Ex-Officio* Board member to exercise the powers and perform the functions of the latter in the event of his/her absence or incapacity when allowed by law.
- h) **Appointive or Elective Board Member** – An individual who sits or acts as a member of the Board of Directors/ Trustees by virtue of his/her appointment or election to such position.
- i) **Per Diems** – Compensation granted to members of the Board of Directors/ Trustees of a GOCC for attendance in meetings.
- j) **Salaries, Allowances, Bonuses, and Benefits** – Any amount paid to members of the Board of Directors/ Trustees other than *per diems* and performance based incentives.
- k) **Annual Retainer Fees** – Annual lump sum amount paid to a member of the Board of Directors/ Trustees for services rendered.
- l) **Performance-based Incentives** – Rewards, in cash or in kind, granted to members of the Board of Directors/ Trustees for exceeding performance targets.
- m) **Reimbursable Expenses** – Actual and reasonable expenses incurred by members of the Board of Directors/ Trustees in their performance of official functions which may be legally reimbursed.
- n) **Stock Plans** – Refers to stock options, outright stock, restricted stock, and deferred stock.

**SECTION 3. General Provisions** – The compensation of members of the Board of Directors/ Trustees in GOCCs shall be in accordance with the following principles:

- a) The compensation system shall have the following characteristics:
  - 1. Simple and easy to understand, interpret, manage, and implement;
  - 2. Consistent with best practices for public and private corporations; and
  - 3. Takes into consideration the peculiar nature of corporations in terms of size, strategic positioning, nature of operations, and financial capability.
  - 4. Subject to periodic review to take into account prevailing best practices, the peculiar nature of corporations, organizational performance, the changes in skills and competence requirements, and the possible erosion in the purchasing power due to inflation and other factors.
- b) The compensation shall have the following characteristics:
  - 1. Just and equitable in accordance with the principle of equal pay for work of equal value;
  - 2. Generally comparable with those in the private sector doing comparable work in order to attract, retain, and motivate a corps of competent members of the Board of Directors/ Trustees;
  - 3. Performance-based with due consideration to individual and organizational performance in terms of financial, operational, developmental, and regulatory performance where applicable;
  - 4. Fair, reasonable, and in consideration of fiscal realities such as the availability of funds and the financial capability of the organization; and
  - 5. Subject to the approval of the President.

**SECTION 4. Coverage** – The policies, principles, and rules set forth herein shall apply to:

- a) Members of the Board of Directors/ Trustees of all GOCCs, with or without Charter, whether or not covered by the Salary Standardization Law, regardless of classification. and all their subsidiaries, but shall exclude the *Bangko Sentral ng Pilipinas*; and
- b) Representatives of GOCCs in the Boards of private corporations wherein the GOCCs have investments.

**SECTION 5. Local Water Districts** – Members of the Board of Directors/ Trustees of Local Water Districts shall likewise be subject to the policies and principles set forth herein. Separate rules pertaining to classification and compensation of members of the Board of Directors/ Trustees of Local Water Districts shall be issued for this purpose.

**SECTION 6. GOCC Classification** – For the purpose of determining the maximum allowable compensation for members of the Board of Directors/ Trustees pursuant to this Executive Order, GOCCs shall be classified by size based on assets and revenues as follows:

Classification	Assets (P)	Revenues (P)
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