

MALACAÑAN PALACE

MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 24

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

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 the 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;

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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 a 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 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 the assets and revenues as follows:

| Classification | Assets (P) | Revenues (P) |
|----------------|--------------------------------|---------------------------------|
| A | ≥ 100 Billion | ≥ 10 Billion |
| B | ≥ 25 Billion and < 100 Billion | ≥ 2.5 Billion and < 10 Billion |
| C | ≥ 5 Billion and < 25 Billion | ≥ 500 million and < 2.5 Billion |
| D | ≥ 1 Billion and < 5 Billion | ≥ 100 million and < 500 million |
| E | < 1 Billion | < 100 million |

- a) Assets shall be based on the prior year's audited balance sheet;
- b) Revenues shall be based in the average of the prior three years' audited income statements;
- c) GOCCs must meet both asset and revenue criteria;
- d) Additional consideration may be given for such factors as financial performance, industry, and strategic positioning; and
- e) Changes in a GOCC's classification shall be reviewed, evaluated, and recommended by the Department of Finance, subject to the approval of the President.

SECTION 7. *Compensation of Members of the Board of Directors/Trustees* – The compensation of members of the Board of Directors/Trustees shall be in accordance with the following rules:

- a) Department Secretaries, Undersecretaries, Assistant Secretaries and other government officials, who are *Ex-Officio* Board Members, including their Authorized Alternates/Representatives, shall not be entitled to any additional compensation for their services as such;
- b) Appointive or Elective Board Members may receive compensation as set forth herein unless specifically prohibited by law or Charter;
- c) Compensation granted to *Ex-Officio* Board Members of subsidiaries or private corporations wherein a GOCC has investments shall accrue to the GOCC represented; and
- d) Compensation granted to Appointive or Elective Board Members representing a GOCC in a private corporation where the GOCC has investments shall not exceed the allowable compensation of the members of the Board of Directors/Trustees of the GOCC represented. Any excess shall accrue and be remitted to the GOCC represented within fifteen (15) days.

SECTION 8. Compensation Structure – The compensation of members of the Board of Directors/Trustees shall have the following components:

- a) Compensation shall be in the form of *per diems* and subject to limits as provided for under Sections 9 and 10 hereof;
- b) Compensation in the form of Performance-Based Incentives may be allowed and shall be based on agreed upon metrics as provided under Section 11 hereof;
- c) Annual Retainer Fees and Stock Plans shall not be allowed; and
- d) Salaries, Allowance, Benefits, and other Bonuses shall not be allowed unless specifically authorized by law or Charter and approved by the President, *provided* that the total of foregoing compensation and *per diems* shall not exceed the limits stipulated under Sections 9 and 10 hereof.

SECTION 9. *Per Diems for Board Meetings* – The maximum *per diem* per Regular or Special Board meeting *actually attended* provided to members of the Board of Directors/Trustees shall be based on the size of the GOCC but not to exceed the maximum annual amounts as specified herein. Actual amounts provided shall consider the nature of the GOCC and fiscal realities, but any increases from the current rates of per diems being granted shall take effect only upon the approval by the President.

- a) The following schedule shall serve as limits:

| Classification | Max Per Diem Per Meeting | Max Per year |
|----------------|--------------------------|--------------|
| A | 40,000 | 960,000 |
| B | 20,000 | 480,000 |
| C | 15,000 | 360,000 |
| D | 10,000 | 240,000 |
| E | 5,000 | 120,000 |

- b) The Board chairperson may receive not more than 20% of the amount set for members of the Board of Directors/Trustees.

SECTION 10. *Per Diems for Committee Meetings* – The maximum *per diem* per Committee meeting *actually attended* provided to members of the Board of Directors/Trustees shall be based on the size of the GOCC and shall be at most sixty percent (60%) of the amount set per Board meeting but not to exceed the maximum annual amounts as specified herein. Actual amounts provided shall consider the nature of the GOCC and fiscal realities, but any increases from the current rates of per diems being granted shall take effect only upon approval by the President. The following schedule shall serve as limits:

| Classification | Max Per Diem Per Meeting | Max Per Year |
|----------------|--------------------------|--------------|
|----------------|--------------------------|--------------|

| | | |
|---|--------|---------|
| A | 24,000 | 576,000 |
| B | 12,000 | 288,000 |
| C | 9,000 | 216,000 |
| D | 6,000 | 144,000 |
| E | 3,000 | 72,000 |

SECTION 11. *Performance-based Incentives* – The maximum amount of Performance-Based Incentives which may be paid to members of the Board of Directors/Trustees shall be based on the size of the GOCC but not to exceed a reasonable percentage of a Board Member’s *actual* annual *per diems* received. Actual amounts provided shall be based on metrics agreed upon by the Board of Directors/Trustees and the supervising department, endorsed by the Department of Finance and the Department of Budget and Management, and subject to and upon approval of the President.

- a) A rating system shall be used to assess GOCC performance using metrics that clearly identify when targets have been met or exceeded; and
- b) Performance-based incentives shall only be paid if a GOCC has complied with its statutory obligations.

SECTION 12. *Reimbursable Expenses* – All necessary expenses of members of the Board of Directors/Trustees to attend Board and other meetings and discharge their official duties shall be paid directly by the GOCC. However, when *due only* to the exigency of the service and subject to the submission of receipts, it is necessary for the members of the Board of Directors/Trustees to advance the same, they may be reimbursed but only for the following items incurred in the performance of official functions subject to budgeting, accounting, and auditing rules and regulation:

- a) Transportation expenses in going to and from the place of meetings;
- b) Travel expenses during official travel;
- c) Communication expenses; and
- d) Meals during business meetings.

SECTION 13. *Compliance* –

- a) The Board of Directors/Trustees of all Chartered GOCCs, whether or not covered by the Salary Standardization Law, are hereby directed to comply with the provisions contained in the Executive Order to govern the compensation and reimbursable expenses of the members of the Board of Directors/Trustees in their respective corporations; and
- b) The Board of Directors/Trustees of all Non-charted GOCCs, including all subsidiaries, are hereby directed to pass Board resolutions adopting or reiterating the provisions

contained in this Executive Order to govern the compensation and reimbursable expenses of the members of the Board of Directors/Trustees in their respective corporations.

SECTION 14. *Penalties* – Non-compliance with any of the provisions of this Executive Order shall be considered insubordination or neglect of duty and such other administrative offences as may be warranted and shall be dealt with accordingly.

SECTION 15. *Restitution* – Upon the determination and report of the Commission on Audit (COA) that a member of the Board of Directors/Trustees has received any amount or property beyond what is allowed in this Executive Order or has received anything which accrues to the GOCC represented by him/her, the member of the Board of Directors/Trustees shall immediately return the same to the GOCC concerned.

SECTION 16. *Clarifications* – Any request for clarifications to the provisions of this Executive Order shall be directed to the Task Force on Corporate Compensation and must be in writing.

SECTION 17. *Separability Clause* – If for any reason, any section or provision of this Executive Order is declared to be invalid, the other sections or provisions hereof which are not affected shall continue to be in full force and effect.

SECTION 18. *Repealing Clause* – All orders, circulars, issuances, Board resolutions, rules and regulations or parts thereof which are inconsistent with the provisions of this Executive Order are hereby repealed or modified accordingly; *provided*, that any provision not otherwise repealed or modified herein shall remain effective and enforceable as part of this Order.

SECTION 19. *Effectivity Clause* – This Executive Order shall take effect immediately upon publication in a newspaper of general circulation.

DONE in the City of Manila, this 10th day of February, in the year of our Lord, Two Thousand and Eleven.

(Sgd.) **BENIGNO S. AQUINO III**

By the President:

(SGD.) **PAQUITO N. OCHOA, JR.**

Executive Secretary