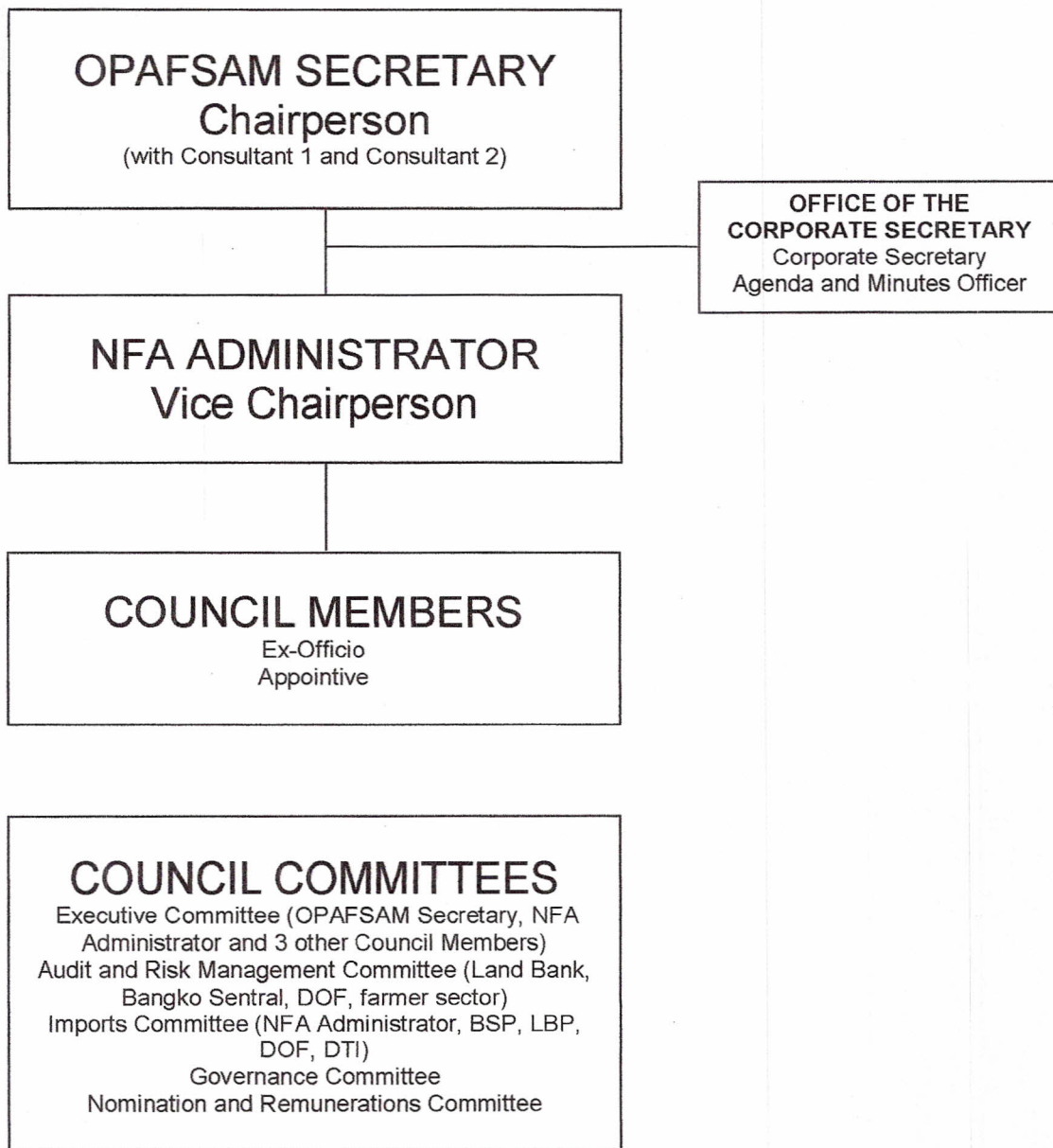

NFA Council Organization Structure



place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;

- (h) Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas; and
- (i) Adopt, implement and oversee the process of disclosure and communications, and conduct and maintain the affairs of NFA within the scope of its authority, as prescribed in its Charter and applicable laws, rules and regulation.

Section 9. Composition of the NFA Council.²⁰ – The composition of the NFA Council as provided for in PD 4, RA 10149 and the Magna Carta of Small Farmers (RA #7607) are as follows:

Chairman	Presidential Assistant for Food Security and Agricultural Modernization
Members	The Secretary, Department of Trade and Industry The Secretary, Department of Finance The Governor, Bangko Sentral ng Pilipinas The President, Land Bank of the Philippines The Chairman, Development Bank of the Philippines Representative, Office of the President Representative of the Farmers Sector Two (2) Appointive Directors

Except for the Representative of the Farmer Sector which has become a Member by virtue of the Magna Carta for Small Farmers, all the Council Members are vested with one voting right.

Section 10. Ex Officio Alternates. – Unless provided in their Charter, the Ex Officio Council Members may designate their respective alternates, who ideally should be the officials next-in-rank to them, and whose acts shall be considered the acts of their principals.²¹

Section 11. Multiple Board Seats. - The capacity of Appointive Members of the NFA Council to serve with diligence shall not be compromised. As such, no Appointive Council Member, its Subsidiary or Affiliate Subsidiary or Affiliate may hold more than two (2) other Council or Board seats in other GOCCs, Subsidiaries and/or Affiliates.

Section 12. Appointment of Appointive NFA Council Members. -

12.1. All Appointive Council Members in NFA shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.²²

²⁰ Sec. 4 of P.D. No. 4

²¹ Sec. 14, R.A. No. 10149

²² Sec. 15, R.A. No. 10149

as Council Members, Administrator and other Executive Officers and shall disqualify those found unfit.²⁷

In determining whether an individual is fit and proper to hold the position of Council Member, Administrator or Executive of NFA, due regard shall be given to one's integrity, experience, education, training and competence.²⁸

Section 14. Term of Office of Appointive NFA Council Members. The term of office of each Appointive Council Officer shall be for one (1) year to begin on July 1 of the year of appointment and ending on June 30 of the following year, unless sooner removed for cause.

Provided, however, that each Appointive Council Members shall continue to hold office until the successor is appointed and qualified.²⁹

14.1. An Appointive Council Member may be nominated by the GCG for reappointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Council Member based on the performance criteria for Appointive Council Officers adopted for NFA.³⁰

14.2. Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a Council Member to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Council Member.³¹

Section 15. NFA Council Officers. - The Council Officers of NFA are the Chairman of the NFA Council (who is the highest ranking of the NFA Council Officers), the Vice-Chairman, the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens.

15.1. **Chairman of the NFA Council** - Ideally, the roles of the Chairman and the Administrator should be with different individuals in order to ensure an appropriate balance of power, increased accountability, greater capacity of the Council for independent decision-making, and optimum capacity to exercise supervisory function over Management.

Where both positions of the Chairman and the Administrator are unified in the same individual, checks and balances should be clearly provided by the Council to help ensure that independent, outside views, perspectives, and judgments are given proper hearing in the Board.

The Chairman shall be responsible for the efficient functioning of the Board by way of

²⁷ Id.

²⁸ Id.

²⁹ Sec. 17, R.A. No. 10129

³⁰ Id.

³¹ Id.

- (a) Calling meetings to enable the Council to perform its duties and responsibilities.
- (b) Approving meeting agenda in consultation with the Administrator and the Corporate Secretary.
- (c) Exercising control over quality, quantity and timeliness of the flow of information between Management and the Council.
- (d) Assisting in ensuring compliance with NFA's guidelines on corporate governance, and
- (e) Ensures that all Council Members are enabled and encouraged to actively participate in all discussions and resolutions on matters taken up.

The responsibilities set out above may pertain only to the Chairman's role in respect to the Council's proceedings and shall not be taken as a comprehensive list of all the duties and responsibilities of a Chairman.

The Chairman shall, when present, preside in all meetings of the NFA Council and in his absence, the Vice Chairman shall preside. If both are absent, the Members present shall choose from among themselves the presiding officer.

15.2 **Vice-Chairman** - In the absence of the Chairman of the Council, the Vice-Chairman shall preside at the meetings of the Council.

15.3 **Corporate Secretary** - The Corporate Secretary shall have the following functions:

- (a) Serve as an adviser to the Council Members on their responsibilities and obligations.
- (b) Prepare and keep the minutes of meetings of the Council, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the Administrator and other members of the Council as appropriate.
- (c) Keep in safe custody the seal of NFA and affix it to any instrument requiring the same.
- (d) Attend to the preparation and serving of notices of Council meetings, Board resolutions when officially requested.
- (e) Be fully informed and be part of the scheduling process of other activities of the Council.

- (f) Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Council meetings, the preparation of regular agenda for meetings, and notifying the Council of such agenda at every meeting,
- (g) Oversee the adequate flow of information to the Council prior to meetings,
- (h) Ensure fulfillment of disclosure requirements to regulatory bodies and
- (i) Authenticate signatures of Council Members and Executive officers authorized by the NFA Council to sign documents in behalf of NFA.

The Corporate Secretary shall have such other responsibilities as the Council may impose upon him. The Council shall have separate and independent access to the Corporate Secretary.

15.4. Compliance Officer - The Council shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such officer or appointment, the Corporate Secretary, shall act as Compliance Officer. The Compliance Officer shall perform the following duties:²²

- (a) Monitor compliance by NFA of the requirements under its Charter, this Code, the rules and regulations of the appropriate Government Agencies and, if any violations are found, report the matter to the Council and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (b) Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues; and
- (c) Issue a certification every 30 May of the year on the extent of NFA'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 Council of its primary responsibility vis-a-vis the State, acting through the GCG, to ensure that NFA has complied with all its reportorial, monitoring and compliance obligations.

Section 16. Council Committees - The creation of Council Committees and other such oversight bodies enables the Council Members to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting NFA

²² Adopted from Art. 3 (f)(2)(m), SEC Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, s. 2009)

and the proper handling of all other concerns, and allows the Council to effectively utilize the expertise of its Members.

16.1. The Council shall therefore constitute the proper committees to assist them in performing their duties and responsibilities, providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. The committees shall report to the entire Council as a collegial body and the minutes of their meetings shall be circulated to all members of the Council. The existence of the committees shall not excuse the Council of its collective responsibility for all matters that are within the primary responsibility and accountability of the Council.³³

16.2. As a minimum, the Council shall be supported by the following specialized committees:

16.2.1. **Executive Committee**. - The Chair and the NFA Administrator as member shall be the permanent officers of the Executive Committee plus three other members who shall serve on ad-hoc basis (Resolution No. 77-2K3). The three members shall be called upon by the Chairman depending on the agenda where their line of interest and expertise are required.

The Executive Committee, shall review/recommend matters that the NFA Council wanted to be validated further before they are taken up for decision by the NFA Council such as:

- a) Filling of vacancies on the Council or in the Executive Committee.
- b) Propose amendments or repeal of the NFA Charter or the adoption of new policies;
- c) Amendment or repeal of any resolution of the Council which by its express terms cannot be amended or subject to repeal; and
- d) Exercise of powers delegated by the Council exclusively to other committees.

16.2.2. **Audit Committee**. - The Audit Committee shall consist of at least three (3) Council Members, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following³⁴

- (a) Overseeing, monitoring and evaluating the adequacy and effectiveness of NFA's internal control system, engage and provide oversight of NFA's internal and external auditors, and coordinate with the Commission on Audit (COA);

³³ See OECD Guidelines - Annotations to "The Responsibilities of the Boards of State-Owned Enterprises, p.52.

³⁴ Adopted from Sec. 9 (A), SEC Memorandum Circular No. 2, s. 2002

- (b) Reviewing and approving audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the NFA Council, 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;
- (c) Receiving and reviewing reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- (d) Ensuring that internal auditors have free and full access to all of NFA's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
- (e) Developing a transparent financial management system that will ensure the integrity of internal control activities throughout NFA through a procedures and policies handbook that will be used by the entire organization

16.2.3. **Risk Management Committee.** - The Risk Management Committee shall consist of at least three (3) members, with at least one member having a background in finance and investments. The Risk Management Committee shall be responsible for the following:

- (a) Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of NFA, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
- (b) Developing the Risk Management Policy of NFA, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of NFA, especially at the Council and Management level; and
- (c) Providing quarterly reporting and updating the Council on key risk management issues as well as ad hoc reporting and evaluation on investment proposals;

16.2.4 **Governance Committee.** - The Governance Committee shall assist the NFA Council Members in fulfilling its corporate governance responsibilities. The Committee shall be composed of

at least three (3) members of the NFA Council, and chaired by the Chairman of the NFA Council. The Committee shall be responsible for the following

- (a) Overseeing the periodic performance evaluation of the NFA Council and its committees and Management; and also conducting an annual self-evaluation of their performance;
- (b) Deciding whether or not a Council Member is able to and has been adequately carrying out his/her duties as Council Member bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards,
- (c) Recommending to the Council regarding the continuing education of Council Members, assignment to Council Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
- (d) Recommending the manner by which the Council's performance may be evaluated and proposing an objective performance criteria to be approved by the Council. Such performance indicators shall address how the Council will enhance long-term shareholder value.

16.2.5. Nomination and Remunerations Committee³⁵ – The Nomination and Remunerations Committee shall consist of at least three (3) members of the Board. The Committee shall be responsible for the following

- (a) Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
- (b) Reviewing and evaluating the qualifications of all persons nominated to positions in NFA which require appointment by the Council;
- (c) Recommending to the GCG nominees for the shortlist inline with NFA's and its subsidiaries' Board or Council composition and succession plan; and
- (d) Developing recommendations to the GCG for updating the Compensation Position Classification System (CPCS) and

³⁵ Adopted from Sec. 9 (B) (b), SEC Memorandum Circular No. 2, s. 2002

ensuring that the same continues to be consistent with NFA's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

16.3. Combining the Mandatory Committees - Nothing here shall preclude the NFA Council from formally combining the functions of the committees into such combinations that will best serve the interest of NFA.

16.4. Other Committees Required by Law, Rules and Regulations. -In addition to the committees required in this Code, each GOCC, when so covered, shall also establish the committees required under the corresponding and applicable rules and regulations issued by the Bangko Sentral ng Pilipinas (BSP), the Insurance Commission (IC), the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), and other Supervising Agencies.

Section 17. Annual Performance Evaluation of the Council.- A systematic evaluation process of the Council based on GCG M.C. No. 2014-03 which provides for a system in evaluating the performance of "all Appointive Directors as the basis for the determination of whether they shall be recommended for reappointment" and "Ex-Officio Directors or their Alternates for the purpose of reporting to the President the performance of such Ex Officio Directors, as well as allow the GCG to evolve a good governance system for Ex Officio Directors in the GOCC Sector."

IV.

MANAGEMENT

Section 18. Role of Management. - The NFA Management stands as the center of decision-making for the day-to-day affairs of the Agency. It determines NFA's activities by putting the targets set by the Council in concrete terms and by implementing basic strategies for achieving those targets.

The NFA Management is responsible to the NFA Council for implementing the infrastructure for NFA's success through the following mechanisms in its organization asset by the Council: organizational structures that work effectively and efficiently in attaining the goals of NFA; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; information systems that are defined and aligned with an information technology strategy and the business goals of NFA; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in NFA.

Section 19. Management Primarily Accountable to the Council. - The NFA Management is primarily accountable to the Council for the operations of NFA. As part of its accountability, the NFA Management shall provide all officers of the Council with a balanced and understandable account of the Agency'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.