

[NEA GUIDELINES FOR THE SELECTION AND APPOINTMENT OF INDEPENDENT DIRECTORS, January 29, 2015]

GUIDELINES FOR THE SELECTION AND APPOINTMENT OF INDEPENDENT DIRECTORS

*Adopted: 29 January 2015
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I. RATIONALE

1. Section 6 (c) of RA 10531 provides that the NEA, in the exercise of its power of supervision over electric cooperatives (ECs), shall have the power to appoint Independent Board of Directors in the ECs;
2. Section 5(e) of RA 10531 provides, among other things, that NEA is authorized and empowered to supervise the management and operations of ECs; and
3. NEA Board Resolution No. 27 dated August 26, 2011 provides for the establishment of Key Performance Standards (KPS) with emphasis on good governance.

II. DEFINITION

Independent Director means a person who possesses personal and professional qualities and/or expertise and who does not have any financial transaction or pecuniary interest, directly or indirectly, which could materially interfere with the exercise of his independent judgment in carrying out his duties and responsibilities as a director in the electric cooperative where he/she is appointed.

III. OBJECTIVES

The appointment of Independent Directors has the following objectives:

1. To allow ECs to have access to expertise to cope with the demands and challenges of the power industry;
2. To promote and strengthen transparency and accountability in the EC operations;
3. To further strengthen the leadership qualities of the Board of Directors;
4. To establish a stronger governance framework for ECs; and
5. To broaden the perspectives of the Board of Directors in the exercise of its oversight function over EC operations.

IV. ROLES OF INDEPENDENT DIRECTORS

An Independent Director shall have the following roles:

1. Provide an objective viewpoint in the formulation of policies and programs towards the attainment of the EC mandate;
2. Lend expertise during board deliberations on various issues and concerns;
3. Shall be part in the determination of quorum in board and committee meetings with voting rights; and
4. Shall submit periodic reports to NEA on matters approved or passed upon by the EC Board of Directors and on the initiatives and activities of the EC.

V. QUALIFICATIONS

The Independent Director must meet the following qualifications:

1. A graduate of a 4-year Bachelor's Degree preferably with post graduate studies;
2. Respectable track record and experience for at least five (5) years in any one or more of the following fields:
 - a. Accountancy
 - b. Banking and Finance
 - c. Economics
 - d. Engineering
 - e. Law
 - f. Management
 - g. Management and Information System
 - h. Psychology
 - i. Social Engineering
 - j. Other fields deemed necessary by NEA
3. Possess integrity and probity; and
4. Can work effectively with diverse groups of people.

VI. DISQUALIFICATIONS

Nominees for Independent Directors shall be disqualified for the following grounds:

1. Has been suspended, terminated or separated from employment due to just cause;
2. Has been convicted of a crime involving moral turpitude;
3. Has pending administrative or criminal case;
4. Related to any director or officer of the EC within the fourth (4th) civil degree of consanguinity or affinity;
5. Former General Manager, Director, Department Manager or its equivalent, Consultant, Retainer, and Supplier of the EC for the last three (3) years where he/she will be assigned;