PROGRAM TO PROMOTE GOOD CORPORATE GOVERNANCE IN DISTRIBUTION UTILITIES

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WHEREAS, it is the policy of the state to actively promote corporate governance reforms aimed to raise investor confidence, develop the capital market and help achieve a sustained growth for the corporate sector and the economy;

WHEREAS, pursuant to Section 2(f) of Republic Act No. 9136, it is likewise the policy of the state to protect public interest as it is affected by the rates and services of electric utilities and other providers of electric power;

WHEREAS, the Commission recognizes the significant role of the Board of Directors of electric utilities in the practice and observance of high ethical standards, corporate social responsibility and good corporate governance to protect the interest of all stakeholders and to enhance reforms in the electricity industry;

NOW THEREFORE, be it resolved, AS THIS COMMISSION HEREBY RESOLVES, to require all Board of Directors of electric utilities to undergo a seminar on Good Corporate Governance and prescribe, AS THIS COMMISSION HEREBY PRESCRIBES, the following:

SECTION 1. Title - This Resolution shall be known as the Program to Promote Good Corporate Governance in Distribution Utilities.

SECTION 2. Applicability. - This Resolution shall apply to all distribution utilities (DUs) - The term "distribution utility" shall mean any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate an electric distribution system in accordance with R.A. No. 9136 and its Implementing Rules and Regulations (IRR).

SECTION 3. Observance - All incumbent Board of Directors of distribution utilities shall, as a requirement to continue their unexpired term of office or to accept nomination for a new term, undergo a seminar on Good Corporate Governance.

All incoming Board of Directors shall, as a requirement prior to the assumption of office, undergo a seminar on Good Corporate Governance.

SECTION 4. Compliance - The President of the distribution utility shall submit the compliance with this Resolution within six (6) months from its effectivity outlining thereon the names of the Board of Directors, their remaining tenure and the schedule of their attendance in a seminar on Good Corporate Governance to comply with the directives herein.

SECTION 5. Accredited Seminar Providers. - All seminar providers accredited by the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP) may be authorized to conduct seminar on good governance.

SECTION 6. Violation. - The failure or inability of a Board of Director to attend a seminar on Good Corporate Governance as prescribed herein shall constitute a ground for his disqualification from continuing his term of office and for the installation/appointment of a suitable replacement in accordance with the internal rules and

regulations of the DUs.

SECTION 7. Effectivity - This Resolution shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation in the Philippines.

SO ORDERED.

Adopted: 24 June 2004.

(SGD.) RODOLFO B. ALBANO, JR.

Chairman

(SGD.) OLIVER B. BUTALID

(SGD.) CARLOS R. ALINDADA

Commissioner

Commissioner

(SGD.) LETICIA V. IBAY

(SGD.) JESUS N. ALCORDO

Commissioner

Commissioner

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