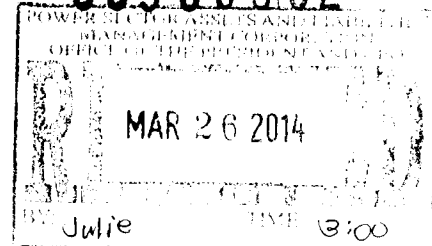


24 March 2014

HON. CESAR V. PURISIMA
DOF Secretary & Chairman

HON. EMMANUEL R. LEDESMA, JR.
President & CEO (PCEO)

**POWER SECTOR ASSETS & LIABILITIES
 MANAGEMENT CORPORATION (PSALM)**
 7/F Bankmer Bldg., 6756 Ayala Ave., Makati City



RE : NO GIFT POLICY

Dear Sec. Purisima and PCEO Ledesma,

Formally contained in this letter is the Governance Commission's formal evaluation of the No Gift Policy of **POWER SECTOR ASSETS & LIABILITIES MANAGEMENT CORPORATION (PSALM)**, submitted in the letter dated 27 February 2014,¹ which according thereto was approved by the PSALM Board of Directors in its Regular Meeting last 27 December 2013.

We confirm that submission of PSALM's No Gift Policy was pursuant to the following requirements of GCG, thus:

- (a) Section 42, GCG Memorandum Circular No. 2012-07 - Code of Corporate Governance for GOCCs; and
- (b) Section 3, GCG Memorandum Circular No. 2013-05 - Interim 2013 Performance-Based Bonus (PBB) for Officers and Employees.

We note that the No Gift Policy of PSALM, as applied to the peculiar circumstances of PSALM, is a substantial reproduction of GCG's No Gift Policy promulgated under Memorandum Circular No. 2012-12.

ACCEPTANCE OF THE NO GIFT POLICY

The Governance Commission hereby accepts the submitted No Gift Policy of PSALM as compliance with Section 29, GCG Memorandum Circular No. 2012-07 (Code of Corporate Governance for GOCCs) and the Good Governance Conditions under GCG Memorandum Circular No. 2013-05 (Re-Issued) (2013 Interim Performance-Based Bonus [PBB]).

¹ Formally received by the Commission on 07 March 2014.

11-M 3/27/14 8:57

Very truly yours,

BY AUTHORITY OF THE COMMISSION



CESAR L. VILLANUEVA
Chairman



MA ANGELA E. IGNACIO
Commissioner



RAINIER B. BUTALID
Commissioner



POWER SECTOR
ASSETS & LIABILITIES
MANAGEMENT CORPORATION



POWER SECTOR ASSETS & LIABILITIES
MANAGEMENT CORPORATION

NO GIFT POLICY

BACKGROUND

1. Constitutional Policy Governing Public Officers

Section 1, Article XI of the 1987 Constitution delineates the accountability of public officers, thus:

ARTICLE XI
ACCOUNTABILITY OF PUBLIC OFFICERS

SECTION 1. 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.

The principle is reiterated in Section 1 of the Code of Conduct and Ethical Standards for Public Officials and Employees, thus:

Sec. 2. Declaration of Policies. - It is the policy of the State to promote a high standard of ethics in public service. Public officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.

2. Statutory Policies and Rules against Acceptance of Gifts by Public Officers and Employees

2.1. It is the policy of the Philippine Government, in line with the principle that public office is a public trust, to repress certain acts of public officers and private persons alike which constitute graft or corrupt practices or which may lead thereto."

2.2. Section 3 of the Anti-Graft and Corrupt Practices Act provides that, among other acts or omissions, the following shall constitute corrupt practices of any public officer and thereby declared to be unlawful:

(b) "Directly or indirectly requesting or receiving any gift, present, share, percentage, or benefit, for himself or for any other person, in connection with any contract or transaction between the Government and any other party, wherein the public officer in his official capacity has to intervene under the law."

(c) Directly or indirectly requesting or receiving any gift, present or other pecuniary or material benefit, for himself or for another, from any person for whom the public officer, in any manner or capacity, has secured or obtained, or will secure or obtain, any Government permit or license, in consideration for the help given or to be given . . .'

2.3. Section 7(d) of the Code of Conduct and Ethical Standards for Public Officials and Employees, provides that "[p]ublic officials and employees shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value from any person in the course of their official duties or in connection with any operation being regulated by, or any transaction which may be affected by the functions of their office."

3. Mandate of PSALM to Formally Adopt a "No-Gift Policy"

3.1. Under Section 29 of the Code of Corporate Governance for GOCCs, it is mandated that "Every Governing Board shall formally adopt a 'No Gift Policy' within the GOCC and ensure its full advertisement to the community and its strict implementation by particular set of rules."

3.2. Further thereto, the Governance Commission for GOCCs (GCG) issued GCG Memorandum Circular No. 2012-07, wherein every Governing Body shall formally adopt a "No Gift Policy" within the GOCC and ensure its full advertisement to the community and its strict implementation by particular set of rules.

THE PSALM "NO GIFT POLICY"

4. **Declaration of Policy.** - Being constituted of public servants who adhere to the principle that public office is a public trust, the Power Sector Assets & Liabilities Management Corporation (PSALM) is committed to the highest standards of ethics and conduct. PSALM requires that all of its officers and employees practice and demonstrate equal treatment, unbiased professionalism, and non-discriminatory actions in the performance of their duties and functions, without expectation of any undue favor or reward.

To avoid any conflict of interest, the appearance of a conflict of interest, or the need for PSALM officers and employees to examine the ethics of acceptance, PSALM hereby adopts this "No Gift Policy".

5. No Gift Policy. - PSALM, its officers and employees, shall NOT SOLICIT OR ACCEPT, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or use, anything of monetary value from a person, groups, associations, or juridical entities, whether from the public or the private sectors, at any time, on or off the work premises, in the course of their official duties or in connection with any operation being regulated by, or any transaction which may be affected by the functions of, their office. The prohibition shall include, but not be limited to:

5.1. Honoraria given as speaker or resource person in seminars or where any PSALM officer or employee is participating by reason of his/her office with PSALM.

5.2. Sponsorship in any form of any of the internal programs, activities, and affairs of PSALM, such as Christmas parties, anniversary commemorations, etc.

5.3. Advertisements in the publications of PSALM.

5.4. Discounts, rebates, waivers and other forms of monetary incentives or benefits given to PSALM, its officers and employees, in availing of the services and/or facilities of persons or entities under the jurisdiction of PSALM.

5.5. Acceptance of invitations to social lunches and dinners with persons or entities under the jurisdiction of PSALM.

6. Exceptions. Exempted from this "No Gift Policy" are the following:

6.1. The acceptance and retention of certificates, plaques, cards, thank you notes, or other written forms of souvenir or mark of courtesy.

6.2. The acceptance of seminar bags and contents, and partaking of moderately priced meals and beverages that officers and employees obtain at events, such as conferences and seminars, and which are offered equally to all members of the public attending the event;

6.3. Acceptance of books, pamphlets, publications, and data and other information or reading materials that are directly useful to PSALM in the performance of its mandates, objectives and, and which books and other materials are given by individuals or organizations that have no pending

business with the Commission as to create an actual or potential conflict of interest.

6.4. The acceptance by PSALM Officers and employees of a scholarship or fellowship grant, travel grants or expense for travel taking place within or outside of the Philippines (such as allowances, transportation, food and lodging) or more than nominal value, if such acceptance is consistent with the mandates of PSALM and permitted by the Secretary of the Department of Energy.


6.5. The acceptance or availment by PSALM of grants from local or foreign institutions in the pursuit of the mandates, projects and activities, such as those coming from ADB, World Bank, USAID, etc., provided that the availment thereof shall be strictly in compliance with applicable laws, rules and regulations.

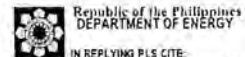
7. **Requirement to Inform.** - PSALM officers and employees are required to professionally inform any individual or organization with any actual or potential business with PSALM of this "No Gift Policy", the reasons the corporation has adopted this policy, and request that such individual or organization respect such policy. Notices informing walk-in clients and visitors of the Policy shall likewise be posted in conspicuous areas within GCG premises.

8. **Return and Acknowledgement of Gift.** - If PSALM, any of its officers or employees, receives a gift covered by this policy, such gift, if feasible, shall immediately and politely be declined. In the event that it is not feasible, or it is inappropriate or impractical, to return the gift, e.g., it is a perishable item, the gift shall be donated to an appropriate charitable or social welfare institution. An acknowledgement letter shall be sent to the donor informing him/her of the "No Gift Policy" or that the gift has been returned or donated to a charitable or social welfare institution.

ADOPTED and APPROVED this 27th day of December 2013.

CESAR V. PURISIMA
Secretary
Department of Finance


CARLOS JERICO L. PETILLA
Secretary
Department of Energy



IN REPLYING PLS CITE:
SOE-JLP-14000646



AIRENE M. ROBINSON
Director
Department of Finance

JOSE RAYMUND A. ACOL
Assistant Secretary
Department of Energy

GERONIMO L. SY
Assistant Secretary
Department of Justice

ARSENIO M. BALISACAN
Director General
National Economic Development
Authority

FRETTI G. GANCHOON
State Counsel
Department of Justice

RUBEN S. REINOSO, JR.
Director General
National Economic Development
Authority

HEIDDI VENECIA R. BARROZO
Director
Department of Justice


FLORENCIO B. ABAD
Secretary
Department of Budget and
Management

GREGORY L. DOMINGO
Secretary
Department of Trade and Industry



MARIO L. RELAMPAGOS
Undersecretary
Department of Budget and
Management

ADRIAN S. CRISTOBAL, JR.
Undersecretary
Department of Trade and Industry


LORENZO C. DRAPETE
Director, Bureau F
Department of Budget and
Management

LUCITA P. REYES
Governor, Industry Development
Group
Board of Investments

EMMANUEL R. LEDESMA, JR.
President & CEO
PSALM Corporation

LORENZO C. DRAPETE
Director, Bureau F
Department of Budget and
Management


LUCITA P. REYES
Governor, Industry Development
Group
Board of Investments

1/21/14

EMMANUEL R. LEDESMA, JR.
President & CEO
PSALM Corporation

LORENZO C. DRAPETE
Director, Bureau F
Department of Budget and
Management

LUCITA P. REYES
Governor, Industry Development
Group
Board of Investments



EMMANUEL R. LEDESMA, JR.
President & CEO
PSALM Corporation