



Melco Crown Philippines

## MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

### REVISED MANUAL ON CORPORATE GOVERNANCE

(Pursuant to SEC Memorandum Circular No. 6, Series of 2009 and SEC Memorandum Circular No. 9, Series of 2014)

The Board of Directors and Management of Melco Crown (Philippines) Resorts Corporation (the “**Corporation**”) hereby commit themselves to the principles and best practices contained in this Revised Manual on Corporate Governance (the “**Manual**”), and acknowledge that this Manual shall guide the Corporation in the conduct of its business and the attainment of its corporate goals.

#### I.

#### OBJECTIVE

The day to day business and affairs of the Corporation are conducted by its employees, management, and its Property President/Chief Operating Officer (“**PP/COO**”). This Manual reflects practices that the Board of Directors (the “**Board**”) has developed to facilitate the effective management of the business and affairs of the Corporation under the Board’s direction and high standard of corporate governance. The Board will conduct an annual review of this Manual. Upon review, this Manual is subject to future amendment, if the Board deems changes necessary or advisable in order to achieve effective management of the business and affairs of the Corporation, to meet applicable legal and regulatory requirements, or to ensure the practicality and workability of this Manual.

#### 1.1. Definition of Terms

- a. **Corporate Governance** – the framework of rules, systems and processes in the Corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.
- b. **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties;
- c. **Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
- d. **Management** – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation;
- e. **Independent Director** – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;

- f. **Non-Audit Work** – the other services offered by an external auditor to a Corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;
- g. **Internal Control** – the system established by the Board of Directors and Management for the accomplishment of the Corporation’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
- h. **Internal Control System** – the framework under which internal controls are developed and implemented (alone or in connect with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed;
- i. **Internal Audit** – an independent and objective assurance activity designed to add value to and improve the Corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.

## II.

### CORPORATE GOVERNANCE STRUCTURE

The governance structure in the Corporation shall be designed to be a working structure for principled actions, effective decision-making and appropriate monitoring of both compliance and performance.

#### 2.1. Board of Directors

To perform the Board’s responsibilities and functions, the directors shall set and abide by the high standards of responsibility and ethics, so as to ensure that the Corporation is committed to business success through maintenance of such high standards.

Effective directors engage in careful review, as well as constructive analysis and evaluation. The job of a director requires them to ask in-depth questions of management and to take actions necessary to get accurate reports on status and results of operations and development. Effective oversight requires giving credit and recognition to management where effectiveness has been demonstrated.

The directors may rely on the advice, reports and opinions of management, counsel and our expert advisers. In doing so, the Board evaluates the qualifications of those it relies upon for information and advice, and also looks to the process used by managers and advisers in reaching their recommendations.

It shall be the Board's responsibility to foster the success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of its stockholders and other stakeholders. The Board shall conduct itself with honesty and integrity in the discharge of its duties, functions and responsibilities.

The Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

A. Composition of the Board

The Board shall be composed of nine (9) members who are elected by the stockholders, of which two (2) are independent directors. The membership of the Board is composed of a majority of Non-Executive Directors that includes the 2 independent directors and a minority of Executive Directors. As such, the Board is not dominated by members who are company executives.

The Board shall review from time to time the appropriateness of its size. The Board would consider expanding its size to accommodate appropriate and suitable candidates. The Board, through the Nominating and Corporate Governance Committee, will have the opportunity to review the appropriateness of the continued service of directors who change their position or responsibility that they held when they were elected to the Board. Following such review, the Nominating and Corporate Governance Committee will discuss any concerns they may have with the Chairman.

The Non-Executive Directors possess qualifications and stature that enable them to effectively participate in the deliberation of the Board.

Each Board member must ensure that other existing and anticipated future commitments do not materially interfere with such member's service as director. Directors should advise the Nominating and Corporate Governance Committee of any invitations to join the Board of any other public company or as an officer of a major shareholder or other company with a material association with the Corporation, prior to accepting another directorship or joining as an officer of such other companies.

B. General Responsibility

- a. The Directors' main responsibility is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Corporation, its stockholders and other stakeholders. The Board advises and counsels the Corporation's senior management and monitors the performance of such management and the affairs of the Corporation.
- b. A Director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.
- c. It shall be the Board's responsibility to formulate the Corporation's vision, mission, strategic objectiveness policies and procedures that guide the Corporation's activities, including the means to effectively monitor Management's performance.

C. Duties and Functions of the Board

1. General Functions

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall:

- a. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly motivated management officers. Adopt an effective succession planning program for Management;

- b. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- c. Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practice;
- d. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation;
- e. Identify the Corporation's stakeholders and sectors in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communications with them;
- f. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There will be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness;
- g. Identify, key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;
- h. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, other stakeholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- i. Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities;
- j. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- k. Meet at such times or frequency as may be needed and such meeting shall be duly recorded and minuted. Independent views during the Board meetings should be encouraged and given due consideration;
- l. Install a process of selection to ensure a mix of competent directors and officers;
- m. Appoint a Compliance Officer who shall have the rank of at least Vice-President. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer;
- n. Determine the Corporation's purposes, its vision and mission and strategies to carry out its objectives;
- o. Keep board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

## 2. Specific Functions

The Board also performs a number of specific functions, either directly or through its committees, including:

- a. Define the role, duties and responsibilities of the, Property President/Chief Operating Officer by integrating the dynamic requirements of the business as a going concern and future expansion prospects within the realm of good corporate governance at all times;
- b. Review, approve and monitor fundamental financial and business strategies and major corporate actions;
- c. Assess major risks facing the Corporation and reviewing options for their mitigation;
- d. Ensure that processes are in place for maintaining the integrity of the Corporation: the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with other stakeholders.

### 2.1 Specific Duties and Responsibilities of Each Director

A Director of the Corporation shall have the following duties and responsibilities:

- (i) Act with fairness in all its dealings with the Corporation and ensures that his own personal interests do not affect his decisions in the Board level;
- (ii) Devote sufficient time and attention to properly discharge his duties and responsibilities;
- (iii) Act judiciously;
- (iv) Exercise independent judgment;
- (v) Have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Securities and Exchange Commission ("**SEC**" or "**Commission**"), and where applicable, the requirements of other regulatory agencies;
- (vi) Observe confidentiality, except in matters already disclosed publicly; and
- (vii) Ensure the continuing soundness, effectiveness and adequacy of the company's control environment.

## 3. Qualifications of a Director

Each Director of the Corporation must possess all the following qualifications:

- a. A holder of at least one (1) share of stock of the Corporation;
- b. At least a college graduate or equivalent academic degree;
- c. Practical understanding of the business of the Corporation;
- d. Membership in good standing in relevant industry, business or professional organization; and

e. Previous business experience.

3.1 Qualifications of an Independent Director

- a. A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as Independent Director after a two (2) year "cooling off period;" and
- b. Persons appointed as Chairman "Emeritus", "Ex-Officio" Directors/Officers, or Members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one (1) year "cooling-off period" prior to his qualification as an Independent Director.

3.2 Term Limits for Independent Directors

Independent Directors can serve for five (5) consecutive years. After the completion of the five-year period, an Independent Director shall be ineligible for election as such in the same company unless the Independent Director has undergone a "cooling-off" period of two (2) years, provided, that during such period, the Independent Director concerned has not engaged in any activity that under existing rules disqualified a person from being elected as Independent Director in the same company. After the "cooling off" period, an Independent Director may be re-elected in the same company and serve for another five (5) consecutive years.

4. Disqualification of a Director

Any of the following shall be a ground for disqualification of a Director of the Corporation:

4.1 Permanent Disqualification

The following shall be grounds for the permanent disqualification of a director:

- (i) Conviction by final judgment of any crime that (a) involves the purchase or sale of securities, (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchants, commodity trading advisor or floor broker; and (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (ii) Conviction by final judgment of any court or administrative body of competent jurisdiction from (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchants, commodity trading advisor or floor broker; (b) acting as director or officer of a bank, quasi bank, trust company, investment house or investment company and (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub paragraphs (a) and (b) above or willfully violating the laws that governs securities and banking activities.
- (iii) If subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas ("**BSP**"), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or

such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- (iv) Conviction by final judgment of a crime involving moral turpitude, whether by a local court or a foreign court, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (v) Conviction by final judgment to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the commission or BSP or any of its rules, regulations or orders or by any other government agencies having jurisdiction;
- (v) Elected as independent director who becomes an officer, employee or consultant of the same corporation;
- (vi) Any person judicially declared as insolvent;
- (vii) Found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in (i) to (v) above;
- (viii) Conviction of final judgment of a crime punishable by imprisonment for a period exceeding six (6) years, whether or not pardoned or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

#### 4.2 Temporary Disqualification

The Board may provide for the temporary disqualification of a director for any of the following reasons:

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code as its implementing Rules and Regulations.
- (ii) Absence in more than fifty (50%) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the .said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- (iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination; and
- (iv) If any of the judgments or orders cited in the grounds for permanent disqualifications has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

#### 4.3.1 Disqualification for Independent Directors

In addition to those provided under the Corporation's By-Laws, any of the following persons shall be disqualified to sit as an Independent Director:

- a. an Independent Director who has served for ten (10) years in the Corporation shall be perpetually barred from being elected as such in the Corporation;
- b. a Director who is, or at any time during the past five (5) years, was employed in any executive capacity by the Corporation or any of its subsidiaries or affiliates;
- c. a Director who accepted, or who has a Family Member<sup>1</sup> who accepted, either directly or indirectly, any compensation (including political contributions) from the Corporation within the three (3) years preceding the determination of independence, other than the following:
  - (i) compensation for Board or Board committee service;
  - (ii) compensation paid to a Family Member who is an employee (other than an executive officer) of the Corporation; or
  - (iii) fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation (provided that such compensation is not contingent in any way on continued service);
- d. a Director who is a Family Member of an individual who is, or at any time during the past three (3) years was, employed by any member of the Corporation as an Executive Officer;
- e. a partner in, or a controlling shareholder or an Executive Officer of, any organization to which the Corporation made, or from which the Corporation received, payments for property or services in the current or any of the past three (3) fiscal years that exceeds five percent (5%) of the recipient's consolidated gross revenues for that year, or US\$200,000, whichever is higher, other than the following:
  - (i) payments arising solely from investments in the Corporation's securities; or
  - (ii) payments under non-discretionary charitable contribution matching programs.
- f. a Director of the Corporation who is, or has a Family Member who is, employed as an Executive Officer of another entity where, at any time during the past three (3) years, any of the Executive Officer of the Corporation served on the Compensation Committee of such other entity;
- g. a Director who is, or has a Family Member who is, a current partner of the Corporation's external auditor, or was a partner or employee of the Corporation's external auditor who worked on the Corporation's audit at any time during the past five (5) years;
- h. a Director who is, or has a Family Member who is, a partner in, or a controlling shareholder of, any organization that provides accounting, consulting, legal,

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<sup>1</sup> "Family Member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.



investment banking, financial or other advisory services to the Corporation at any time during the past five (5) years; or

- i. if the ownership of the Independent Director in the Corporation exceeds two percent (2%) of its outstanding capital stock. The disqualification will be lifted if the limit is later complied with.

D. Internal Control Responsibilities of the Director

1. The control environment of the Corporation consists of the following:
  - a. The Board which ensures that the Corporation is properly and effectively managed and supervised;
  - b. Management that actively manages and operates the Corporation in a sound and prudent manner;
  - c. The Organizational and procedural controls supported by effective management information and risk management reporting system; and
  - d. An independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations and information systems, the effectiveness and efficiency of operations, the safeguarding of assets and compliance with laws, rules, regulations and contracts.
2. The minimum internal control mechanisms for the performance of the Board's oversight responsibilities include:
  - a. Definition of the duties and responsibilities of the PP/COO who is ultimately accountable for the Corporation's organizational and operational controls;
  - b. Selection, evaluation and compensation of the Corporation's PP/COO and to oversee PP/COO succession planning;
  - c. Selection of the person who possesses the ability, integrity and expertise essential for the position of PP/COO;
  - d. Provide counsel and oversight on the selection, evaluation, development and compensation of proposed senior management appointments;
  - e. Selection and appointment of qualified and competent management officers; and
  - f. Review of the Corporation's human resources policies, conflict of interest situations, compensation programs for employees and management succession plan.

E. Board Meetings and Quorum Requirement

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Board members are expected to rigorously prepare for, attend and participate in all Board and applicable committee meetings, and to spend the time needed and meet as often as necessary to properly discharge their obligations. Information and data that is important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors prior to the meeting, so

that Board meeting time may be conserved and discussion time focused on questions that the Board has about the materials. Particularly sensitive subject matters may be discussed at the meeting without advance distribution of written materials.

The Chairman presiding as chairman of the Board meetings will establish the agenda for each Board meeting and the Secretary will distribute it in advance to the Board. Each Board member is free to suggest the inclusion of items on the agenda. The Board will review the Corporation's long-term strategic plans and the challenges faced by the Corporation in executing on these plans during at least one (1) Board meeting per year.

Except as otherwise provided by law, the proceedings and deliberations of the Board and its committees are confidential. Each Director shall maintain the confidentiality of information received in connection with such director's service to the Corporation. The Board understands that a failure of any Board member to maintain a high standard of confidentiality may cause substantial harm to the interest of the Corporation and its shareholders. The breach of confidentiality by a Director shall be reviewed by the Board, if the breach is determined to have material adverse effect on the Corporation, the Director involved is expected to resign.

Independent directors should always attend Board meetings. However, to promote transparency, the Corporation may require the presence of at least one (1) independent director in all its meeting.

F. Remuneration of Directors and Officers

The levels of remuneration of the Corporation are sufficient to be able to attract and retain the services of qualified and competent Directors and Officers. The remuneration of Executive Directors is structured based on corporate and individual performance. The form and amount of director compensation will be determined by the Compensation Committee in accordance with the policies, principles and criteria set forth in its charter. The Compensation Committee will conduct an annual review of directors' compensation.

The Corporation has formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers. Directors are prohibited to participate in deciding his own remuneration.

The Corporation's annual reports and information and proxy statements include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly to its Directors and top four (4) Executive Officers during the preceding fiscal year.

To protect the funds of the Corporation, the Corporation is allowing the Commission, in exceptional cases such as when the Corporation is under receivership or rehabilitation, to regulate the payment of the compensation, allowances, fees and fringe benefits to its Directors and Officers.

G. Director Orientation and Continuing Education

The Corporation will have an orientation program for new Directors, and new Directors must participate in the program within six (6) months of election. The orientation program will include presentations that review the Corporation's business strategies, its financial and accounting systems and risk management controls, its code of business conduct and methods and compliance programs. The orientation will include an introduction to the Corporation's senior management, visits to its corporate headquarters, and a meeting with the Corporation's independent auditor. Incumbent Directors are also invited to attend the orientation program. The Corporation encourages all Directors to participate in continuing education for directors.

#### H. Director Access to Officers and Employees

The Board welcomes and requests the attendance of Senior Officers at each Board meeting, except in closed door sessions where sensitive matters may be discussed. The Board also encourages management to schedule managers to present at Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, or (b) have future potential that management believes should be given exposure to the Board.

The Board has access to all Officers and employees in order to ensure that Directors can ask all questions and glean all information necessary to fulfill their duties. Any meetings or contacts that a Director desires to initiate shall be arranged through the PP/COO, or in accordance with a communication process adopted by the Board in consultation with the PP/COO, or through the Chairman with advance notice to the PP/COO. The Directors should use their judgment to ensure that any such contact or communication is not disruptive to the business operations of the Company and should copy the PP/COO and the Chairman with any written communications, to the extent not inappropriate.

The Board shall ensure that all information and other requests from shareholders' representatives are channeled through the PP/COO or the Chairman, who will deal with such request as appropriate. The Board shall ensure that no personnel or consultant of any shareholder shall be involved in the Corporation's operation unless approved by the PP/COO or the Board, and no service shall be provided by any shareholder to the Corporation unless approved by the PP/COO or the Board. Services to be provided by, or arrangements to be entered into with, any shareholder or its affiliates which are considered related party transactions are required to be approved by the Audit Committee or the Board in advance of the Corporation's payments for such services or arrangements. The Board shall ensure that fees and expenses not previously agreed to by the Corporation shall not be charged by any shareholder to the Corporation.

#### I. Procedure for Filling Board Vacancies

On an on-going basis, the Board shall monitor the potential of Board vacancy arising. The Board shall be notified of possible Board vacancy at the earliest possible time. As soon as the Board is notified of such possible vacancy, the procedure for filling vacancies as set out below shall be followed without delay:

1. When a vacancy occurs on the Board (either as the result of the death, disability, retirement or resignation of an existing director), or when the Board increases the number of directors, the Nominating and Corporate Governance Committee shall, in consultation with the Chairman of the Board and PP/COO, identify one or more potential candidates to fill the vacancy;
2. Background information on each candidate will be gathered and distributed to the members of the Nominating and Corporate Governance Committee;
3. The Nominating and Corporate Governance Committee will screen recommended candidates; determine each candidate's level of interest, availability, and suitability for service on the Board; and determine whether to recommend one or more candidates to the Board;
4. The candidates' names and biographical information will be distributed to the other Directors at or in advance of the meeting preceding the meeting at which the candidate will be recommended by the Nominating and Corporate Governance Committee to the Board;

5. The Board will act on the recommendations of the Nominating and Corporate Governance Committee, and if the Board approves such recommendations, the Board will determine the priority for extending any invitation to join the Board; and
6. The Chairman of the Board, or his designee, will extend any invitation to join the Board and, upon acceptance, the Board will take the necessary steps to elect the candidate to the Board.

## **2.2 Board Committees**

A Nominating and Corporate Governance Committee, Audit Committee, Compensation Committee and Supervisory Committee of the Board shall exist at all times. The members of these committees will also meet the other membership criteria specified in the respective charters for these committees. Committee members will be appointed by the Board upon recommendation by the Nominating and Corporate Governance Committee of the Board, in accordance with the charter and principles of that committee. There will, from time to time, be occasions in which the Board may want to rotate committee members, but the Board does not believe that a formal policy of rotation is mandated.

Each committee shall have its own charter. The charter will set forth the principles, policies, objectives and responsibilities of the committees in addition to the qualifications for committee membership, procedures for committee member nomination and removal, committee organization and functioning and how the committee will communicate with the Board.

The Chairman of each committee will, in consultation with the appropriate committee members and members of management, and in accordance with the committee's charter, determine the frequency and length of committee meetings and develop the committee's agenda.

The Chairman of each committee shall discharge his responsibilities vigorously and take a leadership role in the performance of the duties set out in the committee charter. The Corporation will provide the necessary administrative support to each committee; however, the duties and responsibilities of each committee and its Chairman should be discharged by the committee members and the Chairman personally and should not be delegated to any employee of the Corporation. This is particularly important to demonstrate the expertise, experience and diligence of each committee member.

The schedule for each committee will be furnished to the Board. The Board and each committee shall have the authority to obtain advice, reports or opinions from internal and external counsel and expert advisors and shall have the power to hire independent legal, financial and other advisors as they may deem necessary; in any such case, the Board will notify the PP/COO in advance.

The Board may, from time to time, form new committee(s) as it deems appropriate.

The Corporation's Board Committees are as follows:

### **2.2.1 The Audit Committee**

#### **A. Composition**

The Audit Committee shall be composed of at least three (3) members of the Board to be appointed by majority of the Board members. The Chair shall be an independent director and at least one (1) member should have related audit experience. Each member shall have an adequate understanding of the Corporation's financial management systems and environment.

## B. Duties, Functions and Responsibilities

As set out in its Charter, the functions of the Audit Committee include oversight responsibilities over the financial reporting process of the Corporation, including its system of internal control and risk management, internal and independent audit process, and monitoring of the Corporation's compliance with applicable laws, rules, and regulations, as well as any significant related party transactions.

### 1. General

The Corporation's Audit Committee Charter outlines the Audit Committee's key responsibilities which include:

- a. Review quarterly financial statements and underlying support to ensure the quality and integrity of the Company's financial statements;
- b. Review and recommend the annual financial statements to the Board for inclusion within the annual report of the Company;
- c. Independent auditor appointment, re-appointment and retention, remuneration and terms of engagement;
- d. Oversight of the work of the independent auditor;
- e. Review the independence of the independent auditor;
- f. Review the internal control and risk management systems;
- g. Organize the internal audit department including appointment, engagement of independent internal auditors;
- h. Review the work performed by the internal audit function; and
- i. Coordinate, monitor and facilitate compliance with laws, rules and regulations relevant to the financial statements.

### 2. Specific

#### a. External Audit

- i. Responsible for the appointment, re-appointment and retention, the remuneration and terms of engagement and the oversight of the work of the independent auditor;
- ii. Develop and implement a policy on the engagement of an independent auditor to supply non-audit services;
- iii. At least annually, review and monitor the quality control procedures, the independent auditor's independence, the objectivity and the effectiveness of the audit process in accordance with applicable standards and the experience and qualifications of the independent auditor's senior personnel that are providing audit services to the Corporation;
- iv. Annually obtain from the independent auditor written assurance that the audit was conducted in a manner consistent with the Philippine Standard on Auditing and Philippine Financial Reporting Standards (which should be of equivalent with

International Standard on Auditing and International Financial Reporting Standards).

b. Internal Audit

- i. Review the appointment and termination of senior internal audit personnel, and all significant reports to Management and findings of major investigations of internal control matters prepared by internal audit personnel, and Management's responses;
- ii. Undertake a performance evaluation of Internal Audit annually, in such manner as the Committee deems appropriate, and report the results of its performance evaluation to the President;
- iii. Approve the Internal Audit Charter;
- iv. Annually review and reassess the adequacy of the Internal Audit Charter and recommend to the Board for approval such changes as the Committee believes are appropriate. The Committee shall also ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- v. Approve the annual audit plan; and
- vi. Meet periodically with the Company's IA to discuss the responsibilities, budget and staffing of the Company's internal audit function and any issues that the IA believes warrant audit committee attention.

c. Financial Reporting/Internal Controls

- i. Review the Corporation's financial and accounting policies and practices and any changes thereto;
- ii. Meet with the Corporation's auditor at least twice a year and discuss with the independent auditor the nature and scope of the audit;
- iii. Review and discuss with Management and the independent auditor any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities of which the Committee is made aware that do not appear on the financial statements of the Corporation and that may have a material current or future effect on the Corporation's financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses;
- iv. Monitor the integrity of financial statements of the Corporation and the Corporation's annual reports and accounts and quarterly reports, review and discuss the annual audited financial statements and reports and quarterly reports, and significant financial reporting judgments contained therein with Management;
- v. Review, and discuss as appropriate with Management, the Internal Auditor and the independent auditor, the report of the independent auditor;

d. Risk Management

- i. The Committee shall assess the risk and management policies and procedures to identify, accept, mitigate, allocate or otherwise manage various types of risk and recommend to the Board such policies and procedures for approval. The Committee shall obtain at least annually from the Chief Risk Officer, an evaluation of such policies and procedures in light of developments in the Company's business and provide its recommendation to the Board for approval of any changes proposed; and
- ii. In terms of overseeing risk management, the Committee shall receive periodic risk assessment and mitigation reports and review and discuss with Management the Company's risk tolerance, the conduct of the risk assessments, the risk profile and Management's response and preparedness to risk exposures.

**2.2.2. Nominating and Corporate Governance Committee**

A. Composition

The Nominating and Corporate Governance Committee consists of at least three (3) voting members, one (1) of whom shall be an independent director. Actions by the Committee shall be approved by a majority of the members thereof;

B. Duties, Functions and Responsibilities

As set out in its Charter, the function of the Committee includes the review of the qualifications of the nominees for directors and preparation of a final list of candidates to become members of the Board and its committees, including the qualifications of independent directors.

The Committee also performs oversight of the Corporation's compliance with legal and regulatory requirements, and develops and recommends to the Board corporate governance principles applicable to the Corporation.

The Committee's Charter includes the following key responsibilities:

- a. Identification of candidates to become members of the Board and its committees;
- b. Development of corporate governance principles; and
- c. Disclosure of any material information brought to its attention by the Disclosure Committee.

As set out in the Committee's Charter, the Committee has delegated authority to:

- a. Review the composition of the Board and its committees at least annually;
- b. Report to the Board any issues that may arise with respect to the Company's compliance with legal or regulatory requirements;
- c. Review and reassess the adequacy of the Company's corporate governance principles;
- d. Review material information or the integrity of financial statements brought to its attention;

- e. Review and monitor the training and continuous professional development of directors and senior management; and
- f. Develop, review and monitor the code of conduct and compliance manual applicable to employees and directors.

### **2.2.3 Compensation Committee**

#### **A. Composition**

The Compensation Committee is composed of four (4) members of the Board. The Committee ensures that the compensations of the directors and officers are consistent with the Corporation's culture, strategy and the business environment in which it operates.

#### **B. Duties, Functions and Responsibilities**

The Committee's Charter includes the following key responsibilities:

- a. Design (in consultation with management), recommend to the Board for approval, and evaluate the compensation plans, policies and programs of the Corporation;
- b. Recommend compensation programs that are designed to encourage high performance, promote accountability and assure that the interests of employees and management are aligned with the business strategy of the Corporation and the interests of the Corporation's shareholders.

As set out in the Committee's Charter, the Committee has delegated authority to:

- a. Establish the Corporation's general compensation policy;
- b. Oversee the development and implementation compensation programs;
- c. Review at least annually the Corporation's compensation scheme, incentive compensation plans and equity-based plans and oversee the administration of these plans;
- d. Review and approve compensation arrangements for the directors, the PP/COO, executive directors and senior management;
- e. Review and approve management's remuneration proposals;
- f. Review and approve compensation arrangements relating to dismissal or removal of directors for misconduct; and
- g. Oversee the Corporation's regulatory compliance with respect to compensation matters.

### **2.2.4 Supervisory Committee**

#### **A. Composition**

The Supervisory Committee is composed of four (4) members of the Board, one of whom shall be an independent director.



B. Duties, Functions and Responsibilities

As provided in the By-Laws of the Corporation, the Committee shall exercise the powers of the Board in the management of the business and affairs of the Company except those powers specifically limited by law or by the Board.

**2.3. The Chairman, Property President/Chief Operating Officer and Executive Directors**

The Board elects its Chairman, who will preside over Board meetings as chairman of the meetings. The Chairman shall be a member of the Board and may or may not be an employee of the Corporation.

The roles of the Chairman and PP/COO are separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions is made between the Chairman and the PP/COO upon their elections.

The duties and responsibilities of the Chairman in relation to the Board include the following:

- a. Preside over the meetings of the Board and the stockholders and ensures that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- b. Lead and oversee the Board;
- c. Facilitate an open flow of information between management and the Board members and lead a critical evaluation of the Corporation's management, practices and adherence to the Corporation's strategic plan and objectives;
- d. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the PP/COO, Management and the Directors, and
- e. Maintain qualitative and timely lines of communication and information between the Board and Management.

The Board has entrusted the operation of the Corporation's business to its PP/COO and his executive management team, and they shall have full executive powers to operate within their delegated authorities, which include the day-to-day operation of the Corporation's business, strategic planning, budgeting, financial reporting and risk management. The PP/COO shall be accountable to the Board. The Board will continue to review, approve and monitor fundamental financial and business strategies and major corporate actions, and the affairs of the Corporation.

**2.4. Corporate Secretary**

The Corporate Secretary is an officer of the Corporation. As such, he owes loyalty to the Corporation and the Board. This notwithstanding, he shall not promote the interest of the Corporation and of the Board to the detriment of its shareholders, including its minority shareholders.

A. Qualifications of the Corporate Secretary

The Corporate Secretary must possess the following qualifications:

- a. A Filipino Citizen;
- b. Resident of the Philippines;

- c. With adequate administrative and interpersonal skills; and
- d. If not the general counsel, must be trained in law and preferably, a lawyer, or at least have some legal, financial or accounting skills.

B. Duties and Responsibilities of the Corporate Secretary

The Corporate Secretary shall have the following duties and responsibilities:

- a. Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its Committees, as well as the other official records of the Corporation;
- b. Loyal to the mission, vision and objectives of the Corporation;
- c. Work fairly and objectively with the Board, Management and stockholders and other stakeholders;
- d. Have a working knowledge of the operations of the Company;
- e. Informs the members of the Board, in accordance with the By-Laws, of the agenda of their meetings and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- f. Attend all Board meetings, except when justifiable causes such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- g. Ensure that all board procedures, rules and regulations are strictly followed by the members; and
- h. As Compliance Officer, he performs all the duties and responsibility of the said officer as provided or in this Code.

**2.5. Compliance Officer**

The Compliance Officer is appointed by the Board and reports directly to the Chairman.

The Compliance Officer shall perform the following functions:

- a. Monitor compliance by the Corporation with this Code and the rules and regulations of regulatory agencies and, reports to the board any violations and recommends the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation; and
- b. Appear before the Commission when summoned in relation to compliance with this Code.

The appointment of the Compliance Officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to the said Officer.

### III.

#### ADEQUATE AND TIMELY INFORMATION

To enable the members of the Board to properly fulfill their duties and responsibilities, Management provides the Board with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Thus, the Board is given independent access Management and the Corporate Secretary.

Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents. Members of the Board have access to independent professional advice at the corporation's expenses.

### IV.

#### ACCOUNTABILITY AND AUDIT

The Board is primarily accountable to the stockholders. It should provide the stockholders with balanced and comprehensive assessments of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as members of the Board with accurate and timely information that enables them to comply with its responsibilities to the stockholders.

Management formulates the rules and procedures on financial reporting and internal control and the following guidelines are observed:

- (i) The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (ii) An effective system of internal control to ensure that integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders should be maintained;
- (iii) On the basis of the approved audit plans, internal audit examinations should cover the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations;
- (iv) The Corporation should consistently comply with the financial reporting requirements of the Commission;
- (v) The external auditor should be rotated or changed every five (5) years or earlier or the signing partners of the external auditing firm assigned to the Corporation should be changed with the same frequency. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.

## V.

### PROTECTION OF SHAREHOLDERS

The Corporation recognizes that the protection of its shareholders should receive primary attention by the Board, Management and staff of the Corporation. Therefore the following provisions, in accordance with B. P. Blg. 68, otherwise known as the Corporation Code of the Philippines and Philippine jurisprudence, are issued for the guidance of all parties concerned, as governance covenant between the Corporation and all its shareholders.

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

#### 5.1 Right to vote on all matters that requires their consent or approval.

- a. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code;
- b. Cumulative voting shall be used in the election of directors;
- c. A director shall not be removed without cause if it will deny minority shareholders representation to the Board.

#### 5.2 Right to inspect corporate books and records

Shareholders shall be allowed to inspect corporate books and records including minutes of the Board of meetings and stock registries for a legitimate purpose within reasonable business hours and in accordance with the Corporation Code. Shareholders who wish to inspect the corporate books and records shall submit written notice stating the purpose for which inspection is requested. The Board of Directors shall have the right to accept or deny such request for inspection. Shareholder shall assume all costs, expenses and charges in connection with the exercise of such right of inspection. They shall also be furnished with annual reports, including financial statements, without cost or restrictions.

#### 5.3 Right to information

Shareholders shall be entitled, upon request, to receive copies of all reports submitted or required to be submitted to SEC and the PSE, and such other information they may reasonably request for a legitimate purpose in connection with their shareholdings or the operations and financial results of the Corporation.

Minority shareholders shall be afforded the same rights as all shareholders, including the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes and are in accordance with the Corporation's By-Laws.

#### 5.4 Right to dividends

Shareholders shall have the right to receive dividends subject to the discretion of the Board and the compliance with requirements under the Corporation Code.

The Corporation shall declare dividends when its retained earnings are in excess of 100% of its paid-in-capital stock, except: (a) when it is justified by definite corporate expansion projects or programs approved by the Board; or (b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (c) when it can, be reasonably shown that such retention is necessary

under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

#### 5.5 Appraisal rights

Shareholders of the Corporation shall have appraisal right, or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- a. In case of any amendment to the Articles of Incorporation, which has the effect of changing or restricting the rights of shareholders or any class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the terms of the Corporation's corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Corporation's assets as provided under the Corporation Code; and
- c. In case of merger or consolidation of the Corporation with another corporation.

#### 5.6 Director's Duties in Protection of Shareholder Rights

The Board should be transparent and fair in the conduct of the annual and special stockholders meetings of the Corporation. It shall be the duty of the directors of the Corporation to promote shareholder rights, remove impediments to the exercise of such rights and allow opportunity for them to seek redress for violation of their rights in accordance with law. They shall encourage the reasonable exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall employ all reasonable possible means to minimize and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Directors shall also pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Although all stockholders should be treated equally or without discrimination, the Board should give minority shareholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

## VI.

### **GOVERNANCE SELF-RATING SYSTEM**

The Board shall create an internal self-rating system that can measure the performance of the Board and Management in accordance with criteria provided for in this Code.

The creation and implementation of such self-rating system, including its salient features are disclosed in the Corporation's annual corporate governance report.

## VII.

### **DISCLOSURE AND TRANSPARENCY**

All material information or those required to be disclosed under existing regulations of the SEC and PSE, and those which could potentially affect the Corporation's share price, or which could

adversely affect its viability or the interest of its stockholders and other stakeholders, shall be publicly disclosed fully, fairly, timely and accurately. Such information shall include, amongst others, achievements, plans, challenges, earnings results, acquisition or disposal of all or substantially all of the assets of the Company, changes in the composition of the Board or of Senior Management, related party transactions, and change of control.

Reports and disclosures required under this Manual and under regulations of the SEC and PSE shall be prepared and submitted to the SEC and PSE by the Corporation's Compliance Officer.

All disclosures of material information, as well as regular and periodic reports required of the Corporation, shall be submitted and filed in such form and in accordance with the manner and procedure set out in regulations of the PSE and SEC.

The Corporation is prohibited to communicate material non-public information about the Corporation to any person, unless it is ready to simultaneously disclose the material non-public information to the Exchange. This rule does not apply if the disclosure is made to:

- a. A person who is bound by duty to maintain trust and confidence to the Corporation such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and
- b. A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

The Corporation shall establish and implement internal controls that will ensure that its officers, staff and any other person who is privy to the material non-public information shall comply with the requirements of Section 4.2 of the Revised Disclosure Rules entitled "Selective Disclosure of Material Information".

The Board shall commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

## VIII.

### INSPECTION AND DISSEMINATION OF INFORMATION

#### 7.1 Inspection by Shareholders

This Manual shall be available for inspection by any shareholder of the Corporation at reasonable hours on business days.

#### 7.2 Dissemination of Information

- a. All division and department heads are tasked with the responsibility of ensuring thorough dissemination of this Manual to all employees, and to enjoin compliance in the process.
- b. An adequate number of printed copies of this Manual shall be reproduced under the supervision of the Compliance Officer, with a minimum of at least one (1) hard copy of the Manual per department.
- c. If necessary, the President of the Corporation shall cause the conduct of orientation programs or workshops within the Corporation for the purpose of disseminating the contents of this Manual and providing opportunity for familiarization by management and other officers of the Corporation of the contents thereof. Such workshops shall

also be used for the purpose of reviewing existing company employee manuals to determine compliance with this Manual. If inconsistent with this Manual, all such existing company employee manuals shall be amended to comply with the terms of this Manual.

**IX.**

**APPROVAL AND EFFECTIVITY**

This Revised Manual on Corporate Governance was approved this 8th day of July 2014 and shall take effect on the 8<sup>th</sup> day of July 2014.

**X.**

**REVIEW AND AMENDMENTS**

This Manual shall be subject to annual review by the Board of Directors. All amendments, to be effective, shall be approved by majority vote of the Board.

Signed this 15<sup>th</sup> day of March 2016.



**CLARENCE YUI MAN CHUNG**  
Chairman of the Board



**MARISSA T. ACADEMIA**  
Corporate Secretary