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(Business Address: No. Street City/Town/Province)

Oh Lock Soon / Ma. Melva E. Valdez Contact Person
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5846170 Company Telephone Number
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1	2
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Month

3	1
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Day

NEW MANUAL ON CORPORATE GOVERNANCE AS OF MAY 2017 FORM TYPE
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0	6
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Month  
Annual Meeting

0	11
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Day  
Annual Meeting

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Secondary License Type, if Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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STAMPS
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# **NEW MANUAL ON CORPORATE GOVERNANCE**

*As of May 2017*



## I. PREAMBLE

The Board of Directors and Management, officers and staff, of Keppel Philippines Properties, Inc. (KPPI) hereby commit themselves to the principles and best practices contained in this New Manual on Corporate Governance (hereinafter referred to as the “Manual”), undertake to uphold and observe the same in the entire organization, and acknowledge that the same shall guide the attainment of its corporate goals and objectives, all aimed to achieve high sustained growth for the Corporation.

This Manual shall institutionalize the principles of good corporate governance in the entire organization. The Board of Directors and Management, employees and stockholders, recognize the importance of corporate governance in promoting sound strategic business management and in enhancing the value of the Corporation in the midst of an increasingly competitive market. It is for these reasons that the Board of Directors and Management, employees and stockholders decide to undertake every effort necessary to instill awareness and ensure compliance with the principles of good corporate governance within the organization.

Signed:

**SAM MOON THONG**  
Chairman of the Board

**MA. MELVA E. VALDEZ**  
Compliance Officer

## **II. COMPLIANCE SYSTEM**

### **A. Compliance Officer**

#### **1. Appointment Procedure**

To ensure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer who shall have adequate stature and authority in the Corporation. He shall have direct reporting responsibilities to the Chairman of the Board.

#### **2. Duties and Responsibilities**

The Compliance Officer shall perform the following duties:

- Monitor compliance by the Corporation with the provisions and requirements of this Manual, the Code of Corporate Governance, and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- Ensure proper onboarding of new directors (i.e. orientation on the Corporation's business, charter, articles of incorporation and by-laws among others.)
- Ensure the integrity and accuracy of all documentary submissions to regulators;
- Identify, monitor and control compliance risks;
- Recommend to the Board, from time to time, appropriate measures to instill awareness and ensure compliance with this Manual;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board; and
- Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same.

#### **3. Disclosure of Appointment to SEC**

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

**B. Plan of Compliance****1. Board of Directors**

Compliance with the principles of good corporate governance shall start with the Board of Directors. Hence, the Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

It shall be the Board's responsibility to foster the long-term 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 the Corporation, its stockholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. A director's office must, therefore, be one of trust and confidence. A director shall decide all corporate matters using his sound and independent business judgment and act in a manner characterized by transparency, accountability and fairness.

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.

**Composition of the Board**

The Composition of the Board shall be as follows:

- The Board shall consist of seven (7) directors who are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. Any vacancy in the Board is filled up by a majority vote of the entire Board at a meeting specially called for the purpose, in accordance with Article III of the Amended By-Laws of the Company.
- The Company shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).
- The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's business. The Board shall ensure that its members are qualified to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

**Duties and Functions:**

To ensure a high standard of best practice for the Corporation and its stockholders, the Board shall perform the following specific duties and functions:

- Implement a process for the selection to ensure a mix of competent directors and officers who can contribute in the formulation of sound corporate strategies and policies.
- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives. The Board shall oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation, in order to sustain the Corporation's long term viability and strength.
- Ensure that the Corporation complies with all applicable laws, regulations and codes of best business practices;
- Identify the Corporation's major stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Identify the corporation's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication.
- Adopt a system of internal checks and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.
- Endeavor to provide appropriate technology to account for available resources to ensure a position of a strong and meaningful competitor;
- Identify key risk areas and key 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;
- 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, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- 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.

- Properly discharge Board functions by meeting regularly or frequently as may be needed, and the minutes of such meetings shall be duly recorded. Independent view during Board meetings shall be encouraged and given due consideration, and all such meetings shall be duly minuted.
- Appoint a Compliance Officer to assist the Board in monitoring, reviewing, evaluating and ensuring the compliance by the Corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issues of regulatory agencies;
- 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;
- The Board shall have overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or significant RPTs which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

Define the duties and responsibilities of the Chief Executive Officer/President and select or approve an individual with appropriate ability, integrity and experience to perform the role of the Chief Executive Officer/President;

- Review proposed senior management appointments and ensure the selection, appointment and retention of qualified and competent management;
- The Board should align the remuneration of key officers and Board members with the long-term interests of the Corporation. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance.
- Review the Corporation's personnel and human resource policy and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plans; and
- Constitute audit, compensation and remuneration committees, and such other committees, which shall aid to the attainment of corporate goals.
- The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three (3) years, the assessment shall be supported by an external facilitator.

- The Board shall have in place, a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system shall allow for a feedback mechanism from the stockholders.
- The Board shall adopt a Code of Business Conduct and Ethics, which shall provide the standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior management and employees. It shall also be made available to the stockholders and the public through the Corporation's website. The Board shall ensure efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

## **2. Individual Directors**

### **Appointment of Directors**

The appointment of the Directors is facilitated by the Screening Committee (See Annex C), which reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board.

### **Qualifications and Disqualifications**

All candidates nominated to become a member of the Board of Directors shall be pre-screened in accordance with the following qualifications and disqualifications:

#### **General Qualifications:**

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate or holder of equivalent academic degree or have sufficient experience in managing the business to substitute for such formal education;
- He shall be at least twenty one (21) years old;
- He shall have been proven to possess integrity and probity;



- He shall have sufficient knowledge or overview of the business activities/transactions of the Corporation;
- He shall be assiduous; and
- Such other qualifications as the Committee may reasonably provide from time to time.

Special Qualifications for Independent Directors:

- An independent director shall serve for a maximum cumulative term of nine (9) years. After nine (9) years, the Board may, recommend the re-election of an independent director as such, under meritorious and justifiable reasons for the independent director's retention in the Board as such, upon presentation to the stockholders. Alternatively, an independent director who has served for nine (9) years may continue as a non-independent director of the Corporation.
- 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.

Qualifications:

- Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- Is not a securities broker-dealer of listed companies and registered issuers of securities. For this purpose, a "securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- Is not retained as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial stockholder, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;

- Does not engage or has not engaged, in any transaction with the Corporation or any of its related companies or substantial stockholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment.

**Disqualifications:**

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

- Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:
  - (a) involves the purchase or sale of securities, as defined under the Securities Regulation Code;
  - (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or
  - (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.
- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:
  - (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;
  - b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;
  - (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 govern securities and banking activities.

The disqualification shall also apply if 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;

- Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud,

embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

- Any person who has been adjudged by final judgment or order of the Commission, court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or BSP;
- Any person judicially declared to be insolvent;
- Any person 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 listed in the foregoing paragraphs;
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and
- Such other disqualifications as the Committee may reasonable provide from time to time.

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- Being under preventive suspension by the Corporation;
- If the independent director becomes an officer or employee of the same corporation, he shall be automatically disqualified from being an independent director; and

- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

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.

### **2.3. Duties and Responsibilities**

A director's office is one of trust and confidence. A director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.

A director shall act based on complete information, in good faith, with due diligence and care, and in the best interest of the Corporation and the stockholders.

A director shall have the following duties and responsibilities:

- Conduct fair business transactions with the Corporation and ensure that personal interest does not conflict with the interests of the Corporation.
- Devote time and attention necessary to properly discharge his duties and responsibilities. As such, a director should notify the Board before accepting a directorship in another company.
- Act judiciously.
- Exercise independent judgment.
- 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 Commission, and where applicable, the requirements of other regulatory agencies. A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.
- Observe confidentiality

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

- Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and
- Uphold the interest of the Corporation whenever a conflict of interest arises.

#### **2.4. Board Meetings and Quorum Requirement**

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

A director shall attend and actively participate in all meetings of the Board, Committees and Stockholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director shall review the materials for the meeting, and if called for, ask the necessary questions or seek clarifications and explanations;

Independent directors shall endeavor to attend all Board meetings. However, the absence of an independent director shall not affect the quorum requirements, unless it is otherwise provided in the By-laws. The Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

#### **2.5. Remuneration**

The Compensation Committee (see Section II, No. 3, Board Committees - 3.2. Compensation Committee below) shall set the levels of remuneration of the members of the Board of Directors and officers which shall be sufficient to be able to attract and retain the services of qualified and competent directors and officers.

### **3. Board Committees**

To aid in complying with the principles of good corporate governance, the Board shall constitute the following Committees. The Committees shall focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

#### **3.1. Audit Committee**

The audit committee shall be composed of at least three (3) appropriately qualified members of the Board, one (1) of whom shall be an independent director and another with audit experience. The chair of the audit committee should be an independent director. All of the members must have relevant background,

knowledge, skills and/or experience in the areas of financial management and the business of the Corporation. They must have adequate understanding at least or competence at most of the Corporation's financial management systems and environment.

At least one independent director must be present in all meetings of this Committee.

The Audit Committee shall have the following duties and responsibilities:

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit;
- Perform oversight functions with the internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of internal audit and the audit plan as well as oversees the implementation of the IA Charter;
- Through the Internal Audit Unit, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) safeguard the Corporation's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the Corporation's financial data, and (d) ensure compliance with applicable laws and regulations;

- Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Organize an internal audit unit, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- Review the reports submitted by the internal and external auditors;
- Review the accounts, quarterly, half-year and annual financial statements of the Corporation before submission to the Board of Directors, with particular focus on the following matters:
  - Any change/s in accounting policies and, practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements.
- Coordinate, monitor and facilitate compliance with laws, rules and regulations, and existing tax, legal and stock exchange requirements;
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report;

- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
- Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes the independent audit of the Corporation, and provide an objective assurance on the manner by which the financial statements are prepared and presented to the stockholders;
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
  - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization; and
- Establish an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders.
- Develop a separate risk management function to identify, assess and monitor key risk exposures subject to its size, risk profile and complexity of operations of the Corporation.

### **3.2 Compensation Committee**

The Compensation or Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director.

The independent director must always be present in all meetings of this Committee in the same way that he is required to be present in all meetings of the Board.



The Compensation Committee shall have the following duties and responsibilities:

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;
- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- Disallow any director to decide his or her own remuneration;
- Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year; and
- Develop a Personnel Handbook or cause the development of such to create provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

#### **4. The Chair and Chief Executive Officer**

The Board shall be headed by a qualified and competent Chairman of the Board.

The roles of the Chair and Chief Executive Officer (CEO) should, as much as practicable, be 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 shall be made between the Chair and CEO upon their election. If the positions of Chair and CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chair in relation to the Board shall include, among others, the following:

- (i) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- (ii) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and
- (iii) Maintain qualitative and timely lines of communication and information between the Board and Management.

## **5. The Corporate Secretary**

The Corporate Secretary is an officer of the Corporation and excellence in performance is expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties. Moreover, the Corporate Secretary shall be a citizen and resident of the Philippines.

Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

The Corporate Secretary shall perform the following duties:

- o Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- o Be 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.
- o Be loyal to the mission, vision and objectives of the Corporation.
- o Work fairly and objectively with the Board, Management and stockholders.
- o As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- o Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.

- o Have a working knowledge of the operations of the Corporation.
- o Attend all Board meetings, except when justifiable causes such as illness, death in the immediate family and serious accidents, prevent him from doing so, and record or see the proper recording of the minutes and transactions of all meetings of the directors and stockholders, and maintain minute books of such meetings in the form and manner required by law.
- o Keep or cause to be kept record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred.
- o Keep the corporate seal and affix it on all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same.
- o Certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements required of him by law or by government rules and regulations.
- o Inspect at the election of directors and, as such, determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and perform such acts as are proper to conduct the election or vote.
- o Perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.
- o Assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control.
- o Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

**6. Assistant Corporate Secretary**

In the absence or disability of the Corporate Secretary, the Assistant Corporate Secretary shall act in his place and perform his duties.

The Corporate Secretary may, subject always to his supervision and control, delegate any or all of his powers, duties and functions to the Assistant Corporate

Secretary. The Assistant Corporate Secretary shall also perform such other duties as may, from time to time, be assigned to him by the Board of Directors or President.

### III. EXTERNAL AUDITOR

- A. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation.
- B. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- C. The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- D. The Corporation's external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm shall be changed with the same frequency.
- E. The external auditor or auditors of the Corporation for the ensuing year shall be appointed at the regular stockholders meeting.
- F. The external auditor or auditors of the Corporation shall examine, verify, and report on the earnings and expenses of the Corporation and shall certify the remuneration of the external auditor or auditors as determined by the Board of Directors.
- G. If an external auditor believes that the statements made in the Corporation's annual report, information statement, report or proxy statement filed with the SEC or any regulatory body during his engagement is incorrect or incomplete, he shall present his comments or views in the matter in the said reports.
- H. The Audit Committee shall have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal and fees of the external

auditor should be recommended by the Audit Committee, approved by the Board and ratified by the stockholders. For removal of the external auditor, the reasons for the removal or change should be disclosed to the regulators and the public through the Corporation website and required disclosures.

- I. The Corporation shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

#### **IV. INTERNAL AUDITOR**

- A. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with independent, objective and reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
- B. The Internal Auditor shall report to the Audit Committee.
- C. The minimum internal control mechanisms for management's operational responsibility shall center on the Chief Executive Officer/President, being ultimately accountable for the Corporation's organizational and procedural controls.
- D. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

#### **V. COMMUNICATION PROCESS**

- A. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- B. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

- C. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Human Resource Department ("HRD"), with a minimum of at least one (1) hard copy of the Manual per department.

## **VI. TRAINING PROCESS**

- A. If necessary, funds shall be allocated by the CFO/Treasurer the purpose of conducting an orientation program or workshop to operationalize this Manual.
- B. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

## **VII. DISCLOSURE SYSTEM**

- A. The essence of corporate governance is transparency. The Board commits at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.
- B. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, off balance sheet transactions, board changes, related party transactions, direct and indirect remuneration of members of the Board and management, shareholdings of directors and changes to ownership. In cases of acquisition or disposal of assets, the Board of the offeree company shall appoint an independent party to evaluate the fairness of the transaction price.
- E. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.
- F. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
- G. All material information about the corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed.

The Board shall commit at all times to fully disclose 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.

- H. The members of the Board of Directors shall disclose/report to the Corporation any of his dealings on the Corporation's shares within three (3) business days.

## **VIII. STOCKHOLDERS' RIGHTS**

The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Corporation and all its investors:

### **Right of Investors/Minority Interest**

The Corporation shall treat all stockholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. The Board shall be committed to respect the following rights of the stockholders:

#### **A. Voting Right**

1. Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
2. Cumulative voting shall be used in the election of directors.
3. A director shall not be removed without cause if it will deny minority stockholders representation in the Board.

#### **B. Pre-emptive Right**

In all issued and unissued shares of stock, the Corporation shall not notify the stockholders to exercise their pre-emptive rights, and that it should be understood that the Corporation shall have the sole authority to sell unissued shares of stock to whomsoever that may be decided by the Board of Directors; said restriction shall be printed on the stock certificates that will be issued by the corporation.

#### **C. Power of Inspection**

All stockholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

**D. Right to Information**

1. The Stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.
2. The minority stockholders shall be granted 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.
3. The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

**E. Right to Dividends**

1. Stockholders shall have the right to receive dividends subject to the discretion of the Board.
2. Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine in accordance with the law and applicable rules and regulations.
3. The Corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when 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 clearly 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.

**F. Appraisal Right**

The stockholders' 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:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or 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 term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
3. In case of merger or consolidation.

**G. Promotion of Stockholders' Rights**

It shall be the duty of the Board to promote stockholder rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek redress for violation of their rights. The Board shall encourage the exercise of stockholders' voting rights and the solution of collective action problems through appropriate mechanisms. It shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The Board shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders 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.

**IX. RIGHTS OF STAKEHOLDERS**

The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability.

The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights.

**X. EMPLOYEES' PARTICIPATION**

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance.

The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the Corporation's culture.

The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

**XI. SOCIAL RESPONSIBILITY**

The Corporation shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

**XII. REGULAR REVIEW OF THE CODE AND THE SCORECARD****A. Annual Scorecard**

The Corporation shall accomplish annually a scorecard on the scope, nature and extent of the actions it has taken to meet the objectives of this Manual.

**B. Monitoring and Assessment**

Each Committee shall report regularly to the Board of Directors.

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Section X of this Manual.

The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.

All business processes and practices being performed within any department or business unit of KPPI that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

#### **X. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

- A. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:
- In case of *first violation*, the subject person shall be reprimanded.
  - Suspension from office shall be imposed in case of *second violation*. The duration of the suspension shall depend on the gravity of the violation.
  - For *third violation*, the maximum penalty of removal from office shall be imposed.
- B. The commission of a third violation of this Manual by any member of the board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

## ANNEX A

**DEFINITIONS<sup>1</sup>**

- 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 the stockholders.
- 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 property.
- 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. **Executive director** – a director who is also the head of a department or unit of the corporation or performs any work related to its operation.
- g. **Non-executive director** – a director who is not the head of a department or unit of the corporation nor performs any work related to its operation.
- h. **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.
- i. **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.
- j. **Internal control system** –the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk of business activity, or combination of risks or business activities, to which the corporation is exposed.

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<sup>1</sup> Adopted from Article 1 ("Definitions"), SEC Memorandum Circular No. 6, Revised Code of Corporate Governance.

- k. 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.
- l. Internal audit department** – a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation’s operations.
- m. Internal auditor** – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

## ANNEX B

### SCREENING COMMITTEE

1. The Board may form the Screening Committee when the need to pre-screen and shortlist all candidates nominated to become a member of the Board of Directors arises or prior to the appointment of a director, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of Directors. It may be dissolved once the abovementioned duties or such other duties assigned to the Committee by the Board of Directors have been completed.
2. The Screening Committee shall have at least three (3) members, one (1) of whom must be an independent director. The Board may call upon the HR Manager to assist the committee in screening the candidates nominated. The independent director must always be present in all meetings of this Committee in the same way that he is required to be present in all meetings of the Board.
3. To assist the committee in determining the optimum number of directorships of the members of the Board, it shall consider the following guidelines:
  - The nature of the business of the Corporation which is a director;
  - Age of the director;
  - Experience and knowledge of the director on the field of business of the Corporation;
  - Number of directorships/active memberships and officership in other corporations or organizations;
  - Possible conflict of interest; and
  - Willingness and determination of the director to serve the Corporation.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general. Moreover, the Chief Executive Officer/President and other executive directors shall submit themselves to low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

## **ANNEX C**

### **A. DIGRESSION FROM GROUNDS FOR TEMPORARY DISQUALIFICATION OF A DIRECTOR**

Given that Keppel Philippines Properties, Inc.'s directors hold significant positions in the other overseas businesses of the Keppel Group, the ground for temporary disqualification, with respect to the absence or non-participation of a director during incumbency for whatever reason/s for more than fifty percent (50%) of all meetings, is not practical for the Corporation. However, note that during the regular and special meetings, the directors, who cannot personally attend, must send their authorized representatives who are capable of apprising them of the key points discussed enabling the directors to competently perform their appointed tasks.

### **B. DIGRESSION FROM THE FORMATION OF A NOMINATION COMMITTEE**

Since the formation of a Nomination Committee is a non-mandatory provision with reference to the Code of the Corporate Governance, KPPI opts to constitute the Screening Committee as an alternative. The Screening Committee shall have the same duties and responsibilities as the Nomination Committee. However, the Committee will be functional only when the need arises given that nomination of a new director does not regularly (annually) transpire. The formation of the Screening Committee is deemed to be more convenient and facilitates greater flexibility for the members of the Board.