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

<b>Pang Chan Fan</b>
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(Contact Person)

8584-6170
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(Company Telephone Number)

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Month Day

Fiscal Year

<b>NEW MANUAL ON CORPORATE GOVERNANCE AS OF JANUARY 2022</b>
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Form Type

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Month Day

Annual Meeting

N/A
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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

1,241 as of 31 December 2021
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Total No. of Stockholders

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Domestic

-
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To be accomplished by SEC Personnel concerned

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# **KEPPEL PHILIPPINES PROPERTIES, INC.**

## **THE NEW MANUAL ON CORPORATE GOVERNANCE**

### **INTRODUCTION**

The Board of Directors and Management, i.e. officers and staff, of **KEPPEL PHILIPPINES PROPERTIES, INC. and its Subsidiaries and Associates (“KEP” or “Company” or “Corporation”)** hereby commit themselves to adhere to the principles and best practices contained in this Manual, acknowledge that the same is necessary in the attainment of its corporate goals and will strongly observe and promote compliance thereto to ensure that KEP operates with utmost integrity while working to the very highest standards of business conduct.

### **OBJECTIVES**

To protect and enhance the interest of its stakeholders by committing itself to the principles of risk management, fairness, accountability and transparency. Thus, it fully embraces and practices sound corporate governance in order to instill trust and confidence to the organization.

The Board of Directors, Management and employees, and shareholders believe that corporate governance is an indispensable component towards achieving long-term success and profitability in KEP. Furthermore, sound strategic business management must be implemented and observed while creating full awareness within the organization.

This Manual will institutionalize the principles of good corporate governance in the entire organization. As KEP progresses in the years ahead, this Manual will be kept under constant review and revision to meet the emerging standards of good corporate governance practices.

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## CORPORATE GOVERNANCE PRINCIPLES

The Board shall adopt the following corporate governance principles embodied in the Code of Corporate Governance for Publicly-Listed Companies pursuant to SEC Memorandum Circular no. 19 dated November 22, 2016, except as otherwise stated.

### THE BOARD'S GOVERNANCE RESPONSIBILITIES

<b>Principle 1</b>	The Company should be headed by a competent, working board to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.
<b>Principle 2</b>	The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.
<b>Principle 3</b>	Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.
<b>Principle 4</b>	To show full commitment to the Company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Corporation's business.
<b>Principle 5</b>	The Board should endeavor to exercise objective and independent judgment on all corporate affairs.
<b>Principle 6</b>	The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.
<b>Principle 7</b>	Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

## DISCLOSURE AND TRANSPARENCY

<b>Principle 8</b>	The Company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.
<b>Principle 9</b>	The Company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.
<b>Principle 10</b>	The Company should ensure that material and reportable non-financial and sustainability issues are disclosed.
<b>Principle 11</b>	The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

## INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

<b>Principle 12</b>	To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company should have a strong and effective internal control system and enterprise risk management framework.
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## CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

<b>Principle 13</b>	The Company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.
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## DUTIES TO STAKEHOLDERS

<b>Principle 14</b>	The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.
<b>Principle 15</b>	A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.
<b>Principle 16</b>	The Company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

## ARTICLE 1: DEFINITION OF TERMS

- 1.1 **Corporate Governance** is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

Its purpose is to maximize the organization’s long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

- 1.2 **Board of Directors (Board/BOD)**– the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- 1.3 **Management** – a group of executives 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.
- 1.4 **Independent Director (ID)** – a person who is independent of management and the controlling shareholder, and is 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.
- 1.5 **Executive Director (ED)**– a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- 1.6 **Non-executive director (NED)**– a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- 1.7 **Internal Control** – a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization’s policies and procedures.
- 1.8 **Enterprise Risk Management (ERM)**– a process, effected by an entity’s Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
- 1.9 **Related Party** –covers the company’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company’s directors; officers;

shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This will also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.

1.10 **Related Party Transactions (RPT)**– a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

1.11 **Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the company’s strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

## **ARTICLE 2: RULES OF INTERPRETATION**

2.1 All references to the masculine gender in the salient provisions of this Manual will likewise cover the feminine gender.

2.2 All doubts or questions that may arise in the interpretation or application of this Manual will be resolved in favor of promoting transparency, accountability and fairness to the stockholders, investors and stakeholders of KEP.

## **ARTICLE 3: THE BOARD’S GOVERNANCE RESPONSIBILITIES**

### **3.1 ESTABLISHING A COMPETENT BOARD**

*The Company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.*

#### **3.1.1 Composition of the Board**

The Board will be composed of eight (8) directors with a collective working knowledge, experience or expertise that is relevant to KEP’s industry/sector. The Board will always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, 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.



The Board will be 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 must be filled up in accordance with the bylaws and prevailing law such as the Revised Corporation Code.

### 3.1.2 Members of the Board

The Board will be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

The members of the Board will be composed of a combination of executive directors and non-executive directors, including the independent directors, in order that no director or small group of directors can dominate the decision-making process.

KEP will have at least three (3) independent directors.

### 3.1.3 Training

KEP will provide in its Board Charter and Manual on Corporate Governance a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors. The orientation or training programs will cover SEC mandated topics on corporate governance and the like conducted by a duly SEC accredited private or government institute.

### 3.1.4 Board Diversity

KEP will have a policy on board diversity. It recognizes the significance of a diverse Board in order to avoid groupthink and ensure that optimal-decision making is achieved. The Board is diverse in age, skills, competence, knowledge and gender.

### 3.1.5 Corporate Secretary

The Board will ensure that it is assisted in its duties by a Corporate Secretary, who will be a separate individual from the Compliance Officer. The Corporate Secretary will annually attend a training on corporate governance.

The Corporate Secretary is an officer of KEP, Filipino citizen and a resident of the Philippines. He will primarily be responsible to KEP and its shareholders, and not to its Chairman or President and has, among others, the following duties and responsibilities:

- a. Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings

and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;

- b. Safe keep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of KEP;
- c. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of KEP, and advise the Board and the Chairman on all relevant issues as they arise;
- d. Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its shareholders and other stakeholders;
- e. Advise on the establishment of board committees and their terms of reference;
- f. Inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- h. Perform required administrative functions;
- i. Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j. Perform such other duties and responsibilities as are incident to his office or as may be assigned to him by the Board or the President or may be provided by the SEC.

As stated in SEC Memorandum Circular No. 19, Series of 2016, it is recommended that the Corporate Secretary should not be a member of the Board of Directors. However, due to KEP's simple structure and operation, its Corporate Secretary who is not its direct employee, may also be a member of the Board of Directors. Being a member of the Board, he will not prejudice the secretariat functions since he will adhere to the rules and regulations of the SEC and other governing bodies.

#### 3.1.6 Compliance Officer

The Board will ensure that it is assisted in its duties by a Compliance Officer, who will have a rank of Senior Vice President or an equivalent position with adequate

stature and authority in KEP. The Compliance Officer will annually attend training on corporate governance.

He is a member of KEP's management team in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to KEP and its shareholders, and not to the Chairman or President of KEP. He has, among others, the following duties and responsibilities:

- a. Ensure proper onboarding of new directors (i.e., orientation on KEP's business, charter, Articles of Incorporation and By-laws, among others);
- b. Monitor, review, evaluate and ensure the compliance of KEP, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c. Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- d. Ensure the integrity and accuracy of all documentary submissions to regulators;
- e. Appear before the SEC when summoned in relation to compliance with this Code;
- f. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identify possible areas of compliance issues and work towards the resolution of the same;
- h. Ensure the attendance of board members and key officers to relevant trainings; and
- i. Perform such other duties and responsibilities as may be provided by the SEC.

As stated in SEC Memorandum Circular No. 19, Series of 2016, it is recommended that the Compliance Officer should not be a member of the Board of Directors. However, due to simple structure and operation of KEP, its Compliance Officer may also be a member of the Board of Directors. Being a member of the Board, he will not prejudice the compliance functions since he will adhere to the rules and regulations of the SEC and other governing bodies.

### **3.2 ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD**

*The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders and other stakeholders.*

- 3.2.1 The Board members will act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of KEP and all shareholders.
- 3.2.2 The Board will oversee the development of and approve KEP's business objectives and strategy, and monitor their implementation, in order to sustain KEP's long-term viability and strength.

In discharging its duty to monitor and oversee management action and to ensure a high standard of best practice for KEP, its stockholders and other stakeholders, the Board will conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- a. Implement a process for the selection to ensure a mix of competent directors and officers 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 directors, key officers and management to ensure growth and a continued increase in the shareholders' value.
- b. Provide sound strategic policies and guidelines to KEP 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 KEP's faithful compliance with all applicable laws, regulations and best business practices;
- d. Establish and maintain an effective investor relations program that will keep the stockholders informed of important developments in KEP. If feasible, the President or the Treasurer will exercise oversight responsibility over this program;
- e. Identify KEP's stakeholders in the community in which it operates or are directly affected by its operations, and formulate clear policy of accurate, timely and effective communication with them;
- f. Adopt a system of check and balances within the Board. A regular review of the effectiveness of such system will be conducted to ensure the integrity of the decision-making and reporting processes at all times. There will be a continuing review of KEP's internal control system in order to maintain its

adequacy and effectiveness.

- g. Formulate and implement policies and procedures that will ensure the integrity and transparency of related party transactions between and among KEP 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.
- h. Endeavor to provide appropriate technology and utilize available resources to ensure a competitive position;
- i. Constitute an executive, audit and risk management, corporate governance and nomination, and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities and which will aid to the attainment of corporate goals;
- j. Establish and maintain an alternative dispute resolution system in KEP that can amicably settle conflicts or differences between KEP and its stockholders, and KEP and third parties, including the regulatory authorities;
- k. Properly discharge Board functions by meeting regularly or frequently as may be needed, and the minutes of such meetings will be duly recorded. Independent views during Board meetings will be encouraged and given due consideration;
- l. Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-laws, and in accordance with existing Laws, rules and regulations;

3.2.3 The Board will be headed by a competent and qualified Chairperson.

3.2.4 The Board will be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This will include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in KEP.

3.2.5 The Board will align the remuneration of key officers and board members with the long-term interests of KEP. In doing so, it will formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director will participate in discussions or deliberations involving his own remuneration.

The directors' compensation will always be in accordance with the By-laws of KEP and/or as approved by the stockholders during the annual stockholders' meeting. The Board will, from time to time, approve reasonable per diem that a director may receive for attendance in the Board and Board Committee meetings.

- 3.2.6 The Board, through its Governance, Nomination and Compensation Committee (GNCC), will have a formal and transparent board nomination and election policy that will include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy will also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors will be aligned with the strategic direction of KEP. *(Please refer to Article 3.3.1.c Governance, Nomination and Compensation Committee – Nomination Functions.)*
- 3.2.7 The Board will have the 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 will include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy will encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations. *(Please refer to Article 3.3.1.b Audit, Risk Management and Compliance Committee - Related Party Transactions (RPT) Functions.)*
- 3.2.8 The Board will be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO) or the President, and control functions led by their respective heads. *(Please refer to Article 3.6 Assessing Board Performance.)*
- 3.2.9 The Board will establish an effective performance management framework that will ensure that the Management, including the President, who is also the Chief Executive Officer of the corporation, and personnel's performance is at par with the standards set by the Board and Senior Management.
- 3.2.10 The Board will oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board shall also approve the Internal Audit Charter as recommended by the Audit, Risk Management and Compliance Committee.
- 3.2.11 The Board will oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework will guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. This function will be undertaken by the Audit, Risk Management and Compliance Committee.
- 3.2.12 The Board will have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter will serve as a guide to the directors in the performance of their functions and will be publicly available and posted on KEP's website.

### 3.3 ESTABLISHING BOARD COMMITTEES

*Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and compensation.*

3.3.1 The Board will establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

The Board will constitute the following Committees:

- Executive Committee
- Audit and Compliance Committee (ACC)
  - Audit
  - Enterprise Risk Management
  - Related Party Transactions
- Governance, Nomination and Compensation Committee (GNCC)
  - Corporate Governance
  - Nomination
  - Compensation

a. Executive Committee

The Board will create an Executive Committee which will have at least three (3) members, consisting of the President, other officers and/or directors of KEP.

The Committee will perform tasks delegated to it from time to time by the Board of Directors, subject to applicable laws and except on the following matters:

- i. Approval of any action for which shareholders' approval is also required;
- ii. Filling of vacancies in the board;
- iii. Amendment or repeal of by-laws or the adoption of new by-laws;
- iv. Amendment or repeal of any resolution of the board which by its express terms are not so amenable or repealable; and
- v. Distribution of cash dividends to the shareholders.

b. Audit and Compliance Committee (ARMCC)

The ACC will be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, will be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the ARMCC will not be the chairman of the Board or of any other committees.

The ACC will have oversight responsibility on the following functions:

- Audit and financial reporting
- Enterprise Risk Management
- Related Party Transaction

Audit Functions:

The ACC will enhance its oversight capability over KEP's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. It will be responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit functions are as follows:

- i. 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;
- ii. The Internal Audit functions will monitor and evaluate the adequacy and effectiveness of KEP'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 will be in place in order to (a) safeguard KEP's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of KEP's financial data, and (d) ensure compliance with applicable laws and regulations;
- iii. Oversee the outsourcing of internal audit services. It will recommend the appointment and/or grounds for approval of the terms and conditions for outsourcing internal audit services;
- iv. Review and monitor Management's responses to the Internal Auditor's findings and recommendations;
- v. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- vi. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to KEP's overall



consultancy expenses. The Committee will 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, will be disclosed in KEP's Annual Report and Annual Corporate Governance Report;

- vii. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- viii. Review the disposition of the recommendations in the External Auditor's management letter;
- ix. Perform oversight functions over KEP's Internal and External Auditors; ensure the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- x. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- xi. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of KEP, and provide an objective assurance on the manner by which the financial statements will be prepared and presented to the stockholders; and
- xii. Meet with the Board at least every quarter without the presence of the President or other management team members, and periodically meets with the head of the internal audit. The Committee may invite the President or other management team if deemed necessary to answer queries raised by the Committee.

#### Enterprise Risk Management (ERM) Functions:

The ACC will ensure the functionality and effectiveness of enterprise risk management frameworks.

The ERM functions are as follows:

- i. Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register or risk, (b) well-

defined risk management goals, objectives and oversight, (c) uniform processes of assessing risk and developing strategies to manage prioritized risk, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

- ii. Oversee the implementation of the enterprise risk management plan. The Committee conducts regular discussions on KEP's prioritized and residual exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- iii. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- iv. Advise the Board on its risk appetite levels and risk tolerance levels;
- v. Review annually KEP's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on KEP;
- vi. Assess the probability of each identified risk becoming reality and estimates its possible significant impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of KEP and its stakeholders;
- vii. Provide oversight over Management's activities in managing credit, market liquidity, operational, legal and other risk exposures of KEP. This function includes regularly receiving information on risk exposures and risk management activities from Management, and
- viii. Report to the Board on a regular basis, or as deemed necessary, KEP's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

Further details on internal control and risk management framework can be found on Article 5.

#### Related Party Transactions (RPT) Functions:

As one of the functions of the ARMCC, the Committee is tasked in general to review all material related party transactions of KEP to ensure that it is an arms-length, market based and in compliance with all applicable laws.

The RPT functions are as follows:

- i. Evaluate on an ongoing-basis the existing relations between and among businesses and counterparties to ensure that all related parties are continually identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships will be reflected in the relevant reports to the Board and regulators/supervisors;
- ii. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interests rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of KEP are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
  - The related party's relationship to KEP and interest in the transaction;
  - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - The benefits to KEP of the proposed RPT;
  - The availability of other sources or comparable products or services; and
  - An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. KEP will have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- iii. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to KEP's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure will also include information on the approach to managing material conflicts of interest that are inconsistent with such policies and conflicts that could arise as a result of KEP's affiliation or transactions with other related parties;
- iv. Report to the Board of Directors on a regular basis, status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- v. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

- vi. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPT's, including periodic review of RPT policies and procedures.

c. Governance, Nomination and Compensation Committee (GNCC)

It will be composed of at least three members, all of whom will be independent directors, including the Chairman.

The GNCC will have the oversight responsibility on the following functions:

- Corporate governance
- Nomination
- Compensation

Corporate Governance Functions:

The Committee is tasked in ensuring compliance with and proper observance of corporate governance principles and practices.

The Corporate Governance functions are as follows:

- i. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to KEP's size, complexity and business strategy, as well as its business and regulatory environments;
- ii. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conduct an annual self-evaluation of its performance;
- iii. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- iv. Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- v. Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- vi. Propose and plan relevant trainings for the members of the Board.

Nomination Functions:

Determine the nomination and election process for KEP's directors and has the special duty of defining the general profile of board members that KEP

may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board.

The Nomination functions are as follows:

- i. Pre-screen and shortlist all candidates to the Board and other appointments that require Board approval, in accordance with the qualifications and disqualifications enumerated provided under this Manual, the Corporation Code, Securities Regulations Code, and other pertinent rules and regulations;
- ii. Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;
- iii. In consultation with the Executive Committee, re-define the role, duties and responsibilities of the President by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times;
- iv. Ensure compliance and proper observance by the directors of the corporate governance principles and practices;
- v. Oversee the periodic performance evaluation of the Board and its Committees as well as executive management and conduct an annual self-evaluation of its performance;
- vi. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement; and
- vii. Ensure the nomination and election process are complied with.

The nomination and election process includes the review and evaluation of the qualifications of all persons nominated to the Board, in relation to criteria set forth in KEP's Manual on Corporate Governance, By-laws, and applicable regulations, including whether the candidate:

- Possesses the knowledge, skills, experience;
- Has independence of mind, especially to the NED, given their responsibilities to the Board;
- Has a record of integrity and good repute;
- Has sufficient time to carry out the responsibilities; and
- Has the ability to promote smooth interaction between board members.

The Corporate Governance Committee may secure the assistance of an executive search firm, if necessary, for this purpose.

The process includes monitoring the qualifications of the directors and the grounds for disqualification whether permanent or temporary.

- Qualifications of a Candidate as a Director
  - Holder of at least one (1) share of stock of KEP;
  - At least a college graduate or holder of equivalent academic degree;
  - At least twenty-one (21) years old;
  - Membership in good standing in relevant industry, business or professional organizations;
  - Practical understanding of the business of KEP and sufficient experience in managing the business to substitute for such formal education;
  - Proven to possess integrity and probity, assiduous, and
  - Such other qualifications as the Nomination Committee may reasonably require based on the nature and requirements of the position at stake.
  
- Grounds for Disqualification of a Director:

Permanent Disqualification:

- 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 in 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 SEC, Bangko Sentral ng Pilipinas (BSP) 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 will also apply if (a) such person is the subject of an order of the SEC, BSP 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 SEC or BSP, or under any rule or regulation issued by the Commission or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is 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 SEC, BSP, court, or competent administrative body 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, rule, regulation or order administered by the SEC or BSP;
- Any person judicially declared as 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 enumerated previously;
- Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and
- Other grounds as the SEC may provide.

Temporary Disqualifications:

- Absence in more than fifty percent (50%) 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 will apply for purposes of the succeeding election;
- Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The

disqualification will be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

- If the beneficial equity ownership of an independent director in KEP or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

#### Compensation Functions:

This function will establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with KEP's culture and strategy as well as the business environment in which it operates.

The Compensation functions are as follows:

- i. 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 KEP's culture, strategy and control environment;
- ii. Designate amount of remuneration, which will be in a sufficient level to attract and retain directors and officers who are needed to run KEP successfully;
- iii. 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;
- iv. Disallow any director ensuing to decide his or her own remuneration;
- v. Provide in KEP'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 year;



- vi. Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen 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, and
- vii. In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

3.3.2 All established committees will be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters will provide the standards for evaluating the performance of the Committees. It will also be fully disclosed on KEP's website.

#### **3.4 FOSTERING COMMITMENT**

*To show full commitment to the Company, the directors should devote time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Corporation's business.*

3.4.1 The directors will attend and actively participate in all meetings of the Board, Committees, and Shareholders 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 will review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

3.4.2 The non-executive directors (NED) of the Board will concurrently serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of KEP. However, in the event that they serve more than five (5) publicly listed companies, the Board will review this and decide accordingly.

3.4.3 A director will notify the Board where he is an incumbent director before accepting a directorship in another company.

### **3.5 REINFORCING BOARD INDEPENDENCE**

*The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.*

#### **3.5.1 Independent Directors**

The Board will have at least three (3) independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

#### **3.5.2 The Board will ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.**

An Independent Director refers to a person who, ideally:

- a. Is not, or has not been a senior officer or employee of KEP unless there has been a change in the controlling ownership of KEP;
- b. Is not, and has not been in the three (3) years immediately preceding the election, a director of KEP; a director, officer, employee of KEP's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of KEP's substantial shareholders and its related companies;
- c. Has not been appointed in KEP, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of KEP, its subsidiaries, associates, affiliates or related companies;
- e. Is not a relative of a director, officer, or substantial shareholder of KEP, or any of its related companies, or of any of its substantial shareholder. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f. Is not acting as a nominee or representative of any director of KEP or any of its related companies;
- g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "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;

- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of KEP, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with KEP or any of its related companies or substantial shareholders, 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;
- j. Is not affiliated with any non-profit organization that receives significant funding from KEP or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another company where any of KEP's executives serve as directors.

Related companies, as used in this section, refer to (a) holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

#### 3.5.3 Term Limit of an Independent Director

The Board's independent directors will serve for a maximum cumulative term of nine (9) years. After which, the independent director will be perpetually barred from reelection as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the company wants to retain an independent director who has served for nine (9) years, the Board will provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting. Reckoning of the cumulative nine-year term is from 2012.

#### 3.5.4 Chairman of the Board and the President

The positions of Chairman of the Board and the President may be held by separate individuals and each will have clearly defined responsibilities. However, the positions may also be held by one person provided he is qualified and able to take on the clearly defined responsibilities of both positions. The Chairman of the Board will not be a member of the Executive Committee or be an officer of the Company unless he is also elected as President.

a. Chairman of the Board

The roles and responsibilities of the Chairman include, among others, the following:

- i. Make certain that the meetings of the Board are held in accordance with By-laws or as the Chairman may deem necessary. Also ensure that the meeting agenda focuses on strategic matters, including the overall risk appetite of KEP, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- ii. Ensure that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- iii. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- iv. Ensure that the Board sufficiently challenges and inquire on reports submitted and representations made by Management;
- v. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- vi. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

b. President

The roles and responsibilities of the President include, among others, the following:

- i. Determine and implement BOD-approved KEP's strategic direction and formulates and implement its strategic plan on the direction of the business;
- ii. Communicate and implement KEP's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- iii. Oversee the operations of KEP and manage human and financial resources in accordance with the strategic plan;
- iv. Must have a good working knowledge of KEP's industry and market and keep up-to-date with its core business purpose;
- v. Direct, evaluate and guide the work of the key officers of KEP;

- vi. Manage KEP's resources prudently and ensure a proper balance of the same;
- vii. Provide the Board with timely information and interface between the Board and the employees;
- viii. Build the corporate culture and motivate the employees of KEP; and
- ix. Serve as the link between internal operations and external stakeholders.

#### 3.5.5 Lead Independent Director

The Board will designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and President are held by one (1) person.

The functions of the lead director include, among others, the following:

- a. Serves as an intermediary between the Chairman and the other directors when necessary;
- b. Convenes and chairs meetings of the non-executive directors; and
- c. Contributes to the performance evaluation of the Chairman, as required.

#### 3.5.6 Material Interest

A director with a material interest in any transaction affecting KEP will abstain from taking part in the deliberations to ensure that he has no influence over the outcome of the deliberations.

- 3.5.7 The Non-Executive Directors (NED) will have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive director present to ensure that proper checks and balances are in place within KEP. The meetings will be chaired by the Lead Independent Director.

### 3.6 **ASSESSING BOARD PERFORMANCE**

*The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.*

- 3.6.1 The Board will conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. If the need arises, every three (3) years, the assessment will be supported by an external facilitator.

- 3.6.2 The Board will 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 will allow for a feedback mechanism from the shareholders.

### **3.7 STRENGTHENING BOARD ETHICS**

*Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.*

- 3.7.1 The Board will adopt a Code of Business Conduct and Ethics, which will provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code will be properly disseminated to the Board, senior management and employees. It will also be disclosed and made available to the public through KEP's website.
- 3.7.2 The Board will ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

## **ARTICLE 4: DISCLOSURE AND TRANSPARENCY**

### **4.1 ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES**

*The Company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.*

- 4.1.1 The Board will establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of KEP's financial condition, results and business operations.
- 4.1.2 KEP will have a policy requiring all directors and officers to disclose/report to KEP any dealings in KEP's shares within three (3) business days.
- 4.1.3 The Board will fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
- 4.1.4 KEP will provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. Also, KEP will disclose the remuneration on an individual basis, including termination and retirement provisions.

- 4.1.5 KEP will disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions. The material or significant RPTs reviewed and approved during the year will be disclosed in its Annual Corporate Governance Report.
- 4.1.6 KEP will make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company will appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.
- 4.1.7 The KEP's corporate governance policies, programs and procedures will be contained in its Manual on Corporate Governance, which will be submitted to the regulators and posted on KEP's website.

#### **4.2 STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY**

*The Company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.*

- 4.2.1 The ACC will 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 will be recommended by the ARMCC, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change will be disclosed to the regulators and the public through KEP's website and required disclosures.
- 4.2.2 The ACC Charter will include its responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter will also contain the ARMCC's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.
- 4.2.3 KEP will 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 ACC will be alerted 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.

#### **4.3 INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING**

*The Company should ensure that the material and reportable non-financial and sustainability issues are disclosed.*

- 4.3.1 The Board will have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. Companies will adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

#### **4.4 PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION**

*The Company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.*

- 4.4.1 Should the need arise, KEP can include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

### **ARTICLE 5: INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK**

*To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company should have a strong and effective internal control system and enterprise risk management framework.*

#### **5.1 STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK**

- 5.1.1 KEP should have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.
- 5.1.2 KEP should have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve KEP's operations.

The following are the functions of the internal audit, among others:

- a. Provide an independent risk-based assurance service to the Board, the ACC and top management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in



the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;

- b. Perform regular and special audit as contained in the annual audit plan and/or based on KEP's risk assessment;
- c. Perform consulting and advisory services related to governance and control as appropriate for the organization;
- d. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of KEP;
- f. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluate specific operations at the request of the Board or Management, as appropriate; and
- h. Monitor and evaluate governance processes.

5.1.3 As the need arises, subject to KEP's size, risk profile and complexity of operations, KEP should have a qualified Chief Audit Executive (CAE) appointed by the Board upon recommendation of the ARMCC. The CAE will oversee and be responsible for the ERM and internal audit activities of the organization, including that portion that is outsourced to a third-party service provider.

In case of a fully outsourced internal audit activity, a qualified independent executive, or senior management personnel will be assigned the responsibility for managing the fully outsourced internal audit activity.

The CAE, in order to achieve the necessary independence to fulfill his responsibilities, directly reports functionally to the ARMCC and administratively to the President. The following are the responsibilities of the CAE, among others:

- a. Periodically review the internal audit charter and present it to senior management and the ARMCC for approval;
- b. Establish a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;

- c. Communicate the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the ARMCC for review and approval;
- d. Spearhead the performance of the internal audit activity to ensure it adds value to the organization;
- e. Report periodically to the ARMCC on the internal audit activity's performance relative to its plan; and
- f. Present findings and recommendation to the ARMCC and give advice to senior management and the Board on how to improve internal processes.

5.1.4 As the need arises, subject to its size, risk profile and complexity of operations, KEP will have a separate risk management function to identify, assess and monitor key risk exposures. This function is being undertaken through the risk oversight function of the ARMCC.

The risk management function involves the following activities, among others:

- a. Defining a risk management strategy;
- b. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using KEP's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to KEP, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the ARMCC which undertakes the risk oversight functions; and
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

5.1.5 Managing KEP's Risk Management System will be the responsibility of the Chief Risk Officer (CRO), who will have adequate authority, stature, resources and support to fulfill his responsibilities, subject to KEP's size, risk profile and complexity of operations.

The CRO has the following ERM functions, among others:

- a. Supervise the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicate the top risks and the status of implementation of risk management strategies and action plans to the ARMCC.
- c. Collaborates with the President in updating and making recommendations to the ARMCC;
- d. Suggest ERM policies and related guidance, as may be needed; and
- e. Provide insights on the following:
  - Risk management processes are performing as intended;
  - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - Established risk policies and procedures are being complied with.

## **ARTICLE 6: CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS**

### **6.1 PROMOTING SHAREHOLDERS' RIGHTS**

*The Company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.*

The Board will ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance and on KEP's website.

It is the responsibility of the Board to adopt a policy informing the shareholders of all their rights. Shareholders are encouraged to exercise their rights by providing clear-cut processes and procedures for them to follow.

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

- a. Right to vote on all matters that requires their consent or approval;
  - i. Shareholders will have the right to elect, remove, and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
  - ii. Cumulative voting will be used in the election of directors.
  - iii. A director will be removed without cause if it will deny minority shareholders representation in the Board.
- b. Pre-emptive right to all stock issuances of the corporation;
- c. Right to inspect corporate books and records;

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

- d. Right to information;
  - i. The Shareholders will 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 KEP's shares, dealings with KEP, relationships among directors and key officers, and the aggregate compensation of directors and officers.
  - ii. The minority shareholders will 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.
  - iii. The minority shareholders will 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 will include such information and, if not included, then the minority shareholders will 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;
  - i. Shareholders will have the right to receive dividends subject to the discretion of the Board.
  - ii. Dividends will be declared and paid out of the unrestricted retained earnings which will 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.
  - iii. KEP should declare dividends when its retained earnings will 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 KEP 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 KEP, such as when there is a need for special reserve for probable contingencies.

- f. Appraisal rights;
- i. The shareholders will 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 80 of the Revised Corporation Code of the Philippines, under any of the following circumstances:
- 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;
  - 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 Revised Corporation Code;
  - In case of merger or consolidation; and
  - In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.
- ii. It will be the duty of the Board to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They will encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They will be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Board will pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.
- g. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;

This is subject to limits and ownership requirement prescribed by the Board. However, to prevent the abuse of this right, the Company may require that the proposal be made by the shareholders holding a specified percentage of shares or voting rights. On the other hand, to ensure that minority shareholders are not effectively prevented from exercising this right, the degree of ownership concentration is considered in determining the threshold.

- h. Right to nominate candidates to the Board of Directors subject to guidelines prescribed by the Board and the GNCC;

The Board will be transparent and fair in the conduct of the annual and

special stockholders' meetings of KEP. The stockholders will be encouraged to personally attend such meetings. If they cannot attend, they will 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 will not be unduly restricted and any doubt about the validity of a proxy will be resolved in the stockholder's favor.

i. Right related to the nomination process;

All shareholders must be given the opportunity to nominate candidates to the Board of Directors in accordance with the existing laws. The procedures of the nomination process are expected to be discussed clearly by the Board. KEP is encouraged to fully and promptly disclose all information regarding the experience and background of the candidates to enable the shareholders to study and conduct their own background check as to the candidates' qualification and credibility.

j. Right to voting procedures governing the Annual and Special Stockholders' Meetings.

Shareholders are also encouraged to participate when given sufficient information prior to voting on fundamental corporate changes such as:

- amendments to the Articles of Incorporation and By-Laws of KEP;
- the authorization on the increase in authorized capital stock; and
- extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of KEP.

In addition, the disclosure and clear explanation of the voting procedures, as well as removal of excessive or unnecessary costs and other administrative impediments, allow for the effective exercise of the shareholders' voting rights. Poll voting is highly encouraged as opposed to the show of hands. Proxy voting is also a good practice, including the electronic distribution of proxy materials.

6.2 The Board will encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 days before the meeting.

6.3 The Board will encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available. The Minutes of the Annual and Special Shareholders' Meeting will be available on KEP's website within five (5) business days from the end of the meeting.

6.4 The Corporate Secretary and the Corporate Information Officer are always present at every shareholders' meeting to ensure the engagement with its shareholders.

- 6.5 The Board will make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.
- 6.6 As the need arises, the Board can establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO will be present at every shareholders' meeting. KEP has a Corporate Information Officer who also acts as the Investors Relations Officer.

## **ARTICLE 7: DUTIES TO STAKEHOLDERS**

### **7.1 RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATIONS OF STAKEHOLDERS' RIGHTS**

*The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.*

- 7.1.1 The Board will identify KEP's various stakeholders and promote cooperation between them and KEP in creating wealth, growth and sustainability.
- 7.1.2 The Board will establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.
- 7.1.3 The Board will adopt a transparent framework and process that allow stakeholders to communicate with KEP and to obtain redress for the violation of their rights.

### **7.2 ENCOURAGING EMPLOYEES' PARTICIPATION**

*A mechanism for employee participation should be developed to create a symbiotic environment, realize the Company's goals and participate in its corporate governance processes.*

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

The establishment of policies and programs covering, among others, the following: (1) health, safety and welfare; (2) training and development; and (3) reward/compensation for employees, encourages employees to perform better and motivates them to take a more dynamic role in KEP.

- 7.2.2 The Board will 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 will disseminate the policy and program to employees across the organization through trainings to embed them in KEP's culture.

- 7.2.3 The Board will 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 will be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

### **7.3 ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

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

- 7.3.1 KEP will recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows KEP to grow its business, while contributing to the advancement of the society where it operates.

## **ARTICLE 8: COMMITMENT TO GOOD CORPORATE GOVERNANCE**

KEP will strictly implement its corporate governance rules in accordance with this Manual, which will be used as reference by the members of the Board and Management.

To ensure adherence to this Manual, KEP establishes a compliance system as follows:

### **8.1 COMMUNICATION PROCESS**

- 8.1.1 This Manual will be available for inspection by any stockholder of KEP at reasonable hours on business days.
- 8.1.2 All directors, executives and management staff 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.
- 8.1.3 An adequate number of printed copies of this Manual must be reproduced under the supervision of the Corporate Information Officer, with a minimum of at least one (1) hard copy of the Manual.



## **8.2 MONITORING AND ASSESSMENT**

- 8.2.1 Each Committee will report regularly to the Board of Directors.
- 8.2.2 The Compliance Officer will establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof will subject the responsible officer or employee to the penalty provided under Article 9 of this Manual.
- 8.2.3 The establishment of such evaluation system, including the features thereof, will be disclosed in KEP's annual report (SEC Form 17-A) or in such form of report that is applicable to KEP. The adoption of such performance evaluation system must be covered by a Board approval.
- 8.2.4 This Manual will be subject to periodic review as may be determined by the Board.
- 8.2.5 All business processes and practices being performed within any department or business unit of KEP that are not consistent with any portion of this Manual will be revoked unless upgraded to the compliant extent.

## **ARTICLE 9: PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

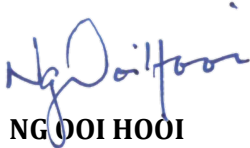
To strictly observe and implement the provisions of this Manual, the following penalties will be imposed, after notice and hearing, on KEP's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

- 9.1 In case of first violation, the subject person will be reprimanded.
- 9.2 Suspension from office will be imposed in case of second violation. The duration of the suspension will depend on the gravity of the violation.
- 9.3 For third violation, the maximum penalty of removal from office will be imposed. The commission of a third violation of this manual by any member of the Board of the Corporation or its subsidiaries and affiliates will be a sufficient cause for removal from directorship.
- 9.4 The Compliance Officer will be responsible for determining violation/s through notice and hearing and will recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

**ARTICLE 10: EFFECTIVE DATE**

This New Manual on Corporate Governance is effective upon its approval on  
27 January 2022

**Signed by:**



**NG OOI HOOI**

Chairman of the Board



**MA. MELVA E. VALDEZ**

Compliance Officer

**Keppel Philippines Properties, Inc**  
**BOARD OF DIRECTORS**  
**Board Charter**

**INTRODUCTION**

**Complementary to Law and Articles**

The Board Charter (the "Charter") governs the relationship between the Board Committees and the Board of Directors (the "Board") as provided in the charters of the Committees which were approved and adopted by the Board. The Charter is intended to complement or supplement the Revised Corporation Code of the Philippines, the Corporation's Articles of Incorporation and By-laws, issuances of the Securities and Exchange Commission (SEC), Philippine Stock Exchange, Inc. (PSE) and other applicable laws, rules and regulations.

**SECTION 1: BOARD COMPOSITION**

- 1. Number of Directors** – The Corporation's Board is composed of eight (8) directors, three (3) of whom shall be Independent Directors, who are elected by the stockholders.
- 2. Positions** - The membership of the Board may be a combination of executive and non-executive directors (which include independent directors). The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
- 3. Committees** - The Board shall constitute the proper committees to assist it in good corporate governance. Pursuant to the Corporation's New Manual on Corporate Governance, the Board must have the following committees: (a) Executive Committee, (b) Audit and Compliance Committee (ACC), and (c) Governance, Nomination and Compensation Committee (GNCC).
- 4. Board Profile** – The Board, in consultation with the GNCC, shall be responsible to review the profile of its size and composition, considering the nature of its business and subsidiaries, and the desired expertise and background of the board members.
- 5. Independence** – The Board shall have at least three (3) independent directors or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

For this purpose, an "independent director" shall mean a person who is independent of management and the controlling shareholder, and is 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.

## SECTION 2: BOARD MEETINGS

1. **Regular Meetings** - Regular meetings of the Board of Directors shall be held once every quarter on such dates and at such times and places as the Chairman of the Board, or in his absence, the President, or upon the request of a majority of the directors, and shall be held at such places as may be designated in the notice.

The Corporate Secretary shall schedule all regular board and committee meetings at the start of the financial year.

2. **Special Meetings** - Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, or a majority of the Board of Directors of the Corporation.
3. **Board Attendance** - Each director must attend at least 50% of all the board meetings held during the year.
4. **Organizational Meetings** -The Board of Directors shall meet for the purpose of organization, election of officers and the transaction of other business, as soon as practicable after each annual election of directors or on the same day, and if practical at the same place at which regular meetings of the stockholders are held.
5. **Notice of Meetings** – Notice of either regular or special meetings shall be sent to each director at least five (5) business days before the date of meeting. The notice of meeting shall include the time and place of the meeting and the agenda subjects to be discussed. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. Subject to any applicable notice requirements, Directors having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairman well in advance of such item.
6. **Quorum** - A quorum at any meeting of the directors shall consist of a majority of the number of directors fixed in the Articles of Incorporation, provided, however that an independent director shall always be in attendance. However, the absence of an independent director shall not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause, fails to attend the meeting. Resolutions of the Board of Directors shall be decided upon by at least a majority of the members of the board.
7. **Conduct of the Meetings**
  - a. **Board of Directors** - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence the Vice-Chairman of the Board, or in his absence, the President, or if none of the foregoing is in office and present and acting,

by any other director chosen by the Board. The Corporate Secretary, or in his absence, the Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the Chairman of the meeting shall appoint a secretary for the meeting.

- b. Board Committees** - Members of the Board Committees should attend committee meetings at least twice a year, except for the ACC which should meet at least four times (4) times every year.
  - c. Board Meeting Materials** – The board of directors must be provided meeting materials at least five (5) business days in advance of the board meeting.
- 8. Executive Sessions** – The independent and non-executive directors must meet separately at least once during the year without any executives present.
- 9. Minutes of the Meetings** – Minutes of the meeting shall be taken and recorded by the Corporate Secretary and signed by the Chairman of the Board or the person who were appointed to take notes during the meeting.
- 10. Attendance in Board Meeting** - 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.

Independent directors should always attend board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

The Chairman, President or Committee Chairpersons may from time to time invite corporate officers, other employees and advisors to attend Board or committee meetings whenever deemed appropriate.

Directors are encouraged to attend all annual meetings of shareholders.

### **SECTION 3: BOARD DUTIES AND RESPONSIBILITIES**

- 1. Duties and Responsibilities of the Board** – The Board of Directors is responsible 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, the stockholders and other stakeholders.

To ensure a high standard of best practice for the Corporation, its stockholders and stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities, aside from such

powers prescribed in the SEC Code of Corporate Governance, the Corporation's New Manual on Corporate Governance, By-Laws and other applicable laws:

- a. 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.
- b. Review of the mission and vision statement of the Corporation at least once a year or whenever deemed necessary.
- c. Review, monitor and oversee the implementation of the corporate strategy at least once a year.
- d. Adopt, implement and monitor compliance with the Company's Code of Conduct.
- e. 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.
- f. Review, evaluate and approve, on a regular basis, long-range plans for the Company.
- g. Establish committees as prescribed in the SEC Code of Corporate Governance and the Corporation's New Manual on Corporate Governance.
- h. Review and approve the Company's budget and forecasts
- i. Conduct annual performance assessment of the Chairman, President and the board members.
- j. Evaluate and approve major resource allocations and capital investments.
- k. Review the Corporation's material controls and risk management systems.

#### **SECTION 4: THE CHAIRMAN OF THE BOARD**

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

- a. Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that shall significantly affect operations;
- b. Guarantee that the board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assure availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.
  - i. The roles of the Chairman and the President shall 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 the functions between the Chairman and the President shall be made upon their election.

Likewise, the Chairman of the Board shall exercise the following functions:

- a. To preside over all the meetings of the Board of Directors and the stockholders;
- b. To initiate the development of corporate objectives and policies and formulate long range project, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;
- c. To suggest additional functions or duties to any of the officers of the Corporation;
- d. To exercise such powers as may be incidental to his office and perform each duty as the Board of Directors may assign to him.

The Chairman of the Board may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s) of the Corporation, subject always to their supervision and control.

## **SECTION 5: THE PRESIDENT**

The President, elected by the Board from among its members, shall have administration and direction of the day-to-day business affairs of the Corporation. He/she shall exercise the following functions:

- a. To preside at the meetings of the Board of Directors and of the stockholders in the absence of the Chairman;
- b. To have general management and supervision of the business affairs and property of the Corporation;
- c. To ensure that the administrative and operational policies of the Corporation are carried out under his/her supervision and control;
- d. Subject to guidelines prescribed by law, to appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, and determine their salaries;
- e. To oversee the preparation of the budgets and the statements of accounts of the Corporation;
- f. To prepare such statements and reports of the Corporation as may be required of him/her by law;
- g. To represent the Corporation at all functions and proceedings, when authorized by the Chairman of the Board or the majority of the Board of Directors;
- h. To render annual reports to the Board of Directors and to the stockholders;
- i. To perform such duties as incident to his/her office or as entrusted to him/her by the Chairman of the Board, or Board of Directors;
- j. To sign certificates of stock along with the Corporate Secretary.

In addition to the duties imposed by the Board and responsibilities provided by the Corporation's By-Laws, the President has the following duties:

- a. Determines and implements the Board-approved Corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the Corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the Corporation and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the Corporation;
- f. Manages the Corporation's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the Corporation; and
- i. Serves as the link between internal operations and external stakeholders.

## **SECTION 6: THE CORPORATE SECRETARY**

1. **General Access** - The Corporate Secretary assists the Board. He/she must be available to provide his/her services to the Board.
2. **Responsibilities** – The Corporate Secretary sees to it that the Board follows correct procedures and that the board complies with its obligations under law and the company's articles of incorporation.

The following are the responsibilities of the Corporate Secretary under the provisions of the Corporation's By-Laws and the New Manual on Corporate Governance:

- a. The Corporate Secretary shall record all the votes and proceedings of the meeting of Stockholders and of the Board of Directors in a book kept for that purpose.
- b. He/she shall have charge of the corporate seal of the Corporation. He/she shall keep at the principal office of the Corporation the stock and transfer book and therein keep a record of all the stock, the names of stockholders alphabetically arranged with the addresses to which notices may be sent, the installments paid and unpaid on all stock for which subscription has been made and the date of payment of any installment, a statement of every alienation, sale of transfer of stock made, the date thereof and by and to whom made.
- c. 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.



- d. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- e. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- f. Advises on the establishment of board committees and their terms of reference;
- g. Informs members of the Board, in accordance with the by-laws, of the agenda of their meeting at least five working days in advance, and ensures that the members have before them accurate information that shall enable them to arrive at intelligent decisions on matters that require their approval;
- h. He/she should attend all stockholders and board meetings.
- i. The company secretary shall assist the Chairman of the board in organizing the board's activities including providing information, preparing an agenda, reporting of meetings, evaluations and training programs.
- j. He/she shall perform such other duties as may be properly delegated to him/her.

## **SECTION 7: BOARD COMMITTEES**

1. **The Committees** - The Board may appoint committees from among its members to perform specific tasks. The Board shall establish the following committees:
  - a. Executive Committee
  - b. Audit and Compliance Committee
  - c. Governance, Nomination and Compensation Committee

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

2. **Committee Reporting** – Each committee must promptly inform the Board of the actions it has taken and major developments of which it becomes aware.
3. **Committee Charters** - The Charters shall indicate the roles and responsibilities of the committee, its composition and how it should perform its duties. It shall set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

## **SECTION 8: DIRECTORS' TRAINING AND DEVELOPMENT PROGRAM**

1. **Induction Program** - Upon his or her election, each board member shall participate in an induction program that covers the company's strategy, general financial and legal affairs, financial reporting by the company, its compliance programs, the Code of Business

Conduct and Ethics, any specific aspects unique to the company and its business activities, and the responsibilities as a board member.

The Company shall provide a comprehensive orientation or training for first-time directors for such number of hours and in accordance with the requirements of the SEC.

- 2. Continuing Education Program** - In order to facilitate the Directors' fulfillment of their responsibilities, the management must provide the following:
  - a. Annual review to identify areas where the board members require further training or education
  - b. Educational programs supplemental to the initial orientation to explain the Company's business operations
  - c. Access to, or notice of, continuing educational programs that are designed to keep Directors abreast of the latest developments in corporate governance matters and critical issues relating to the operation of public company boards.
  - d. Periodic visits to operating units.
  
- 3. Costs** - The costs of the induction course and any training or education shall be paid for by the Corporation.

## **SECTION 9: ANNUAL PERFORMANCE EVALUATION OF THE BOARD and KEY OFFICERS**

The Board of Directors shall conduct an annual self-evaluation to determine whether it and its Committees are functioning effectively. Every three (3) years, it is recommended that the assessment should be supported by an external facilitator.

The Governance, Nomination and Compensation Committee shall solicit comments from all Directors and report annually to the Board. The annual performance assessment must be divided into four sets:

- a. Board Appraisal
- b. Director Appraisal
- c. Committee Appraisal
- d. President Appraisal

The Governance, Nomination and Compensation Committee shall conduct an annual review of the performance of the board as well as the performance of individual board and the President. The process and the criteria in conducting the board, committees, and the President assessment shall be formulated by the Governance, Nomination and Compensation Committee.

## **SECTION 10: OTHER PROVISIONS**

- 1. Conflict of Interests** –A board member must report immediately to the Chairman any conflict of interest or potential conflict of interest and shall report all relevant information on this matter under the provision of the Code of Business Conduct and Ethics.
- 2. Holding and Trading Securities** –Board members are required to report any holding or trading of Company’s securities within three (3) trading days to the PSE and SEC. members shall be refrained to trade the company’s securities during a black out period in compliance with PSE Disclosure Rules and Insider Trading Policy.
- 3. Report on Change of Ownership** –Board members shall notify the Chief Compliance Officer within one trading day of all changes in his beneficial ownership, direct and indirect, of the Corporation’s securities, under the provisions of the PSE Disclosure Rules and SEC Implementing Rules and Regulations.
- 4. Confidentiality** –No board member shall, during his or her membership, disclose any information of a confidential nature regarding the business of the company. He/she shall not use the confidential information of the Corporation for his/her personal benefit.

## **SECTION 11: CHARTER REVIEW**

This Charter must be reviewed by the Board of Directors at least once a year or as often as deemed necessary. Any amendments and revisions to this Charter must be reviewed and approved by the Board prior to dissemination to the board members and posting it to the Corporation’s website.

**Keppel Philippines Properties, Inc**  
**BOARD OF DIRECTORS**  
**Audit and Compliance Committee Charter**

In pursuit of good corporate governance, and pursuant to the New Manual of Corporate Governance (New Manual) submitted to the Securities and Exchange Commission on 29 June 2021, the Board of Directors (Board) of Keppel Philippines Properties, Inc. (KPPI) hereby constitutes an Audit and Compliance Committee (ACC) and adopts this Charter to govern the committee's oversight functions and activities.

**Committee Composition**

The ACC shall be composed of at least three (3) appropriately qualified non-executive directors (majority of whom, including the Chairman, shall be independent directors). All members of the committee shall have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The Chairman of the committee should not be the chairman of the Board or of any other committees.

**Roles and Responsibilities**

The ACC shall assist the Board in its oversight responsibilities on the following areas: (a) auditing and financial reporting, (b) enterprise risk management, and (c) related party transactions.

**A. Audit and financial Reporting**

The ACC will enhance its oversight capability over KPPI's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. It will be responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The committee shall have oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. Detailed functions shall include, among others:

1. 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;
2. Monitor and evaluate the adequacy and effectiveness of KPPI's internal control system, integrity of financial reporting, and security of physical and information assets; oversight activities over the Group's external auditors and the internal audit

- function. 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 objectively perform their respective audit functions. KPPI shall ensure that in the performance of the work of the Internal and external auditors, they shall be free from interference by outside parties.
3. Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of his engagement and removal.
  4. Oversee the outsourcing of internal audit services, and recommends the appointment and/or grounds for approval of an Internal Audit Head. The Committee shall also approve the terms and conditions for outsourcing internal audit services;
  5. Review and monitor Management responses to the Internal Auditor's findings and recommendations;
  6. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
    - a) Any change/s in accounting policies and practices,
    - b) Major judgmental areas,
    - c) Significant adjustments resulting from the audit;
    - d) Going concern assumptions,
    - e) Compliance with accounting standards, and
    - f) Compliance with tax, legal and regulatory requirements;
  7. Review the disposition of the recommendations in the External Auditor's management letter;
  8. Perform oversight functions over KPPI's Internal and External Auditors; ensure the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
  9. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
  10. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of KPPI, and provide an objective assurance on the manner by which the financial statements will be prepared and presented to the stockholders; and
  11. 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 Company'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 annual report of KPPI.

12. In case the company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees as provided under Recommendations 3.4 and 3.5 of SEC Memorandum Circular No. 19, Series of 2016.
13. Perform such other functions as may be delegated or authorized by the Board.

The Audit and Compliance Committee meets with the Board at least every quarter without the presence of the President or other management team members, and periodically meets with the head of the internal audit.

For complete coverage and guidance on auditing and financial reporting oversight responsibilities, ACC shall refer to Article 3, Section 3.3.1 – b, Article 5, Section 5.1 of the New Manual.

### **B. Enterprise Risk Management (ERM)**

The ACC shall provide oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks faced by KPPI. The committee shall ensure that management identifies key risk areas as well as related performance indicators and monitor these factors with due diligence to enable KPPI to anticipate and prepare for possible threats to its operational and financial viability.

The Board must ensure that management and employees adopt an ERM system and processes across the entire organization that is designed to identify potential events that may affect the Group, manage risks to be within the Board's risk appetite, and provide reasonable assurance regarding the achievement of the company's risk management objectives.

Management is primarily responsible for the development and implementation of an ERM as well as the risk management strategies adopted to address the prioritized risks. In turn, the ACC shall oversee the adequacy of the Group's enterprise risk management process. The committee shall ensure that:

1. The President (the ERM champion) is assisted by a Chief Risk Officer (CRO) or in his absence, the head of finance Department or the Treasurer.
2. The ERM system contains the following basic elements: (a) overall risk appetite of Group as approved by the Board, (b) risk profile, (c) risk management structure, and (d) risk management process.
3. There is an annual evaluation of the results of the risk assessment exercise and other information on risk exposures and risk management activities, and

4. There is close monitoring and effective management of identified priority risks.

The ACC shall be further guided by Article 3, Section 3.3.1 - b and Article 5, Section 5.1 of the New Manual in its ERM functions.

### **C. Related Party Transactions (RPTs)**

The committee shall ensure that management formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions.

RPTs refer to transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It shall be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

RPTs shall cover KPPI and other affiliates that the Company exerts direct or indirect control over; their directors; officers; shareholders and related interests, and their close family members, including corresponding persons in affiliated companies. The coverage shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of KPPI.

To ensure total coverage and effective oversight, ACC shall be guided by the provisions of Article 3, Section 3.3.1 - b of the New Manual in its RPTs functions.

### **Committee Policies and Procedures**

**1. *Appointment and Removal.*** The members of the ACC shall be appointed by the Board, taking into consideration the recommendation of the Governance and Nomination Committee, and shall serve at the pleasure of the Board and for such terms as the Board may determine. The members of the committee may be removed, with or without cause, by the action of the Board.

**2. *Availability of Outside Advisors/Observer.*** The ACC may directly engage outside advisors (legal, accounting, and any others) of its own choosing, as maybe deemed necessary or appropriate in carrying its duties and at the KPPI's expenses. KPPI shall provide funding determined appropriate by the Committee for any such advisors and firms. Any member may, however, request any advisor/observer to be excluded from the Committee's meetings (or parts thereof) as such member deems appropriate in order for the Committee to carry out its responsibilities. Such advisor/observer may not rejoin the relevant meeting of the committee, until the committee has completed discussion of the relevant topic.

**3. *Access to Information and employees.*** The ACC is empowered to investigate any matter relating to its purpose, duties or responsibilities that it deems appropriate and shall have full and direct access to all books, records, facilities and personnel of the Company.

**4. Meetings.** The ACC shall meet at least four times each year and at such times and places, as the Committee shall consider appropriate to fulfill its duties and responsibilities. Members are expected to attend meetings in person but in special circumstances by means of video or telephone conference call or other electronic means. Written or electronic minutes of each meeting shall be prepared and filed with the records of KPPI and shall be available to any and all directors of the Company.

ACC meetings shall be convened by the Committee Chairman as he considers appropriate, or as may be necessary, or upon the request of a majority of the members.

Members and advisors/observers may participate in a meeting of the Committee through teleconference or video conference by means of which all persons participating in the meeting can hear each other.

**5. Minutes and Records.** The ACC shall appoint a Secretary who shall prepare minutes of meetings of the Committee and keep records of the Committee.

#### **Review of Committee Charter**

This ACC Charter shall be reviewed and assessed at least annually. However, it shall not be amended, altered or varied without prior approval of KPPI's Board of Directors.



**Keppel Philippines Properties, Inc.**  
**BOARD OF DIRECTORS**  
**Governance, Nomination and Compensation Committee Charter**

In pursuit of good corporate governance, and pursuant to the New Manual of Corporate Governance (New Manual) submitted to the Securities and Exchange Commission on 29 June 2021, the Board of Directors (Board) of Keppel Philippines Properties, Inc. (KPPI) hereby constitutes a Governance, Nomination and Compensation Committee (GNCC) and adopts this Charter to govern the committee's oversight functions and activities.

**Committee Composition**

The GNCC shall consist of at least three (3) members, all of whom shall be independent directors, including the Chairman.

**Coverage of Committee Duties and Responsibilities**

The GNCC shall assist the Board in its oversight responsibilities on: (a) corporate governance; (b) nomination and election process; and (c) compensation.

The committee may also perform such other functions as may be delegated or authorized by the Board.

**A. Corporate Governance**

In behalf of the Board, the GNCC shall be tasked to ensure that KPPI adheres to good corporate governance principles and practices as provided for in the New Manual. The Committee shall be assisted in its oversight duties by a Compliance Officer, who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the organization.

The Compliance Officer shall not be a member of the Board of Directors and shall annually attend training on corporate governance. However, due to simple structure and operation of KPPI, its Compliance Officer may also be a member of the Board of Directors. Being a member of the Board, he will not prejudice the compliance functions since he will adhere to the rules and regulations of the SEC and other governing bodies. He shall be a member of KPPI's management team in charge of corporate governance compliance function. Similar to the Corporate Secretary, he is primarily accountable to the corporation and its shareholders, and not to the Chairman or President of KPPI. The committee shall ensure that the Compliance Officer performs his duties and responsibilities under Section 3.1.6 of the New Manual.

*Directors' Training.* In addition, the GNCC shall ensure that a policy is made on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors. The orientation program covers SEC-mandated topics on corporate governance and an introduction to the Company's business, Articles of Incorporation, and Code of Conduct. Directors shall undergo annual continuing training program concerning courses on corporate governance matters relevant to KPPI, including audit, internal controls, risk management, sustainability and strategy.

*Annual Self-Assessment.* Lastly, the committee shall assess the performance and compliance of the Group with the New Manual and other relevant regulatory requirements by accomplishing SEC Annual Corporate Governance Report.

The GNCC shall be further guided by Article 3, Section 3.3.1 - c of the New Manual in its Corporate Governance functions.

### **B. Nomination and Election Process**

GNCC shall be tasked to ensure the adoption of applicable guidelines and standards for its members that will facilitate the selection of potential nominees for board seats, and to serve as a benchmark for the evaluation of its performance. The GNCC shall oversee a consistent adoption of a formal and transparent board nomination and election policy that shall include a process of accepting nominations from minority shareholders and vetting nominated candidates.

The Board policy shall also include an annual assessment of the effectiveness of its processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors shall be aligned with the strategic direction of Group.

The following comprises the detailed functions the nomination and election process, among others:

1. Pre-screen and shortlist all candidates to the Board and other appointments that require Board approval, in accordance with the qualifications and disqualifications enumerated provided under this Manual, the Corporation Code, Securities Regulations Code, and other pertinent rules and regulations;
2. Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;
3. In consultation with the Executive Committee, re-define the role, duties and responsibilities of the President by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times;
4. Ensure compliance and proper observance by the directors of the corporate governance principles and practices;
5. Oversee the periodic performance evaluation of the Board and its Committees as well as executive management and conduct an annual self-evaluation of its performance;
6. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement; and
7. Ensure the nomination and election process are complied with.

The nomination and election process includes the review and evaluation of the qualifications of all persons nominated to the Board, in relation to criteria set forth in KPPI's Manual on Corporate Governance, By-laws, and applicable regulations, including whether the candidate:

- Possesses the knowledge, skills, experience;
- Has independence of mind, especially to the NED, given their responsibilities to the Board;
- Has a record of integrity and good repute;
- Has sufficient time to carry out the responsibilities; and
- Has the ability to promote smooth interaction between board members.

The process includes monitoring the qualifications of the directors and the grounds for the disqualification of a director under the New Manual.

### **C. Compensation**

The GNCC's functions will establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with KPPI's culture and strategy as well as the business environment in which it operates.

The Compensation functions are as follows:

1. 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 KPPI's culture, strategy and control environment;
2. Designate amount of remuneration, which will be in a sufficient level to attract and retain directors and officers who are needed to run KPPI successfully;
3. 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;
4. Disallow any director ensuing to decide his or her own remuneration;
5. Provide in KPPI'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 year;
6. Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen 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, and
7. In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

The GNCC will further be guided by Article III, Section 10, and Article VII, Section 18 of KPPI's By-laws on its Compensation functions.

## **Committee Policies and Procedures**

**1. Appointment and Removal.** The members of the committee shall be appointed by the Board of Directors, taking into consideration the recommendation of the GNCC, and shall serve at the pleasure of the Board and for such terms as the Board may determine. The members of the Committee may be removed, with or without cause, by the action of the Board of Directors.

**2. Availability of Outside Advisors/Observer.** The GNCC may directly engage outside advisors (legal, accounting, and any others) as maybe deemed necessary or appropriate in carrying its duties and responsibilities. The Company shall provide funding determined appropriate by the committee for any such services. Any member may however request any advisor/observer to be excluded from the committee's meetings (or parts thereof) as such member deems appropriate in order for the committee to carry out its responsibilities. Such advisor/observer may not rejoin the relevant meeting of the committee, and until the committee has completed discussion of the relevant topic.

**3. Access to Information and employees.** The GNCC is empowered to investigate any matter relating to its purpose, duties or responsibilities that it deems appropriate and shall have full and direct access to all books, records, facilities and personnel of the Company.

**4. Meetings.** The GNCC shall meet at least two (2) times each year and at such times and places, as the committee shall consider appropriate to fulfill its duties and responsibilities. Members are expected to attend meetings in person but in special circumstances by means of video or telephone conference call or other electronic means. Written or electronic minutes of each meeting shall be prepared and filed with the records of KPPI and shall be available to any and all directors for the Company.

GNCC meetings shall be convened by the committee chairman as and when he considers appropriate, or as may be necessary, or upon the request of a majority of the members.

A committee meeting shall be convened upon notice in writing at least three (3) days prior to the meeting and specifying the place, date and time of the meeting and the matters to be discussed at the meeting.

Notice of any meeting of the committee shall be deemed to be duly served upon a member/advisor if it is given to him personally, or sent to him by mail or through electronic means as appropriate.

The quorum for any meeting of the committee shall be at least a majority of the members present throughout the meeting.

Members and advisors/observers may participate in a meeting of the Committee through teleconference or video conference by means of which all persons participating in the meeting can hear each other.

**5. Minutes and Records.** The committee shall appoint a secretary who shall prepare minutes of meetings of the committee and keep records of the committee. Any such records shall be open for inspection by any member upon reasonable prior notice during usual office hours of the KPPI. Minutes of any meeting shall be signed by the chairman and members present in the meeting.

### **Review of Committee Charter**

This GNCC Charter shall be reviewed and assessed at least annually. However, it shall not be amended, altered or varied without prior approval of KPPI's Board of Directors.