



MANUAL ON CORPORATE GOVERNANCE

(REVISED AS OF 19 AUGUST 2016)



BOARD RESOLUTION NO. RM-07-06, SERIES OF 2016

**THE CLARK INTERNATIONAL AIRPORT CORPORATION (CIAC)
MANUAL ON
CORPORATE GOVERNANCE¹**

The **CLARK INTERNATIONAL AIRPORT CORPORATION** (CIAC or the "Corporation"), cognizant of the State declared policy of treating Government-Owned and Controlled Corporations (GOCCs) as significant tools for economic development, and the statutorily-mandated obligation of the State to ensure that the governance of GOCCs is carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness, under governing boards which are competent to carry out their functions, fully accountable to the State as its fiduciaries and always acting for the best interests of the State, hereby adopts this Manual of Corporate Governance pursuant to Section 42 of the Code of Corporate Governance for GOCCs;

NOW, THEREFORE, CIAC hereby formally promulgates and implements the Code as follows:

1.

DEFINITION OF TERMS

1.1. Definition of Terms. – For purposes of this Manual, the following terms shall have the following meanings:

"Act" refers to Republic Act No. 10149, and officially named the *"GOCC Governance Act of 2011."*

"Appointive Directors" refer to members of its Board of Directors whom the State nominates, or is entitled to nominate, to the extent of its percentage shareholdings in such GOCC.

"Articles of Incorporation" refers to primary franchise of the CIAC as approved and registered with the Securities and Exchange Commission (SEC) and upon issuance of the certificate of incorporation under its official seal, commences the existence of the CIAC as a separate juridical person with a right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence.²

"Board Officers" refer to Officers whose primary task is to serve the Board or to pursue the immediate functions of the Board, such as the Chairman, Vice-Chairman and the Corporate Secretary.

"Board of Directors" or "Board" or "Governing Board" ("Board") refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all properties, of the CIAC.

¹ As amended on 19 August 2016.

² Adopted from Secs. 2 and 19, Corporation Code of the Philippines.

"By-laws" refers to the basic instrument adopted by the CIAC duly registered with the Securities and Exchange Commission (SEC) for its internal government, and to regulate the conduct and prescribe the rights and duties of its stockholders or members towards the GOCC and among themselves in reference to the management of its affairs.³

"Chief Executive Officer" ("CEO") refers to the highest ranking corporate executive who heads Management, who could be named as the President or the General Manager, Chairman or the Administrator of a GOCC.⁴

"Clark International Airport Corporation" ("CIAC") refers to the corporation duly organized and existing under the laws of the Republic of the Philippines, with the primary purpose of developing, operating, managing and maintaining the Clark Civil Aviation Complex.

"Confidential Information" refers to all non-public information entrusted to or obtained by a member of the Board or Officer by reason of his/her position as such with the CIAC. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to CIAC or its customers/stakeholders if disclosed, such as: (1) non-public information about the CIAC's financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions, divestitures, stock splits and similar transactions; (2) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that the CIAC is under obligation to keep confidential; and (3) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.

"Director" refers to any member of the Governing Board of CIAC.

"Ex Officio Board Member" (Ex Officio Director) refers to any individual who sits or acts as a member of the Board of Directors by virtue of one's title to another office, and without further warrant or appointment.⁵

"Executive Officer" ("Officer") refers to the CEO and such other corporate officer of CIAC as expressly provided for in its By-laws such as the Executive Vice President and Chief Operations Officer and other Vice Presidents. As distinguished from Board Officers, Executive Officers primarily form part of the Management of the CIAC.

"Extraordinary Diligence" refers to the measure of care and diligence that must be exercised by Directors and Officers in discharging their functions, in conducting the business and dealing with the properties and monies of CIAC, which is deemed met when Directors and Officers act using the utmost diligence of a very cautious person taking into serious consideration all the prevailing circumstances and Material Facts, giving due regard to the legitimate interests of all affected Stakeholders.⁶

³ Gokongwei, Jr. v. Securities and Exchange Commission, 89 SCRA 336 (1979).

⁴ Sec. 3(g), R.A. No. 10149.

⁵ Sec. 3(i), R.A. No. 10149.

⁶ Derived from Sections 19 and 21 of R.A. No. 10149.

"Fit and Proper Rule" refers to a set of standards for determining whether a member of the Board of Directors or the CEO is qualified to hold a position in the CIAC, which shall include, but not be limited to, standards on integrity, experience, education, training and competence, as such standards are set forth under GCG Memorandum Circular No.2012-05.⁷

"Government Agency" refers to any of the various units of the Government of the Republic of the Philippines, including a department, bureau, office, instrumentality or GOCC, or a local government or a distinct unit therein.⁸

"Management" refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of the GOCC.⁹

"Material Information" (*"Material Fact"*) refers to information which a reasonable investor, stakeholder or Supervising Agency would consider important in determining whether: (1) to buy, sell, hold or otherwise transact with the securities issued by a GOCC; or (2) to the exercise with reasonable prudence voting rights related to securities held with such GOCC, or relating to corporate acts, contracts and transactions which would adversely affect the operations of the GOCC.¹⁰

"Officers" refer to both Board Officers and Executive Officers.¹¹

"Per Diems" refer to the compensation granted to members of Governing Boards of a GOCC for actual attendance in meetings.¹²

"Performance Evaluation System" (*"PES"*) refers to the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets and weights.¹³

"Performance Scorecard" refers to a governance and management tool forming part of the performance evaluation system which consists of a set of measures, targets and initiatives that facilitate the achievement of breakthrough results and performance through the effective and efficient monitoring and coordination of the strategic objectives of the GOCC.¹⁴

"Public Officials" or *"Public Officers"* refer to elective and appointive officials and employees, whether permanent or temporary, whether in the career or non-career service, whether or not they receive compensation, regardless of amount,¹⁵ who are in the National Government, and all other instrumentalities, agencies or branches of the Republic of the Philippines, including government-owned-or-controlled corporations, and their subsidiaries.¹⁶

⁷ Sec. 3(j), R.A. No. 10149.

⁸ Sec. 3(k), R.A. No. 10149.

⁹ Adopted from Art. 1(d), SEC Revised Code of Corporate Governance (SEC Memorandum Circular No.06, s. 2009).

¹⁰ Adopted from SRC Rule 3, Implementing Rules and Regulations to the Securities Regulation Code.

¹¹ Sec. 3(q), R.A. No. 10149.

¹² Sec. 3(s), R.A. No. 6713.

¹³ Sec. 3(t), R.A. No. 10149.

¹⁴ Sec. 3(u), R.A. No. 10149.

¹⁵ Sec. 3(b), R.A. No. 6713.

¹⁶ Sec. 3(a), R.A. No. 10149.

"Stakeholder" refers to any individual or entity for whose benefit the GOCC has been constituted, or whose life, occupation, business or well-being is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the GOCC has been constituted, and which would include a stockholder, member, or other investor in the GOCC, management, employees, supply creditors, or the community in which the GOCC operates.

"Strategy Map" refers to an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of the GOCC's vision in relation to its mission or purpose for having been created.¹⁷

- 1.2. Singular Term Include the Plural** – Unless otherwise indicated in this Code, any reference to a singular, shall apply as well to the plural, and *vice versa*.

2.

COMMITMENT TO PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- 2.1. CIAC as an Active Partner in National Development.** CIAC, cognizant of its role as a partner of the government in national development, commits to provide quality management of the airport infrastructure and services in order to realize the vision to be a premiere world class airport of the Philippines and a competitive aviation services center in the Asia Pacific Region.
- 2.2. Governing Principles of Good Corporate Governance of CIAC.** In ensuring that CIAC abides with its commitment, CIAC shall be governed by the following principles:
- a.) CIAC shall draw up and accomplish measurable quality objectives consistent with its mandates and strategic directions of its visions and missions;
 - b.) CIAC will develop and adhere to documented procedures that will provide consistency and predictability of output;
 - c.) CIAC shall determine and provide adequate resources to sustain service excellence, commitment and accountability; and
 - d.) CIAC shall commit to principles of continual improvement underpinned by customer satisfaction, regulations and adherence to Quality Management System Standards.
- 2.3. Care, Diligence and Skill in the Conduct of the Business of CIAC.** The members of the Board must exercise extraordinary diligence in the conduct of business and in dealing with the properties of CIAC. Such degree of diligence requires using the utmost diligence of very cautious person with due regard for all circumstances.¹⁸

¹⁷ Sec. 3(y), R.A. No. 10149.

¹⁸ Sec 21, RA 10149

3. GOVERNING BOARD

- 3.1. Board Directly Vested with Corporate Powers** – Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of the CIAC¹⁹ the Governing Board is primarily responsible for the governance of CIAC. Consequently, it is the Board, and not the Management, that is primarily accountable to the State for the operations and performance of CIAC.²⁰
- 3.2. The Duty of the Board to Properly Select and Provide Independent Check on Management** – Concomitant with the power to elect the Chief Executive Officer from among their ranks and to appoint other Officers of CIAC, it is the duty of the CIAC Board to ensure that they elect and/or employ only Officers who are fit and proper to hold such offices with due regard to their qualifications, competence, experience and integrity.²¹ The Board is therefore obliged to provide an independent check on Management.²²
- 3.3. Mandate and Responsibility of the Board** – Although the day-to-day management of the affairs of the CIAC may be with Management, the Board is, however, responsible for providing policy directions, monitoring and overseeing Management actions,²³ as articulated in its Articles of Incorporation, and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:
- a) Provide the corporate leadership of CIAC subject to the rule of law, and the objectives set by the National Government through the Supervising Agencies and the GCG;
 - b) Establish CIAC's vision and mission, strategic objectives, policies and procedures, as well as defining its values and standards through:
 - ☐ Charter Statements;
 - ☐ Strategy Maps; and
 - ☐ Other control mechanism mandated by best business practices;
 - c) Determine important policies that bear on the character of CIAC to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
 - d) Determine the organizational structure of CIAC, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with the GOCC Compensation and Position Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines;
 - e) Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;

¹⁹ Adopting Sec. 23 of the Corporation Code

²⁰ Sec 5, GCG Memorandum Circular No 2012-07

²¹ Sec 19(e) RA No 10149

²² Adopted Sec II(2)(a), SEC Code of Corporate Governance, Memorandum Circular No. 2, s 2002

²³ Ibid

- f) Provide sound written policies and strategic guidelines on CIAC's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of CIAC;
- g) Comply with all reportorial requirements, as required in Articles of Incorporation and By-laws, as well as applicable laws, rules and regulations;
- h) Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurate report the results to the GCG; and
- i) Ensure the fair and equitable treatment of all Stakeholders and enhancing CIAC's relations with its Stakeholders.²⁴

3.4. Powers of the Board – Unless otherwise provided by law, the corporate powers of CIAC shall be exercised, all business conducted and all property of the CIAC controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such general powers and such other powers as may be granted by law, the Board of Directors shall have the following express powers:

- a) Upon prior approval of the Department of Transportation (DOTR), promulgate policies and prescribe such rules regulations as may be necessary to implement the intent and provision of Executive Order Nos. 716 and 64, and such other legislation that may be issued in connection therewith;
- b) Approve the annual budget and such supplemental budgets which may be submitted to it by the Management subject to final confirmation thereof by the DOTR;
- c) Determine the structure of the organization and the number, compensation, and benefits of officers, employees and consultant of the Corporation. As far as practicable, the remuneration and allowance shall be competitive with rates prevailing in the private sector.
- d) Enter by itself any contract or agreement as may be necessary for the proper and efficient conduct of the business of the corporation and for the attainment of the purposed and objective for which it was created;
- e) Delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or business of the Corporation to any standing or special committee or to any officer or agent and to appoint any person to be agents of the Corporation with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit by the Board;
- f) Undertake and regulate the establishment, operation and maintenance of business services, building construction, and operational facilities within the Clark International Airport Complex and fix just and reasonable rates, charges and other prices thereof;

²⁴ Adopted from Sec 7, Code of Corporate Governance for GOCCs, Memorandum Circular No. 2012-07

- g) Accept any local or foreign investment, business or enterprise in the areas owned or managed by the Corporation subject to existing laws, rules and regulation imposed by the Clark Development Corporation within Clark Freeport Zone (CFZ);
- h) From time to time make and change rules and regulations not inconsistent with these By-laws for the management of the Corporation's business and affairs;
- i) Purchase, receive, take or otherwise acquire in any lawful manner, for and in the name of the Corporation, any and all property rights, interest or privileges, including securities and bonds of other corporations, as the transaction of the business of the Corporation may reasonably or necessarily require, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;
- j) Invest the funds of the Corporation in another corporation or business or purposes other than those for which the Corporation was organized, whenever in the judgment of the Board of Directors, the interest of the Corporation would thereby be promoted, subject to such stockholder's approval as may be required by law;
- k) Incur such indebtedness as the Board may deem necessary and for such purpose, to make and issue evidence of such indebtedness including notes, deed of trusts, instruments, bonds, debentures and securities, and/or pledge, mortgage, or otherwise encumber all part of the property and rights of the Corporation, subject to such stockholder's approval as may be required by law;
- l) Make provision for the discharge of the obligations of the Corporation as they mature, including payment for any property, or stock, bonds, debentures, or other securities of the Corporation lawfully issued for the purpose;
- m) Subject to existing laws, sell, lease, exchange, transfer or otherwise dispose, of any property, real or personal, belonging to the Corporation whenever in the Board's judgement, the Corporation's interest would thereby be promoted;
- n) Prosecute, maintain defend, compromise or abandon any lawsuit in which the Corporation or its officers are either plaintiffs or defendants in connection with business of the Corporations, and likewise, grant the privilege to pay in instalments for the payment or settlement of whatsoever debts are payable to the Corporations; and
- o) To implement the provisions of its By-Laws and to act on any matter not covered by the By-laws, provided such matter does not require the approval or consent of the stockholders under any existing law, rule and regulation.²⁵

²⁵ Sec 1, Article IV, Amended By-laws of CIAC

3.5. Specific Functions of the Board – In addition to those specified in its Articles of Incorporation and/or By-laws, the Board shall perform the following functions:

- a.) Meet regularly, ideally at least once every month, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted;
- b.) Determine the CIAC's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the CIAC survives and thrives despite financial crises and that its assets and reputation are adequately protected;
- c.) Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
- d.) Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of the CIAC have the necessary motivation, integrity, competence and professionalism;
- e.) Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
- f.) Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
- g.) Ensure the integrity of the CIAC's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- h.) Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas;
- i.) Adopt, implement and oversee the process of disclosure and communications;
- j.) Constitute an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions; and
- k.) Conduct and maintain the affairs of the CIAC within the scope of its authority, as prescribed in its Articles of Incorporation, By-laws, and applicable laws, rules and regulation.²⁶

²⁶ Sec 8, GCG Memorandum Circular No 2012-07

3.6. Charters of Expectations – The members of the Board of Directors of the CIAC, in pursuance of good corporate governance, hereby commit to be guided by the following Charter of Expectations in the discharge of its functions:

Expectations in the Conduct of Functions

- a.) Conduct fair business transactions with the CIAC, ensure that personal interest does not compromise his decisions; and shall not use his/her position to gain profit or to acquire benefit or advantage for himself/herself or his/her related interests. The Director must avoid conflict of interests which may compromise his/her impartiality at all times;
- b.) Familiarize himself/herself with the business of CIAC in order to effectively discharge his/her duties. He/she must be updated of the situations and/or events that would have impact in the operations of CIAC. Knowledge of the business would enable him/her to give valuable contribution in the evaluation of issues necessitating decisions;
- c.) Obtain working knowledge and information of the statutory and regulatory requirements affecting the CIAC, including the various executive orders and government issuances affecting its incorporation and mandates;
- d.) Act judiciously. The Director must thoroughly evaluate issues, ask questions and seek clarifications when necessary before deciding on any matter brought before him/her;
- e.) Exercise independent judgment. The Director should be objective in the assessment of each problem/situation. He/she must be able to come up with his own position on matters where there may be opposing views;
- f.) Observe Confidentiality. The Director must not disclose non-public information, which he/she acquired by reason of his/her position as director of the CIAC. He/she must seek prior approval of the Board in disclosing information which in his/her mind might compromise the interest of CIAC;
- g.) Demonstrate high ethical standards and integrity in his/her dealings. The Director shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, loan or anything of monetary value from person when the same would influence his/her decision making;

Expectations when Attending Meeting

- a.) Prepare for each Board and committee meetings by reading the minutes and other background materials for the meeting;
- b.) Make an effort to attend Board and Committee meetings. For appointive directors, they should have attended at least 90% of all authorized and duly called for Board and Committee meetings in order to qualify to the Performance-Based Incentive (PBI);
- c.) Participate in the discussions during Board and Committee meetings in order to arrive at a well thought of and properly evaluated decisions that would affect CIAC; and
- d.) Participate on committee meetings and become knowledgeable of the duties, purpose and goal of the committee where he/she is a member;

Expectations on Communications

- a.) Participate frankly in the deliberations and discussions of the Board;
- b.) Respect the opinions of others by hearing the same and giving others the opportunity to explain their positions in certain issues. The Director must also demonstrate openness in considering the ideas of other without prejudging the same;
- c.) Approach others assertively albeit responsibly, in a manner that encourages open discussion; and
- d.) Focus on inquiries and resolution of issues, which relates to strategy, policy, and results rather than issues relating to the day-to-day management of the Corporation.

3.7. Composition of the Board of Directors – At present, the powers and functions of the CIAC shall be vested in and exercised by a Board of Directors to be composed of eleven (11) members, as follows:

Chairperson	:	Secretary of Transportation (DOTR);
Vice-Chairperson	:	Secretary of Tourism;
Members	:	General Manager, MIAA;
		Director General, Civil Aviation Authority of the Philippines (CAAP); and
		Seven (7) other members to be appointed by the President of the Philippines upon consultation with the Secretary of Transportation, representing the equity in the capital stock of the National Government in CIAC, provided each of them is a Filipino citizen, of good moral character, and of recognized competence in a relevant field, including, but not limited to civil aviation, economics, tourism, law or engineering; provided, however that the nomination and appointment of the seven (7) appointive directors shall comply with the provisions of RA 10149, otherwise known as the "GOCC Governance Act." ²⁷

The composition of the Board will be consequently amended as may be directed by the issuance of the revised Executive Order No. 64.

3.8. Ex Officio Alternates – *Ex Officio* Directors may designate their respective alternates, who ideally should be the officials next-in-rank to them, and whose acts shall be considered the acts of their principals.²⁸

3.9. Multiple Board Seats – The capacity of Appointive Directors to serve with diligence shall not be compromised. As such, no Appointive Director of CIAC may hold more than two (2) other Board seats in other GOCCs.

²⁷ Sec. 2 EO 64

²⁸ Sec. 14, R.A. No. 10149.

3.10. Appointment of Appointive Directors –

3.10.1. All Appointive Directors of CIAC shall be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for GOCCs (GCG).²⁹

3.10.2. The selection and nomination, and short listing of prospective appointive directors shall be pursued in accordance with the rules and criteria formulated by the GCG, which shall include the following statutorily mandated conditions, thus:

- a) The GCG shall cause the creation of the Search Committee to pursue the process of selection, nomination and short listing of prospective appointees;
- b) All nominees included in the list submitted by the GCG to the Presidential shall meet the Fit and Proper Rule, and such other qualifications which the GCG may determine taking into consideration the unique requirements of each GOCC;
- c) The GCG shall ensure that the shortlist shall exceed by at least fifty percent (50%) of the number of directors to be appointed; and
- d) In the event that the President does not see fit to appoint any of the nominees included in the shortlist, the President shall ask the GCG to submit additional nominees.

3.10.3. The term of office of each Appointive Director shall be for one (1) year unless sooner removed for cause: Provided, however, that the Appointive Director shall continue to hold office until the successor is appointed. An Appointive Director may be nominated by the GCG for re-appointment of the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors for the GOCC.

Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a director to fill such vacancy shall be in accordance with the manner provided in Section 3.10.1.

The incumbent CEO and appointive members of the Board shall continue in office until the successor has been appointed by the President.³⁰

3.11. Fit and Proper Rule – All members of the Board, the CEO and other Officers of CIAC shall be qualified by the Fit and Proper Rule adopted by the GCG in consultation and coordination with the relevant government agencies to which CIAC is attached, and approved by the President,³¹ and shall include by reference the qualifications expressly provided for in the By-laws of CIAC;

²⁹ Sec. 15, R.A. No. 10149

³⁰ Sec. 17, R.A. No. 10149

³¹ Sec. 16, R.A. No. 10149

Among the qualifications of an Appointive Director prescribed in the Fit and Proper Rule is that every Appointive Director and CEO must have attended, or will attend within (3) months from the date of appointment, a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.³²

To maintain the quality of management of the GOCCs, the GCG, in coordination with the Supervising Agencies shall, subject to the approval of the President, prescribe, pass upon and review the qualifications and disqualifications of individuals appointed as Directors, CEO and other Executive Officers and shall disqualify those found unfit.³³

In determining whether an individual is fit and proper to hold the position of an Appointive Director, CEO or Officer of the GOCC, due regard shall be given to one's integrity, experience, education, training and competence.³⁴

3.12. Professional Educational Programs for Board members. - In addition to the requirements under the Fit and Proper Rule, the members of the CIAC Board shall also observe the following:

3.12.1. The newly-appointed members of Board shall also attend the Orientation Program³⁵ provided by the CIAC.

3.12.2. To ensure that the members of the CIAC Board are properly equipped and guided by the latest principles and best practices on corporate governance, the Board of Directors are encouraged to attend on-going or continuous professional educational programs.

3.13. Fines, Penalties and other Consequences for Violations and Liabilities of Board Members – The Board members of CIAC shall be subject to the fines and/or penalties provided in the following:

- a) Section 11 on Penalties under Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
- b) Section 3 on Corrupt Practices of Public Officers and Section 9 on Penalties for Violations under Republic Act No. 3019 (Anti-Graft and Corrupt Practices Act); and
- c) Such rules and regulations as may be prescribed by the GCG.

3.14. Board Officers – The Board Officers of CIAC are the following:

3.13.1. Chairperson of the Board. – He shall preside over the meetings, regular or special, of the Board of Directors. He shall also exercise such power and perform such duties as the Board of Directors may assign to his/her.³⁶

The Chairperson of CIAC is the Secretary of the Department of Transportation.³⁷

³² Art. 5 (f) of GCG Memorandum Circular No. 2012-05 entitled "Fit and Proper Rule for Appointive Directors and CEOs of GOCCs."

³³ *Id.*

³⁴ *Id.*

³⁵ CIAC Directors' Orientation Program as approved by the Board of Directors on 12 August 2016

³⁶ Sec 2, Article V of the CIAC Amended By-Laws

³⁷ Sec 2, Executive Order No. 64

3.13.2. Vice-Chairperson. – The Vice-Chairperson of the Board of Directors shall preside at the meetings of the directors and the stockholders in the absence of the Chairperson. He shall also exercise such powers and performs such duties as the Board of Directors may assign to his/her.³⁸

The Vice Chairperson of CIAC is the Secretary of Tourism.³⁹

3.13.3. Corporate Secretary – The Corporate Secretary shall be the custodian of and shall maintain the corporate books and records and shall be recorder of the Corporation's formal actions and transaction. S/He shall have the following specific power and duties:

- a) To record or oversee the proper recording of the minutes and transaction of all meeting of the directors and stockholders and to maintain a journal of such meetings in the form and manner required by law;
- b) To keep or cause to be kept record books showing the detail required by law with respect to the stock certificate of the Corporation, including ledgers and stock transfer books showing all shares of the Corporation subscribed, issued and transferred;
- c) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his/her signature all corporate documents requiring the same;
- d) To send and serve notices of the Corporation required by law or these by-law to be given stockholders, directors, officers and other concerned;
- e) To provide the members of the Board with Board papers and materials for the Board of Directors' meeting at least three (3) days in advance of the scheduled Board meeting;
- f) To certify to corporate acts, countersign corporate documents or certificates, and make reports and statement as may be required of him/her by law of by government rules and regulations;
- g) To act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote; the shares of stock represented at the meeting; the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents; hear and determine all challenges and questions arising in connection with right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all foregoing duties, powers and functions to any other person or persons, subject always to his/her supervision and control; and

³⁸ Sec 3, Article V of the CIAC Amended By-Laws

³⁹ Sec 2, Executive Order No. 64

- h) To perform such other duties as are incidental to his/her office or as may be assigned to him/her by the Board of Directors or the Chairman.⁴⁰

3.13.4. Corporate Treasurer⁴¹ – The Treasurer of the Corporation, who may not be a member of the Board, shall be the Head of the Finance Group and the custodian of funds, securities and properties. The Treasurer shall have the following duties:

- a) To keep full and accurate account of receipts disbursements in the books of the Corporation;
- b) To have custody of, and be responsible for all the securities and bonds of the Corporation;
- c) To deposit in the name and to the credit of the Corporation in such bank or banks as may be designated from time to time by the Board of Directors, all moneys, funds, securities, bonds, and similar valuable effects belonging to the Corporation which may come under his/her control;
- d) To render an annual statement showing the financial condition of the Corporation and such other reports as the Board of Directors, the Chairman, or the President may, from time to time require;
- e) To prepare such financial reports, statements, certificates and other documents which may, from time to time, be required by government rules and regulations and to submit the same to proper government agencies; and
- f) To exercise such powers and perform such duties and functions as may be assigned to him/her by the Board of Directors or the Chairman.

3.13.5. Compliance Officer – The Board shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such office or appointment, the Corporate Secretary, who is preferably a lawyer, shall act as Compliance Officer.⁴² The Compliance Officer shall perform the following duties:⁴³

- a) Monitor compliance by the CIAC of the requirements under the Act, this Code, the rules and regulations of the appropriate Government Agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b) Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues; and

⁴⁰ Sec 6, Article V of the CIAC Amended By-Laws

⁴¹ Sec 7, Article V of the CIAC Amended By-Laws

⁴² Adopted from Art. 3(F)(2)(m), SEC Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, s. 2009).

⁴³ Adopted from Art. 3(M), SEC Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, s. 2009).

- c) Issue a certification every 30 May of the year on the extent of the CIAC's compliance with the government corporate standards governing GOCCs for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.

The appointment of a Compliance Officer shall not relieve the Governing Board of its primary responsibility vis-à-vis the State, acting through the GCG, to ensure that CIAC has complied with all its reportorial, monitoring and compliance obligations.

4.

BOARD COMMITTEES

- 4.1. In order for the members of the CIAC Board to efficiently practice sound corporate governance in the administration of its various concerns, Board Committees shall be created, as the Board may deem necessary. This will likewise enable the Board to effectively utilize the expertise of its Directors.

The CIAC Board shall therefore constitute the proper committees to assist them in performing their duties and responsibilities,⁴⁴ providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. The committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board.⁴⁵ The existence of the committees shall not excuse the Board of Directors of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.⁴⁶

- 4.2. **Regular Committees** - The Board, at the very least, shall be supported by the following regular committees:

- 4.2.1. **Executive Committee.** - There shall be an Executive Committee composed of five (5) members, to be appointed by the Board. Provided that, at least 3 members of the committee must be members of the Board. The President shall be the Chairman of the Committee. The Executive Committee shall, in the interim between meetings of the Board of Directors, perform such duties as the Board of Directors may confer upon it in accordance with law and the By-laws of the Corporation.⁴⁷

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by a vote of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee in accordance with CIAC's By-Laws, except with respect to:⁴⁸

- a) Approval of any action for which shareholders' approval is also required;

⁴⁴See OECD Guidelines - Annotations to "The Responsibilities of the Boards of State-Owned Enterprises," p. 52.

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ Sec 1, Article VI of the CIAC Amended By-Laws

⁴⁸ See Sec. 35, Corporation Code of the Philippines.

- b) Filling of vacancies on the Board or in the Executive Committee;
- c) Amendment or repeal of By-Laws or the adoption of new By-Laws;
- d) Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
- e) Distribution of cash dividends; and
- f) Exercise of powers delegated by the Board exclusively to other committees.

The Executive Committee shall also function as the Governance Committee, Nomination and Remunerations Committee and Risk Management Committee. The functions provided in Sections 16.2.3, 16.2.4, and 16.2.5 of the Code of Corporate Governance for the GOCC Sector shall be exercise by the Executive Committee.

4.2.2. Audit Committee – The Audit Committee shall consist of at least three (3) Directors, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following:⁴⁹

- a) Overseeing, monitoring and evaluating the adequacy and effectiveness of CIAC's internal control system, engage and provide oversight of CIAC's internal and external auditors, and coordinate with the Commission on Audit (COA);
- b) Reviewing and approving audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
- c) Receiving and reviewing reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- d) Ensuring that internal auditors have free and full access to all CIAC's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
- e) Developing a transparent financial management system that will ensure the integrity of internal control activities throughout CIAC through a procedures and policies handbook that will be used by the entire organization.

⁴⁹ Adopted from Sec. 9(A), SEC Memorandum Circular No. 2, s. 2002.

4.3. Specialized Committees – In addition to the regular committees required by the Code of Corporate Governance for the GOCC Sector (GCG Memorandum Circular No 2012-07), the Board may create specialized committees to assist in the effective performance of its functions.

4.4. Committee Meetings and Reports – The Committee(s) shall meet at stated times, or upon the request of any of their members upon notice to each member. The presence of a majority of the members thereof, and all actions of the committees must be authorized by the affirmative vote of a majority of the members present in the meeting and constituting a quorum.⁵⁰

The Executive Committee and all other committee created by the Board shall keep regular minutes of the proceedings and report the same at the next regular meeting of the Board.

4.5. Per Diems for Committee Meetings – The maximum *per diem* per Committee meeting actually attended provided to members of the Board shall be in accordance with the rules issued by the GCG in accordance with Section 23 of RA 10149.

4.6. Annual Performance Evaluation of the CIAC Board – It is the declared policy of the State to ensure that the governance of GOCCs is carried out in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness, through Governing Boards who are competent to carry out their functions, fully accountable to the state as its fiduciaries and always acting for the best interests of the State.⁵¹

A Performance Evaluation for Directors (PED) shall serve as a tool to further strengthen the competence and character of the members of the CIAC Board. Thus, the performance of the members of the CIAC Board shall be evaluated based on the criteria set forth under the GCG Memorandum Circular No. 2014-03 [Performance Evaluation for Directors (PED) in the GOCC Sector] and subsequent amendments thereto, if any. The results of the PED shall serve as bases for the GCG in determining the Board members' eligibility for reappointment.

4.7. Annual Committee Appraisal - In order to identify the strengths and areas for improvement, the members of the Board Committees shall evaluate their respective peers using the Performance Appraisal Form which contains a set of questions with a rating scale from 1 (Poor) to 5 (Outstanding). The appraisal shall be conducted every January of the year covering the immediately preceding year. The result of the appraisal shall be forwarded to the Chairman for the latter's review and recommendation and/or appropriate action.

5. **MANAGEMENT**

5.1. Role of Management – The CIAC Management stands as the center of decision-making for the day-to-day affairs of CIAC. It determines the CIAC's activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

⁵⁰ Sec. 4, Article VI of the CIAC Amended By-Laws.

⁵¹ Adopting Sec. 1 of GCG Memorandum Circular No. 2014-03 (Re-Issued)

Management is responsible to the Board for implementing the infrastructure for the CIAC's success through the following mechanisms in its organization as set by the Board: organizational structures that work effectively and efficiently in attaining the goals of the CIAC; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; information systems that are defined and aligned with an information technology strategy and the business goals of the CIAC; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the CIAC.⁵²

- 5.2. Management Primarily Accountable to the Board** – Management is primarily accountable to the Board for the operations of CIAC. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of CIAC's performance, position and prospects on a monthly basis. This responsibility shall extend to interim and other price sensitive public reports and reports to regulators.⁵³
- 5.3. Corporate Officers** – The Board, on its first annual meeting following their appointment, shall formally organize by electing the Chairman, Vice Chairman, the President and Chief Executive Officer, one or more Vice Presidents, the Corporate Treasurer, and the Corporate Secretary.⁵⁴
- 5.4. President and Chief Executive Officer** – The President shall be the Chief Executive Officer of the Corporation and shall also have the administration, direction and control of the day-to-day business affairs of the Corporation. He shall exercise the following functions:
- a) To preside over the meeting of the Board of Directors and of the stockholders in the absence of the Chairman and Vice Chairman of the Board of Directors;
 - b) To have general supervision and management of the business affairs and property of the Corporation;
 - c) To ensure that the administrative and operational policies of the Corporation are carried out;
 - d) Subject to legal requirements, to appoint, transfer, suspend, remove or otherwise discipline any employee or managerial officer of the corporation below third level, and engage either on contractual basis or other suitable arrangements the services of highly qualified professionals, experts, technical advisors or consulting firms and subject to Board approval, determine their salaries, compensation, or fees including other terms and conditions of employment. For officers within the third level, to initiate and recommend to the Board appropriate disciplinary action against any erring officers;
 - e) To oversee the preparation of the budgets and statements of accounts of the Corporation;
 - f) To prepare such statements and reports of the Corporation as may be required of his/her by law;

⁵² Adopting Sec 18 of GCG Memorandum Circular No 2012-07

⁵³ Adopting Sec 19 of GCG Memorandum Circular No 2012-07

⁵⁴ Sec. 1, Article V of the CIAC Amended By-Laws.

- g) To represent the Corporation at all functions and proceedings;
- h) To make reports to the Board of Directors and stockholders;
- i) To sign certificates of stocks;
- j) To perform such other duties as are incidental to his office or are entrusted to his/her by the Board of Directors;
- k) To direct and supervise the management, operation and administration of the Clark International Airport Complex, and its integral units including its buildings, runways, facilities and equipment, so as to provide international standards of service to the Clark international airport Complex users, and ensure its financial stability in accordance with the approve programs, plans, policies, procedures, and guidelines;
- l) To provide general supervisions and overall coordination of all government agencies operating within the Clark International Airport Complex with respect to the allocation and use of building space and airport premises;
- m) To undertake researches, studies, investigations and other activities related to the present operations and future development requirement of the Clark International Airport Complex, at his own initiative or upon instruction of the Board, and to submit comprehensive reports and appropriate recommendations to the Board for its information and action;
- n) To establish and maintain a system, in coordination with the appropriate government agencies for the regular and prompt dissemination of financial statistical and other relevant data within the Clark International Airport Complex;
- o) To implement and enforce decisions, orders, rules and regulations issued, prescribed, or adopted by the Board of Directors; and
- p) To perform such other duties as the Board of Directors may delegate or assign and such other acts as may be necessary and proper to implement Executive Order No. 64.

The President and Chief Executive Officer may delegate authority to exercise or perform any of the foregoing powers, duties and functions through any other officer, subject always to his/her supervision and control.

- 5.5. Vice President(s)** – If one or more Vice Presidents are appointed, he or she shall have such power and perform such duties as may from time to time be assigned to him/her or them by the Chairman and President and CEO.⁵⁵

6.

DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS

- 6.1. Fiduciaries of the State** – Directors and Officers are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best

⁵⁵ Sec 5, Article V of the CIAC Amended By-Laws

interest of the GOCC, with utmost good faith in all dealings with the properties, interests and monies of the GOCC;⁵⁶ and (b) they are constituted as trustees in relation to the properties, interests and monies of the GOCC.⁵⁷

6.2. Directors and Officers as Public Officials – Directors and Officers are also Public Officials as defined by, and are therefore covered by the provisions of the “Code of Conduct and Ethical Standards for Public Officials and Employees,”⁵⁸ with its declared policies: (a) to promote a high standard of ethics in public service; and (b) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.⁵⁹

6.3. Respect for and Obedience to the Constitution and the Law – As Public Officials, a Director or Officer of the CIAC shall respect and obey the Constitution, and shall comply, and cause the CIAC to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the CIAC, and to act within the bounds of the Articles of Incorporation and By-laws.⁶⁰

6.4. Duty of Diligence – The fiduciary duty of diligence of Directors and Officers to always act in the best interest of the CIAC, with utmost good faith in all its dealings with the property and monies of the CIAC, includes the obligation to:

- a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of CIAC, using the utmost diligence of a very cautious person with due regard to all the circumstances;⁶¹
- b) Apply sound business principles to ensure the financial soundness of CIAC;⁶² and
- c) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.⁶³

Every Director or Officer, by the act of accepting such position in the CIAC, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting the CIAC, including its Articles of Incorporation and By-laws, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; and (2) to always keep himself/herself informed of industry developments and business trends in order to safeguard CIAC's interests and preserve its competitiveness.⁶⁴

6.5. Duty of Loyalty. – The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of CIAC, with utmost good faith in all its dealings with the property and monies of the CIAC, includes the obligation to:

⁵⁶ Opening paragraph of Sec. 19, R.A. No. 10149.

⁵⁷ Sec. 20, R.A. No. 10149.

⁵⁸ Rep. Act No. 6713.

⁵⁹ Sec. 2, R.A. No. 6713

⁶⁰ Adopting Sec 25 of the GCG Memorandum Circular 2012-07

⁶¹ Sec. 19(b) combined with Sec. 21, R.A. No. 10149.

⁶² Sec. 19(d), R.A. No. 10149.

⁶³ Sec. 19(e), R.A. No. 10149.

⁶⁴ Adopting Sec 26 of the GCG Memorandum Circular 2012-07

- a) Act with utmost and undivided loyalty to the CIAC;⁶⁵
- b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board;⁶⁶ and
- c) Avoid (1) taking for themselves opportunities related to the CIAC's business; (2) using the CIAC's property, information or position for personal gain; or (3) competing with the CIAC's business opportunities.

6.5.1. Avoid Conflict of Interest – Directors and Officers of CIAC shall at all times avoid any actual or potential conflict of interest with the CIAC. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

Any question about a Director's or Officer's actual or potential conflict of interest with the CIAC shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.⁶⁷

6.5.2. Trustee Relation to CIAC Properties, Interests and Monies – Except for the *per diem* received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where the CIAC is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of the CIAC in dealing with its properties, investments in other corporations, and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of the CIAC.⁶⁸

6.5.3. Taking of Corporate Opportunities – Where a Director or an Officer, by reason of his being a member of the CIAC Board or an Officer thereof, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in corporations where such CIAC has an interest, the use the properties of the CIAC for his/her own benefit, the receipt of commission(s) on contract(s) with the CIAC or its assets, or the taking advantage of corporate opportunities of the CIAC, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Republic Act No. 10149, without prejudice to any administrative, civil or criminal action against members of the such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.⁶⁹

6.5.4. Restitution – Pursuant to Section 24 of the Republic Act No. 10149, upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to the CIAC are in the possession of a Director or Officer of thereof without authority, or that profits are earned by the Director or Officer in violation

⁶⁵ Sec. 19(a), R.A. No. 10149.

⁶⁶ Sec. 19(c), R.A. No. 10149.

⁶⁷ Adopting Sec 27.1 of the GCG Memorandum Circular 2012-07

⁶⁸ Adopting Sec 20 of RA No 10149

⁶⁹ Last paragraph of Sec. 19, R.A. No. 10149.

of his/her fiduciary duty, or the aggregate *per diems*, allowances and incentives received in a particular year are in excess of the limits provided under the Act, the Director or Officer receiving such properties or monies shall immediately return the same to the CIAC.

Failure by a Director or Officer to make the restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, subject such Director or Officer to the punishment of imprisonment for one (1) year and a fine equivalent to twice the amount to be restituted and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.⁷⁰

6.6. Limits to Compensation, Per Diems, Allowances and Incentives –
Pursuant to Section 23 of Republic Act No. 10149:

- a) The Charters or By-laws of the GOCCs to the contrary notwithstanding, the compensation, *per diems*, allowances and incentives of the Appointive Directors shall be in accordance with the rules issued by the GCG; and
- b) Directors shall not be entitled to retirement benefits acting as such directors.

6.7. No Gift Policy⁷¹. – In order to avoid conflict of interest, the appearance of a conflict of interest, CIAC officers and employees shall NOT SOLICIT or ACCEPT directly or indirectly, any gift, gratuity, favor, entertainment, loan, or use, anything of monetary value from a person, groups, associations, or judicial entities, whether from the public or the private sectors, at any time, or on off the work premises, in the course of their official duties or in connection with any operation being regulated by, or any transaction which may be affected by the functions of their office. All officers and employees shall refuse gifts that might connote bribery in any way and detrimental to the interest of the corporation.

PROHIBITIONS shall include, but not limited to:

1. Honoraria given as speaker or resource person in seminars or whether the CIAC officer or employee is participating by reason of his/her office with CIAC;
2. Sponsorship in any form of any of the internal programs, activities, and affairs of CIAC, such as Christmas parties, anniversary commemorations, etc.;
3. Advertisements in the publications of CIAC;
4. Discounts, rebates, waivers and other forms of monetary incentives or benefits given to CIAC, its officers and employees, in availing of the services and/or facilities of persons or entities under the jurisdiction of CIAC; and
5. Acceptance of invitations to social lunches and dinners with persons or entities under jurisdiction of CIAC.

⁷⁰ Art. 24, R.A. No. 10149.

⁷¹ Memorandum from the Office of the President, 20 January 2014

EXCEPTIONS: Exempted to this "NO GIFT POLICY" are the following:

1. The acceptance and retention of certificates, plaques, cards, thank you notes, or other written forms of souvenir or mark of courtesy;
2. The acceptance of seminar bags and contents, and partaking of moderately priced meals and beverages that officers and employees obtain at events, such as conferences and seminars, and which are offered equally to all members of the public attending the event;
3. Acceptance of books, pamphlets, publications, and data and other information or reading materials that are directly useful to CIAC in the performance of its mandates, objectives and, which books and other materials are given by individuals or organizations that have no pending business with CIAC as to create an actual or potential conflict of interest;
4. The acceptance by CIAC officers and employees of a scholarship or fellowship grant, travel grants or expense for travel taking place within or outside of the Philippines (such as allowances, transportation, food and lodging) or more than nominal value, if such acceptance is appropriate and consistent with the interests of the Government, and permitted by the Chairman of CIAC; and
5. The acceptance or availment by CIAC of grants from local or foreign institutions in the pursuit of the mandates, projects and activities, such as those coming from ADB, World Bank, USAID, etc., provided that the availment thereof shall be strictly in compliance with applicable procurement laws, rules and regulations.

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

RETURN AND ACKNOWLEDGMENT OF GIFT:

1. If any of CIAC's officers or employees, receives a gift covered by this policy:
 - a. If feasible, shall immediately and politely be declined.
 - b. If not feasible, or it is inappropriate or impractical, to return the gift, e.g. a perishable item, the gift shall be donated to an appropriate charitable or social welfare institution.
2. An acknowledgment letter shall be sent to the donor informing him/her of the "No Gift Policy" or that the gift has been returned or donated to a charitable or welfare institution.

DISCIPLINARY ACTION:

An employee who violates this policy will be subject to disciplinary action in accordance to the existing company code of conduct and other existing government rules and regulations, policies and laws.

- 6.8. Duty of Confidentiality** – Pursuant to their duties of diligence and loyalty, a member of the Board or an Officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) to further their private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.

7.

OBLIGATIONS OF THE CIAC TO DIRECTORS AND OFFICERS⁷²

- 7.1. Providing for Staff Support to Directors** – The CIAC shall provide the members of its Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.
- 7.2. Obtaining of Directors and Officers Liability Insurance (DOLI).** – Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, *i.e.*, that of extraordinary diligence, it is equitable that when the CIAC itself and/or the members of the Board and Management are sued before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore for every GOCC to obtain “Directors and Officers Liability Insurance” (DOLI) coverage for itself and the members of the Governing Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting, the actions that may be filed against the CIAC arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties.

Nothing in this section shall be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by the CIAC on the litigation expenses incurred and the judgment liability decreed against a Director or Officer for breach of any of his fiduciary duties or for fraud committed in the performance of his or her duties to the CIAC and/or its stakeholders.

8.

CSR AND RELATIONS WITH STAKEHOLDERS

- 8.1. Duty to Be Responsive to Stakeholders** – Every Director and Officer accepts the position fully aware that he/she assumes certain responsibilities not only to CIAC and its stockholders, but also with different constituencies or Stakeholders, who have the right to expect that CIAC is being run in a prudent manner and with due regard to the interests of all Stakeholders.

Consequently, members of the Board and Officers shall deal fairly with the CIAC employees, customers, suppliers and other Stakeholders. No member of the Board or Officer may take unfair advantage of the CIAC employees, customers, suppliers and other Stakeholders through manipulation,

⁷² Adopting Article VI of GCG Memorandum Circular 2012-07

concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

- 8.2. CSR Principles** - As an integral part of the National Government, CIAC is inherently mandated to be socially responsible, to act and operate as good corporate citizens. The Governing Board shall recognize and perform the obligations CIAC has towards the National Government, its majority stockholder, as well as the minority stockholders when existing, together with the employees, suppliers, customers and other Stakeholders, and the communities in which it operates.

The Directors, Officers and all its employees are required to abide by ethical policies as mandated by the GCG. The protection of the reputation and goodwill of every GOCC is of fundamental importance, and Directors, Officers and employees should be aware of the disciplinary implications of breaches of policy.

Every member of the Board is encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work. CIAC will have an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that the people of CIAC, and/or the stockholders believe their reporting to management may result in harassment, or undue distress, they may contact the GCG support to report such matters. The GCG provides for an opportunity for concerns to be investigated and ensures appropriate action is taken to resolve the matter effectively.

- 8.3. Formal Recognition of CIAC Stakeholders** – As mandated by the GCG, this Manual shall incorporate and formally recognize the stakeholders of the CIAC,⁷³ thus:

- a. Airline Passengers;
- b. Air Carriers;
- c. Business, Commerce, Tourism Organizations and NGOs;
- d. General Aviation Users;
- e. Locators and Concessionaires;
- f. Service Providers;
- g. Ground Transportation Providers;
- h. Airport Suppliers;
- i. Employees;
- j. Other Government Agencies;
- k. Credit Investors;
- l. National and Local Government;
- m. Local Community; and
- n. General public

- 8.3.1. Nature of Stakeholder's Interests.** To be able to effectively establish good relation with the CIAC Stakeholders, it is important to understand the nature of their legitimate interests in the operations and development plans of CIAC.

The table below contains the nature of interests of the CIAC Stakeholders.

⁷³ Section 35, GCG Memorandum Circular No. 2012-07, Code of Corporate Governance for GOCCs.

Stakeholders	Nature of Interest
Airline Passengers	<ul style="list-style-type: none"> ➤ On-time departure and arrival of flights ➤ Convenience (i.e. travelling via CRK proved to be convenient especially for passengers coming from Region I, II, III and Northern Manila) ➤ Quality service from the airport staff down to the airlines' crew ➤ Access to affordable and budget-friendly airfares
Air carriers	<ul style="list-style-type: none"> ➤ CRK's contribution to ensure air carrier's on-time performance ➤ Low cost of operations (i.e. competitive aeronautical, landing and take-off, and parking fees) ➤ Safety and security of operations on the airport ground/surface ➤ Efficient hub/connection point ➤ Tax privileges at Clark Freeport Zone ➤ Access to high yield markets
Business, Commerce, Tourism Organizations and NGOs	<ul style="list-style-type: none"> ➤ Maximize passenger and traffic volumes ➤ Maximize number of destinations served and frequency of those services
General Aviation Users	<ul style="list-style-type: none"> ➤ Access point to the air transportation system by providing good availability and high capabilities in terms of instrumentation and services
Locators and Concessionaires	<ul style="list-style-type: none"> ➤ Maximize passenger volume ➤ Maximize profit ➤ Minimize fees paid to the airport
Service Providers	<ul style="list-style-type: none"> ➤ Maximize traffic volume ➤ Minimize Concessionaire Privilege Fee/Rate
Ground Transportation Providers	<ul style="list-style-type: none"> ➤ Maximize passenger volumes ➤ Minimize fees paid
Airport Suppliers	<ul style="list-style-type: none"> ➤ Maximize traffic volumes
Employees	<ul style="list-style-type: none"> ➤ Reasonable and competitive salaries, wages and benefits ➤ Security of tenure ➤ Decent working environment ➤ Career growth ➤ Compliance of CIAC with labor laws and other pertinent laws
Other Government Agencies	<ul style="list-style-type: none"> ➤ Compliance of CRK's passengers with existing laws on immigration and customs ➤ Compliance of CRK with existing environmental laws ➤ Compliance of CRK with rules and regulations promulgated by regulatory agencies in accordance with law
Credit Investors	<ul style="list-style-type: none"> ➤ Optimization of revenues generated from airport operations

National Government	<ul style="list-style-type: none"> ➤ Maintain, if not upgrade, CRK's category level ➤ Ensure that CRK can accommodate growth ➤ Keep CRK up to standard ➤ Ensure safety, security and efficiency of operations ➤ Maximize economic impact ➤ Maximize number of destinations served and frequency of those services ➤ Minimize noise and emissions
Local Community	<ul style="list-style-type: none"> ➤ Maximized economic impact ➤ Maximized number of destinations served and frequency of those services ➤ Minimized noise and emissions
General Public	<ul style="list-style-type: none"> ➤ Maximized number of destinations served and frequency of those services ➤ Corporate Social Responsibility (CSR) activities

8.3.2. Hierarchy System of Resolution of Conflict of Interests between Stakeholders - CIAC, as an airport operating a public facility, shall endeavor to ensure that the rights and interests of its stakeholders are respected and duly protected. However, should conflict of interests arise between and among the stakeholders, the CIAC shall ensure resolution thereof based on the following order of priority:

- a. Those concerning the national and local government
- b. Those concerning the direct clients of the CIAC, i.e., airline passengers, air carriers and general aviation users;
- c. Those concerning the employees;
- d. Those concerning the credit investors;
- e. Those concerning other government agencies;
- f. Those concerning locators and concessionaires;
- g. Those concerning service providers;
- h. Those concerning ground transportation providers;
- i. Those concerning airport suppliers;
- j. Those concerning the business, commerce, tourism organizations and NGOs;
- k. Those concerning local community and general public.

8.3.3. Communication with Stakeholders – Stakeholders are encouraged to address their concerns to the CIAC through its Corporate Communications Office (CCO), which shall forward the same to the CIAC Department that can best handle such concern.

a. *Dissemination of CIAC Policies and Programs Affecting Stakeholders.* The CIAC, through its Corporate Communications Office (CCO), shall prepare information materials to disseminate every new policy or program being implemented for its stakeholders.

b. *Inter-agency Consultative Meetings.* To ensure stakeholders' awareness of the rules and regulations implemented by the various government agencies, CIAC shall exert efforts to initiate regular Inter-Agency Consultative Meetings.

c. *Consultation Meetings with Tourism Associations and NGOs.* The CIAC shall ensure that consultation meetings with the various tourism associations and NGOs were conducted prior to implementation of any policies affecting the stakeholders' interests.

d. *Communication with Stakeholders through Multimedia.* The CIAC shall likewise utilize multimedia as a communication tool. It shall take advantage of technological innovations in communicative media to further its relationship with its stakeholders and maintain the implementation of its current activities utilizing print, radio, TV, social network/internet, SMS and the like.

8.3.4. Monitoring of Stakeholder Satisfaction - The use of survey and other feedback mechanism shall be employed as a tool to determine whether the stakeholders' interests have been served and to identify areas for improvement.

8.3.5. CSR Statement of CIAC – CIAC commits to creating positive impact on the communities affected by operating the Clark Airport Business. This will be done by initiating, facilitating and sustaining with government and private agencies concerned, certain strategies, programs and activities that promote the well-being of the Overseas Filipino Workers and their families, host communities and all other stakeholders of the Clark International Airport. In performing our corporation social responsibility, we will consistently implement program initiatives that will bring a significant social value proposition into our corporate strategy.

- 8.4. Employees** – Every employee in CIAC is encouraged to –
- a) Remember that the biggest stakeholder is the Government;
 - b) Share the vision of CIAC;
 - c) Be accountable to the public;
 - d) Listen and learn from his/her co-employees;
 - e) Think and act as a team;
 - f) Focus on the customers and strive for customer satisfaction;
 - g) Respect others;
 - h) Communicate with stockholders and customers;⁷⁴
 - i) Deliver results and celebrate success; and
 - j) Protect the reputation of CIAC.

The CIAC shall adopt an effective system to provide the mechanism by which the legitimate interests of the employees are properly communicated to the management, and the inclusion of a method in which the CIAC shall convey its efforts to recognize these interests. The system shall emphasize the importance of the employees as one of the major stakeholders of CIAC and shall indicate conditions where the interests of the National Government must take precedence. The effective implementation of a grievance machinery shall be prioritized as a step towards the recognition of the employees' interests. The CIAC shall promote and develop structured programs for continuing personal and professional development for employees.

8.5. Customers – Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. CIAC should operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent quality,

⁷⁴ Taken from Sec. II(2)(b)(i), SEC Code of Corporate Governance, SEC Memorandum Circular No. 2, s.2002

reliability and safety in return for the price paid for the same. CIAC should operate policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances in all aspect of society in order to ensure that it continues to add value to its customers' businesses.

CIAC should have clear and strong lines of communication which allow them to respond quickly and efficiently to customer and market requirements, as well as the public needs, and for the customers to receive consistent service in order to successfully and consistently deliver what CIAC is mandated to do.

CIAC shall promote the effective implementation of customer satisfaction surveys. CIAC shall dedicate a customer service channel that will handle complaints and provide means to address the concerns in accordance with the established procedures. CIAC shall prioritize the development of a website to achieve its aim of disseminating up-to-date, verified and necessary information to its customers. CIAC shall ensure that the employees handling customer service are adequately equipped with appropriate and related trainings. CIAC shall also conduct consultation meetings with other government agencies involved in the interaction with the CIAC's customers.

- 8.6. Suppliers** – As with other relationships with the Stakeholders, CIAC should aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. CIAC should aim to offer, through partnership with its suppliers, the best combination of state-of-the-art technology and world class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.

CIAC shall ensure compliance with existing and relevant laws, rules and regulations relative to the procurement of goods and services. CIAC shall adopt a system in which the suppliers are encouraged to actively participate in the activities conducted by CIAC.

- 8.7. Health and Safety** – CIAC should aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. CIAC should comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. CIAC shall employ a system to regulate the dissemination of information regarding the policies and practices of the CIAC in order to maintain a healthy, safe and enjoyable environment. The CIAC shall conduct dialogues with its employees as a means to effectively communicate the programs and policies affecting the employees' health and safety working environment adopted by CIAC.

- 8.8. Environment** – CIAC should consider that there are inevitable environmental impacts associated with daily operations. It shall be the goal of CIAC to minimize harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, CIAC should strongly encourage 3 R's: "*Reduce*", "*Re-use*", and "*Recycle*".

In the course of the operations of CIAC, it should identify opportunities to reduce consumption of energy, water and other natural resources. CIAC should also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our impact on the environment. In doing so, by adopting simple, environmentally friendly initiatives, CIAC shall raise awareness among the members of the communities it affects.

9.
DISCLOSURE AND TRANSPARENCY
REQUIREMENTS⁷⁵

9.1. Transparency as the Essence of Corporate Governance – The essence of corporate governance is transparency; the more transparent the internal workings of the GOCC are, the more difficult it will be for the Board and/or Management to mismanage the GOCC or to misappropriate its assets. It is therefore imperative that CIAC disclose all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner at all times.

9.2. Mandatory Website – In accordance with Section 25 of the Act, CIAC shall maintain a website and post therein for unrestricted public access:

9.2.1. On Institutional Matters:

- a) Latest General Information Sheet (GIS) and brief company background including date of incorporation, history, functions and mandate; and
- b) Government Corporate Information Sheet (GCIS) as mandated by the GCG Memorandum Circular No. 2012-01.

9.2.2. On the Board and Officers:

- a) Complete listing of the Directors and Officers with attached resume, and their membership in Board Committees;
- b) Complete compensation package of all the board members and officers, including travel, representation, transportation and any other form of expenses or allowances;⁷⁶
- c) Information on Board Committees and their activities;⁷⁷ and
- d) Attendance record of Directors in Board and Committee meetings.

9.2.3. On Financial and Operational Matters⁷⁸:

- a) Their latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;
- b) Audited Financial Statements in the immediate past three (3) years;
- c) Quarterly, and Annual Reports and Trial Balance;
- d) Current Corporate Operating Budget (COB);
- e) Local and foreign borrowings;
- f) Government subsidies and net lending;
- g) All borrowings guaranteed by the Government;
- h) Any material risk factors and measures taken to manage such risks; and
- i) Performance Evaluation System (PES).

9.2.4. On Governance Matters:

- a) Charter Statement/Mission-Vision Statements;
- b) Performance Scorecards and Strategy Map;⁷⁹
- c) Organizational Chart;
- d) Manual of Corporate Governance;
- e) CSR Statement; and

⁷⁵ Adopting Article VIII of GCG Memorandum Circular 2012-07.

⁷⁶ Sec. 25(e), R.A. No. 10149.

⁷⁷ *Id.*

⁷⁸ Sec 25, RA 1049

⁷⁹ Sec. 25(g), R.A. No. 10149.

- f) Balance Scorecard;

9.3. Mandatory Reports – The Board shall regularly submit, as may be required by the GCG and other Government Agencies, the following:

- a) Performance Scorecards;
- b) Implementation of the audit recommendations of COA;
- c) Compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government; and
- d) Such other reportorial requirements as may be required by the GCG.

10.

CODE OF ETHICS AND CONDUCT

10.1. In the performance of official duties and responsibilities, the CIAC Board of Directors, the Senior Management Officers and employees shall strictly observe and adhere to the following:

- a) CIAC Employee's Conduct and Discipline and the Table of Offenses and Corrective Actions;⁸⁰
- b) Republic Act No. 6713, otherwise known as the "Code of Conduct and Ethical Standards for Public Officials and Employees for Government Officials;" and
- c) Republic Act No. 3019, otherwise known as the "Anti-Graft and Corrupt Practices Act."

11.

HIGHEST STANDARDS PRINCIPLE⁸¹

11.1. Public service being a public trust, nothing in this Code shall be construed as:

- a) Corporate Government Standards: Relieving or excusing CIAC, their Directors and Officers, from complying with more rigorous standards of corporate governance as those required by regulatory agencies having jurisdiction over their business enterprises or the industry in which they operate;⁸² and
- b) Reportorial Requirements: A waiver of the separate reportorial requirements mandated by the regulatory agencies that have jurisdiction over CIAC and its business operations; and

12.

MISCELLANEOUS PROVISIONS

12.1. Amendments. – This Code may be amended by the CIAC through the issuance of a Board Resolution duly published in the CIAC's website and copy formally submitted to the GCG.

⁸⁰ Implemented by CIAC as early as 2007.

⁸¹ Adopted from Sec. 5(c), R.A. No. 10149.

⁸² Sec. 5(c), R.A. No. 10149.

- 12.2. Effectivity** – This Code shall be effective fifteen (15) days after it is published in the CIAC website and from the date formal notice of the GCG approval is received.

ADOPTED this 19 AUG 2016

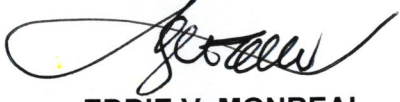

ATTY. ARTHUR P. TUGADE
Chairman


ATTY. ROBERTO C.O. LIM
Alternate Chairman

(Absent)
WANDA CORAZON T. TEO
Vice-Chairperson



ALEXANDER S. CAUGUIRAN
OIC President & CEO and Board Member

(Absent)
CAPT. ANTONIO G. BUENDIA
Board Member


EDDIE V. MONREAL
Board Member


ALIPIO F. FERNANDEZ, JR.
Board Member


JOSE MA. J. FERNANDEZ
Board Member


RAMIL M. GUIAO
Board Member


FELIPE GERARDO MALLARI
Board Member


BIENVENIDO O. MANGA
Board Member