



(Republic of the Philippines)

MANILA INTERNATIONAL AIRPORT AUTHORITY

MIAA Administration Building, MIA Road Pasay City, Metro Manila

MIAA MANUAL OF CORPORATE GOVERNANCE

WHEREAS, pursuant to the State declared policy of treating Government Owned or Controlled Corporations (GOCCs) as significant tools for economic development and the 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 through and under the 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, the MANILA INTERNATIONAL AIRPORT AUTHORITY (hereafter, the "MIAA" or the "Authority"), a government instrumentality vested with corporate powers, in the exercise of its mandate under Executive Order No. 778 dated 04 March 1982, as amended, otherwise known as the MIAA Charter, approved this MIAA Manual of Corporate Governance ("Manual") for its formal submission to the Governance Commission for GOCCs (GCG) and to the President of the Philippines for His Excellency's approval of what would constitute as an organic document for the MIAA:

NOW, THEREFORE, the Authority hereby formally promulgates and implements the Manual as follows:

I.

DEFINITION OF TERMS

SECTION 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 all members of the Authority's Board of Directors who are not ex officio members thereof.

"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" refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all properties of the Authority.

"*Charter*" refers to Executive Order No. 778 dated 04 March 1982, as amended.

"*Charter Statement*" refers to a statement of the Authority's vision, mission and core values.

"*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 Authority. It includes, but is not limited to, non-public information that might be of use to competitors or harmful to the Authority or its customers/stakeholders if disclosed such as, but not limited to, the following: (1) non-public information about the Authority's financial condition, prospects or plans, its marketing and sales programs and research and development information; (2) non-public information concerning possible transactions or ventures with other corporations or agencies, or information about suppliers, joint venture partners or any information that the Authority 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 Authority's Board of Directors.

"*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.

"*Executive Officer*" ("*Officer*") refers to the General Manager and such other corporate officers of the Authority. As distinguished from Board Officers, Executive Officers primarily form part of Management.

"*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 the Authority, and 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.

"*Fit and Proper Rule*" refers to a set of standards for determining whether a member of the Board of Directors or the General Manager is qualified to hold a position in the Authority 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."

"*General Manager*" refers to the highest ranking corporate officer who heads the MIAA Management.

"*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.

"*Government-Owned or -Controlled Corporation*" ("GOCC") refers to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs, whether governmental or proprietary in nature and owned by the Government of the Republic of the Philippines, directly or through its instrumentalities, either wholly or, where applicable, as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. The term includes Government Instrumentalities with Corporate Powers ("GCP"), Government Corporate Entities ("GCE") and Government Financial Institutions ("GFI"). The term also includes a Subsidiary of a GOCC.

"*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 Authority.

"*Material Information*" ("*Material Feet*") refers to information which a reasonable investor, stakeholder or Supervising Agency would consider important in connection with corporate acts, contracts and transactions which would adversely affect the operations of the Authority.

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

"*PerDiems*" refer to the compensation granted to members of Board of Directors for actual attendance in meetings.

"*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.

"*Performance Scorecard*" refers to a governance and management tool forming part of the performance evaluation system and 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 Authority.

"*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, 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.

"*Stakeholder*" refers to any individual or entity for whose benefit the Authority 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 Authority has been instituted, and which would include a stockholder, member, or other investor in the Authority, management, employees, supply creditors or the community in which the Authority 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 Authority's vision in relation to its mission or purpose for its creation.

SEC .2. *Singular Term include the Plural* - Unless otherwise indicated in this Manual, any reference to a singular shall apply as well to the plural, and vice versa.

SEC .3. *Coverage* - This Manual shall be consistently and faithfully observed by the Authority.

11.

ROLE OF THE AUTHORITY IN NATIONAL DEVELOPMENT

SEC. 4. *The AUTHORITY as an Economic Tool for the States Development*- The State recognizes the potential of airport development as an indispensable tool for the upliftment of the national economy and as a means to promote growth by ensuring that the operations of the Authority are consistent with national development policies and programs.

The Authority is, therefore, mandated to ensure that:

- (a) Its operations are rationalized and properly monitored in order that its assets and resources are used efficiently and government exposure to all forms of liabilities and subsidies is warranted and incurred through prudent means;
- (b) Its governance is carried out in a transparent, responsible and accountable manner and with utmost degree of professionalism and effectiveness; and

- (c) The Board of Directors is competent to carry out its functions, fully accountable to the State as its fiduciary, and is always acting in the best interest of the State and its Stakeholders.

111.

BOARD OF DIRECTORS

SEC. 5. Board of Directors 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 Authority, the Board of Directors is primarily responsible for the governance of the agency. Consequently, it is the Board that is primarily accountable to the State for the operations and performance of the Authority.

SEC. 6. Board Duty to Properly Select and Provide Independent Check on Management - Concomitant with the power to elect the General Manager from among their ranks and to appoint other Officers of the Authority, it is the duty of the 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. The Board is therefore encouraged to provide an independent check on Management.

SEC. 7. Mandate and Responsibility for the Authority's Performance - Although the day-to-day management of the Authority's affairs is with the Management, the Board is, however, responsible for providing policy directions, monitoring and overseeing the Management's actions, as articulated in its Charter and other relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:

- a) Provide the corporate leadership of the Authority subject to the rule of law and the objectives set by the National Government through the GCG and other supervising agencies;
- b) Establish the Authority's vision and mission, strategic objectives, policies and procedures, as well as define the Authority's values and standards through:
 - Charter Statements;
 - Strategy Maps; and
 - Other control mechanisms mandated by best business practices;
- c) Determine important policies that bear on the character of the Authority to foster its long-term success, ensure its long term viability and strength, and secure its sustained competitiveness;

- d) Determine the organizational structure of the Authority, define the duties and responsibilities of the Officers and employees and adopt 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;
- f) Provide sound written policies and strategic guidelines on the Authority's operating budget and major capital expenditures and prepare the annual and supplemental budgets of the Authority;
- g) Comply with all reportorial requirements, as required in the Charter 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 report, in a timely and accurate manner, the results to the GCG; and
- i) Ensure the fair and equitable treatment of all Stakeholders and enhance the Authority's relations with its Stakeholders.

SEC. 8. Specific Functions of the Board. - In addition to those specified in the MIAA Charter, 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, which meetings shall be properly documented or minuted;
- b) Determine the Authority's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that the Authority 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 Authority have the necessary motivation, integrity, competence and professionalism;
- e) Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including any misuse of corporate assets or 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 Authority's accounting and financial reporting systems and that appropriate systems of control are in place, such as by instituting 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;
- U) Constitute 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 Authority within the scope of its authority as prescribed in its Charter and applicable laws, rules and regulations.

SEC. 9. Composition of the Board of Directors. - The composition of the Board of Directors shall be as provided for in the Charter.

SEC. 10. 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 respective principals.

SEC. 11. Multiple Board Seats. - The capacity of the appointive directors to serve with diligence shall not be compromised. As such, no appointive director may hold more than two (2) other Board seats in other GOCCs, subsidiaries and/or affiliates.

SEC. 12. Appointment of Appointive Directors. - The Appointive Directors of the Authority shall be appointed by the President of the Philippines from a shortlist prepared by the GCG. The selection, nomination and short listing of prospective Appointive Directors shall be in accordance with the rules and criteria formulated by the GCG.

SEC. 13. Fit and Proper. - All members of the Board, the General Manager and other Officers of the Authority shall be qualified by the Fit and Proper Rule adopted by the GCG in consultation and coordination with the relevant government agencies to which the Authority is attached, which rule shall be approved by the President and shall include by reference the qualifications expressly provided for in the Charter.

SEC. 14. Term of Office of Appointive Directors. - The term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause; *Provided*, however, that each Appointive Director shall continue to hold office until the successor is appointed and qualified. The term of office of all Appointive Directors shall begin on 01 July of the year of appointment and end on 30 June of the following year. Any appointment to any vacancy shall only be for the unexpired term of the predecessor.

SEC. 15. Expectations of Individual Director - Each Director is expected to demonstrate the following characteristics and traits, which shall be embodied in a written charter to be signed by each Individual Director at the commencement of his/her term of office:

- 15.1 *Board of Directors Activity* - As a member of the Board, each Director will:
- (a) Demonstrate high ethical standards and integrity in their personal and professional dealings, and be willing to act upon and remain accountable for their boardroom decisions;
 - (b) Provide wise, thoughtful counsel to the Board and Management on a broad range of issues and develop the depth of knowledge to understand and question the assumptions upon which the strategic and business plans are based, and form an independent judgment as to the probability that such plans can be achieved;
 - (c) Demonstrate a reasonable level of financial literacy, know how to read financial statements, and understand the use of financial ratios and other indices for evaluating company performance;
 - (d) Respect confidentiality;
 - (e) Be available as a resource to Management and the Board;
 - (f) When possible, advise the Chair or General Manager in advance of introducing significant and previously unknown information at a Board meeting;
 - (g) As necessary and appropriate, communicate with the Chair and with the General Manager between meetings;
 - (h) Demonstrate a willingness and availability for individual consultation with the Chair or General Manager; and
 - (i) Be a positive force, using abilities and influence constructively.

15.2 2 *Preparation and Attendance* - To enhance the effectiveness of Board and committee meetings, each Director is expected to:

- (a) Prepare for each Board and its committees by reading the reports and background materials provided for the meeting;
- (b) Maintain an excellent Board and committee meeting attendance record. Attendance which is less than 80%, without extenuating circumstances, would create considerable concern for the Board; and
- (c) Obtain additional information if necessary for decision-making.

15.3 3 *Communication* - Subject to the need for independence on the part of individual Directors, the Board values Directors who consider Board and team performance to be important in addition to strong individual performance. Directors are expected to demonstrate respect for others and to generally facilitate superior performance by the Board as a whole. The Board believes that good communication is fundamental to Board effectiveness and therefore each Director is expected to:

- (a) Participate fully and frankly in the deliberations and discussions of the Board;
- (b) Demonstrate willingness to listen to others' opinions and the openness to consider them and to appreciate that this quality ranks as highly as the ability to communicate one's own point of view persuasively;
- (c) Approach others assertively, responsibly and supportively, and be willing to raise tough questions in a manner that encourages open discussion;
- (d) Establish an effective, independent and respected presence on the Board and a collegial relationship with other Directors;
- (e) Focus inquiries on issues related to strategy, policy, and results rather than issues relating to the day-to-day management of the Corporation; and
- (f) Respect the policy that individual Directors should not be involved in external communications except at the request of or with the approval of the Board.

15.4 *Committee Work* - In order to assist Board committees in being

4 *Committee Work* - In order to assist Board committees in being effective and productive, each Director is expected to:

- (a) Participate on committees and become knowledgeable about the duties, purpose and goals of each committee; and
- (b) Understand the process of committee work and the role of Management and staff supporting the committee.

5.5.5 *Industry and Corporate Knowledge* - The Board recognizes the value of well-informed Directors, each Director is expected to:

- (a) Become generally knowledgeable of the business of the Corporation and its industry;
- (b) Participate in Director orientation and development programs developed by the Corporation from time to time;
- (c) Maintain a current understanding of the regulatory, legislative, business, social and political environments within which the Corporation operates;
- (d) Become acquainted with the senior managers of the Corporation; and
- (e) Visit the Corporation's offices when appropriate.

SEC. 16. Disclosures - The Board shall, at all times commit to fully disclose material information and/or transactions that could potentially serve the interest of the Authority and such other information which are required to be disclosed pursuant to the *Republic Act No. 10149*, its Implementing Rules and Regulations and Memorandum Circulars duly promulgated by the Governance Commission for Government Owned and Controlled Corporations (GCG), including, without limitation, earnings results, acquisition or disposal of significant assets, off balance-sheet transactions, Board membership changes, shareholdings of Directors and Officers and any changes thereto, and remuneration of Directors and Officers and related party transactions.

SEC. 17. Board Officers - The Board Officers of the Authority are the Chairman of the Board (who is the highest ranking of the Board Officers), the Vice-Chairman, the Corporate Secretary and the Compliance Officer, who must all be Filipino citizens.

17.1. Chairman of the Board - The Chairman of the Board shall be the Secretary of the Department of Transportation and Communications. He shall, when present, preside at all meetings of the Board and his responsibilities may include:

- (a) Calling meetings to enable the Board to perform its duties and responsibilities;
- (b) Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board ; and
- (c) Assisting in ensuring compliance with the Authority's guidelines on corporate governance.

2. *Vice-Chairman.* - In the absence of the Chairman of the Board, the Vice- Chairman, who shall be the General Manager of the Authority, shall preside at the meetings of the Board .

3. *Corporate Secretary.* - The Corporate Secretary need not be a member of the Board. Ideally, the Corporate Secretary must possess organizational and interpersonal skills as well as the legal skills of a Chief Legal Officer. The Corporate Secretary shall have the following functions:

- (a) Serve as an adviser to the Board Members on their responsibilities and obligations;
- (b) Keep the minutes of meetings of the Board and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the General Manager and other members of the Board as appropriate;
- (c) Keep in safe custody the seal of the Authority and affix it to any instrument requiring the same;
- (d) Attend to the giving and serving of notices of Board and committee meetings;
- (e) Be fully informed and be part of the scheduling process of other activities of the Board;
- (f) Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
- (g) Oversee the adequate flow of information to the Board prior to meetings; and
- (h) Ensure fulfillment of disclosure requirements for submission to regulatory bodies.

- 4 *Compliance Officer.* - The Board shall appoint a Compliance Officer who shall report directly to the Chairman or the Vice Chairman. In the absence of such office or appointment, the Corporate Secretary, who is preferably a lawyer, shall act as Compliance Officer. The Compliance Officer shall perform the following duties :
- (a) Monitor compliance by the Authority with the requirements under the Act, this Manual, 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 Manual or other compliance issues; and
 - (c) Issue a certification every 30 May of the year on the extent of the Authority'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 Board of its primary responsibility vis-a-vis the State, acting through the GCG, to ensure that the Authority has complied with all its reportorial, monitoring and compliance obligations.

SEC. 18 . Board Committees. - Board Committees and other such oversight bodies may be created to enable the members of the Board to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting the Authority as well as the proper handling of all other concerns and to allow the Board to effectively utilize the expertise of its Directors.

- 1 The Board shall constitute the proper committees to assist them in performing their duties and responsibilities, 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. The existence of the committees shall not excuse the Board of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.

- 2 As a minimum, the Board shall be supported by the following specialized Committees:

- (a) *Executive Committee.* - The Board of Directors may constitute an Executive Committee composed of not less than three (3), but not

more than five Members of the Board, with the Chairman of the Board or, in his absence, the Vice Chairman being the Committee Chairman. 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 the Charter, except with respect to:

- (i) Filling of vacancies in the Board or in the Executive Committee;
 - (ii) Amendment or repeal of any resolution of the Board which, by its express terms, cannot be amended or subject to repeal; and
 - (iii) Exercise of powers delegated by the Board exclusively to other committees.
- (b) *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:
- (i) Oversee, monitor and evaluate the adequacy and effectiveness of the Authority's internal control system, engage and provide oversight relative to the Authority's internal and external auditors, and coordinate with the Commission on Audit (COA);
 - (ii) Review and approve audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the 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 with tax, legal, regulatory and COA requirements;
 - (iii) Receive and review reports of internal and external auditors and regulatory agencies, and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;
 - (iv) Ensure that internal auditors have free and full access to all the Authority'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

- (v) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Authority through a procedures and policies handbook that will be used by the entire agency.
- (c) *Governance, Nomination and Remuneration Committee.* - The Governance, Nomination and Remuneration Committee shall be composed of at least three (3) members of the Board and shall be chaired by the Chairman or, in his absence, the Vice-Chairman of the Board. The Committee shall be responsible for the following:
- (i) Oversee the periodic performance evaluation of the Board and its committees and Management, and also conduct an annual self-evaluation of their performance;
 - (ii) Decide whether or not a Director is able to and has been adequately carrying out his/her duties as Director bearing in mind the Director's contribution and performance;
 - (iii) Recommend to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance;
 - (iv) Recommend the manner by which the Board's performance may be evaluated and propose objective performance criteria to be approved by the Board;
 - (v) Install and maintain a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
 - (vi) Review and evaluate the qualifications of all persons nominated to positions in the Authority which require appointment by the Board;
 - (vii) Recommend to the GCG nominees for the shortlist in line with the Authority's Board composition and succession plan; and

- (viii) Develop recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the Authority's culture, strategy, control, environment, as well as the pertinent laws, rules and regulations.
- (d) *Risk Management Committee* - The Risk Management Committee shall consist of at least three (3) members, with at least one member having a background in finance and investments. The Risk Management Committee shall be responsible for the following:
- (i) Perform oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the agency, as well as crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
 - (ii) Develop the Risk Management Policy of the Authority, ensuring compliance with the same and ensuring further that the risk management process and compliance are embedded throughout the operations of the Authority especially at the Board and Management level; and
 - (iii) Provide quarterly reporting and updating the Board on key risk management issues as well as *ad hoc* reporting and evaluation on investment proposals.

18.3. *Combining the Mandatory Committees*. - Nothing herein shall preclude the Board from formally combining the functions of the committees into such combinations that will best serve the interest of the Authority.

SEC. 19. Annual Performance Evaluation. - The Board shall periodically undertake an evaluation of its performance. The evaluation will encompass a review of the structure and operation of the Authority to maximize its effectiveness.

IV.

MANAGEMENT

SEC. 20. Role of Management. - The Management stands as the center of decision-making for the day-to-day affairs of the Authority. It determines the activities of the Authority by putting its targets in concrete terms and by implementing basic strategies for achieving those targets.

SEC. 21. Management Primarily Accountable to the Board. - Management is primarily accountable to the Board for the operations of the Authority. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of the Authority's performance, position and prospects on a quarterly basis, or monthly as needed.

SEC. 22. The General Manager. - The General Manager shall be elected annually by the members of the Board from among its ranks. He shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.

In consonance with, or in addition to, the duties and functions set forth in the MIAA Charter, the General Manager shall:

- 2.1.1 Exercise general supervision and authority over the regular course of business, affairs, and property of the Authority and over its employees and officers;
- 2.1.2 See to it that all orders and resolutions of the Board are carried into effect;
- 2.1.3 Submit to the Board as soon as possible after the close of each fiscal year, a complete report of the operations of the Authority for the preceding year as well as the state of its affairs;
- 2.1.4 Report to the Board as soon as determined all matters which are of interest to the Authority specially, but not limited to:
 - (a) Transaction which may bring about substantial effect to the resources of the Authority or material effect on its operations and services;
 - (b) COA report upon receipt of its audited financial statement; and
 - (c) Authority report of its operations
- 2.1.5 Insure all COA findings are corrected/rectified and suggestions studied or implemented if necessary, specially recurring findings; and
- 2.1.6 Perform such other duties and responsibilities as the Board may impose upon him.

SEC. 23. Other Executive Officers. - Subject to the provisions of the Charter, the Board may appoint other Executive Officers.

SEC. 24. Power of the Governing Board to Discipline Officers. - Subject to existing civil service laws, rules and regulations, and in ensuring compliance with the requirements of due process, the Board shall have the authority to discipline any Officer of the Authority upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.

v.

DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS

SEC. 25. Fiduciaries of the State. - Directors and Officers are fiduciaries of the State in that: (a) they have the utmost obligation and duty to always act in the best interest of the Authority and with utmost good faith and diligence in their dealings and management of all resources of the Authority; and (b) they are considered as trustees of said resources.

SEC. 26. 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 and its declared policies.

SEC. 27. Respect and Obedience to the Constitution and the Law - As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause the Authority to faithfully and timely comply, with all legal provisions, rules and regulations and corporate governance standards applicable to them and to the Authority, and to act within the bounds of the Charter.

SEC. 28. Duty of Diligence - The fiduciary duty of diligence of Directors and Officers to always act in the best interest of the Authority, with utmost good faith in all its dealings with the property and monies of the Authority, 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 the Authority, using the utmost diligence of a very cautious person with due regard to all the circumstances;
- (b) Apply sound business principles to ensure the financial soundness of the Authority; 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.

Every Director or Officer, by the act of accepting such position in the Authority, affirms and agrees: (1) to have a working knowledge of the statutory and regulatory requirements affecting the Authority, including the contents of its Charter as well as the requirements of the GCG; and (2) to always keep himself informed of industry developments and business trends in order to safeguard the Authority's interests and preserve its competitiveness.

SEC. 29. *Duty of Loyalty.* - The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the Authority, with utmost good faith in all its dealings with the property and monies of the Authority, includes the obligation to:

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

29.1. *Avoid Conflict of Interest.* - Directors and Officers shall at all times avoid any actual or potential conflict of interest with the Authority. Each of them 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 Authority shall be brought promptly to the attention of the Board, which shall review the question and determine an appropriate course of action.

29.2. *Trustee Relation to the Authority's 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 profits and/or benefits including, but not limited to, the share in the profits or other forms of incentive for Directors or Officers in excess of those authorized by the GCG, as well as any benefit from the performance of Directors or Officers acting for and on behalf of the Authority in dealing with its properties and other interests, are to be held in trust by such Director or Officer for the exclusive benefit of the Authority.

29.3. *Taking of Corporate Opportunities.* - Where a Director or an Officer, by reason of his being a member of the Board or an Officer of the Authority, 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 the Authority has an interest, the use of the properties of the Authority for his/her own benefit, the receipt of commissions on contracts with the Authority or its assets, or the taking advantage of corporate opportunities of the Authority, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Act, without prejudice to any administrative, civil or criminal action against such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer may have risked his/her own funds in the venture.

- 29.4 *Restitution.* - Pursuant to Section 24 of the Act, upon the determination and report of the COA pursuant to a Notice of Disallowance which has become final and executory, to the effect that properties or monies belonging to the Authority are in the possession of a Director or Officer without authority, or that profits are earned by the Director or Officer in violation 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 Authority .

SEC. 30. *Limits to Compensation, Per Diems, Allowances and Incentives.* - Pursuant to Section 23 of the Act:

- (a) The MIAA Charter to the contrary notwithstanding, the compensation, *per diems*, allowances and incentives of the Appointive Directors shall be determined by the GCG using as reference, among others, Executive Order No. 24, dated 10 February 2011 ; and
- (b) Directors shall NOT be entitled to retirement benefits by virtue of having acted as such Directors.

SEC. 31. No Gift Policy. - A Director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person where such Gift:

- (a) Would be illegal or in violation of the law;
- (b) Is part of an attempt or agreement to do anything in return;
- (c) Has a value beyond what is normal and customary in the Authority's business;

- (d) Is being made to influence the member of the Board's, or Officer's, actions as such; or
- (e) Could create the appearance of a conflict of interest.

The Board of Directors shall formally adopt a "No Gift Policy" within the Authority and ensure its full advertisement to the community and its strict implementation via a particular set of rules.

SEC. 32. *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.

VI.

OBLIGATIONS OF THE AUTHORITY TO DIRECTORS AND OFFICERS

SEC.33. *Providing for Staff Support to Directors.* - The Authority may provide the members of its Board of Directors with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

In so doing, Management is mandated to provide the various committees of applicable manual of operations (finance, administration, operations, security, etc). All manuals are expected to be reviewed and amended on a regular basis.

SEC. 34. *Obtaining of Directors and Officers Liability Insurance (DOLi).* - The Authority shall obtain a "Directors and Officers Liability Insurance" coverage for itself and the members of the Board of Directors 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 Authority arising from the actions of the Board and/or Management, even after the Board Member or Officer has left the Authority and until the case is resolved.

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 Authority 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 Authority and/or its stakeholders.

VII.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND RELATIONS WITH STAKEHOLDERS

SEC. 35. *Duty to Be Responsive to Stakeholders.* - Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to the Authority but also the Stakeholders and the traveling public, who in turn have the right to expect that the Authority is being run in a prudent manner and with due regard to the interests of all such Stakeholders. Consequently, members of the Board and Officers shall deal fairly with the Authority's employees, customers, suppliers and other Stakeholders. No member of the Board or Officer may take unfair advantage of the Authority's employees, customers, suppliers and other Stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any practice amounting to unfair dealing.

SEC. 36. *CSR Principles.* - As an integral part of the National Government, the Authority is likewise inherently mandated to be socially responsible and to act and operate as good corporate citizens. The Directors, Officers and all its employees are required to abide by ethical policies as mandated by the GCG. Hence, Directors, Officers and employees should be aware of the disciplinary implications of breaches of policy.

Every employee of the Authority 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.

SEC. 37. *Formal Recognition of the Stakeholders.* -The Board of Directors shall, as an integral part of its Charter Statement and as embodied in this Manual, identify and formally recognize the Authority's major and other Stakeholders, identify the nature of their interests, provide a hierarchy system of their conflicting interest in the Authority, and provide a clear policy on communicating or relating with Stakeholders accurately, effectively and sufficiently, together with a system of properly rendering an accounting on how the Authority has served their legitimate interests.

SEC. 38. *Employees.* - Every employee of the Authority is expected, and mandated to:

- (a) Remember that the biggest stakeholder is the Government;
- (b) Share the vision of the Authority;
- (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;
- (i) Deliver results and celebrate success;
- (j) Protect the reputation of the Authority;
- (k) Report to the Board material information that may affect the financial viability, operations services, safety and resources of the Authority;
- (l) Act swiftly and with dispatch on all findings of the COA; and
- (m) Maintain a high degree of independence in carrying out their jobs and responsibilities.

The Authority shall conduct employee development discussions and structured training programs for continuing personal and professional development for employees.

SEC. 39. Customers. - The Authority 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, reliability and safety in return for the price paid for the same. It shall 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.

SEC. 40. Suppliers - The Authority shall aim to develop business like arms length relationships and improve networking with business partners and suppliers based on mutual trust.

SEC. 41. Health and Safety - The Authority shall aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. The Authority should comply with all relevant local legislation or regulations as well as practice guidelines recommended by national health and safety authorities. The employees should be duly informed regarding the policies and practices of the Authority in order to maintain a healthy, safe and enjoyable environment.

SEC. 42. Environment. - It shall be the goal of the Authority to minimize harmful effects and consider the development and implementation of environmental standards to be of great importance.

In the course of its operations, the Authority shall identify opportunities to reduce the consumption of energy, water and other natural resources. It shall also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our impact on the environment.

VIII.

DISCLOSURE AND TRANSPARENCY REQUIREMENTS

SEC. 43. *Transparency as the Essence of Corporate Governance.* - The Authority shall disclose all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner at all times.

SEC. 44. *Right to Information.* - This Manual shall be available for inspection by any of the identified Stakeholders of the Authority at reasonable hours on business days.

SEC. 45. *Website* - In accordance with Section 25 of the Act, it shall be mandatory for the Authority to maintain a website and post therein for unrestricted access:

- (a) Institutional Matters;
- (b) Information on the Board of Directors and Officers;
- (c) Financial and Operational Matters;
- (d) Governance Matters; and
- (e) Such other information or report that the GCG may require.

SEC. 46. *The Authority as an Active Participant in the Integrated Corporate Reporting System.* - The Authority, acting through its Board and the Management, shall ensure that it becomes an active and responsible member and contributor to the Integrated Corporate Reporting System, which shall be developed by the National Government through the GCG.

SEC. 47. *Mandatory Reports.* - The Authority shall regularly submit, as may be required by the GCG and other Government Agencies, the following :

- (a) Performance Scorecards;
- (b) Date and nature/particulars of implementation of COA audit recommendation; and

- (c) Compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.

SEC. 48. Other Reportorial Requirements. - The Authority shall also submit to the GCG periodically in electronic form to the GCG the following:

- (a) Common form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report;
- (b) Cash and investment balances;
- (c) Capital expenditure program;
- (d) Statement on financial operations;
- (e) Acquisition or disposition of assets;
- (f) Off balance sheet transactions;
- (g) Reports for the annual corporate budget call such as, but not limited to, the following:
 - (i) Physical and financial performance reports preferably for the immediately preceding three (3) years; and
 - (ii) Sources and uses of funds preferably for the immediately preceding three (3) years and the proposal for the coming year.
- (h) Aging receivables and provisions for losses;
- (i) Status of pending cases/litigations; and
- U) Listing/Disclosure of all losses from whatever source or firm.

The foregoing reports shall be accompanied by a Statement by the Directors confirming the truth and fairness thereof similar to a Statement of Management Responsibility.

IX.

HIGHEST STANDARDS PRINCIPLE

SEC. 49. Public service being a public trust, nothing in this Manual shall be construed as:

- 4.2.1. 1. *Corporate Government Standards:* Relieving or excusing the Authority, its Directors and Officers, from complying with more rigorous standards of corporate governance as those required by the regulatory agencies concerned.
- 4.2.2. *Reportorial Requirements:* A waiver of the separate reportorial requirements mandated by the appropriate regulatory agencies.
- 4.2.3. *Administrative and Criminal Liabilities:* A waiver of the administrative or criminal liabilities imposed by existing laws, rules and regulations, such as the Anti-Graft and Corrupt Practices Act and the Code of Conduct and Ethical Standards for Public Officials and Employees for Government Officials, for offenses or breach of ethical standards committed by Directors, Officers and employees of GOCCs.

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SANCTIONS

SEC. 50. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on any member of the Board or Officer in case of violation of any of the provision of this Manual:

- 50.1. In case of first violation, the subject person shall be reprimanded.
- 50.2. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
- 50.3. For third violation, the maximum penalty of removal from office shall be imposed.
- 50.4. The commission of a third violation of this manual by any member of the Board or Officer shall be a sufficient cause for removal from directorship/officership.
- 50.5. The foregoing penalties shall be without prejudice to the applicable criminal, civil and administrative liability that may be imposed by the Courts or appropriate regulatory agency.
- 50.6. The Corporate Governance Committee shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

XI.

MISCELLANEOUS PROVISIONS

SEC. 51. *Amendments.* - This Manual may be amended by the Authority through the issuance of a memorandum circular duly published and approved by the GCG and a copy formally submitted to the UP Law Center.

SEC. 52. *Effectivity* - This Manual shall be effective fifteen (15) days after it is published in the Authority's website and from the date the formal copy is received by the UP Law Center.

ADOPTED this _____ day of December 2013.

APPROVED:

JOSEPH EMILIO AGUINALDO ABAYA

Chairman


JOSE PERPETUO M. LOTILLA
Alternate Chairman


JOSE ANGEL A. HONRADO

Vice-Chairman

CESAR V. PURISIMA

Member/

RAMON R. JIMENEZ, JR.

Member/


MA. EDITA Z. TAN
Alternate Member

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Alternate Member

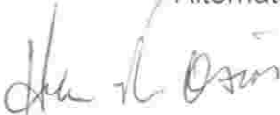

CESAR A. BUENAVENTURA
Member

JOSE VICENTE B. SALAZAR
Member/
(Study Leave)

WILLIAM K. HOTCHKISS III
Member/


RICARDO V. PARAS III
Representative of Usec. Salazar


RODANTE S. JOYA
Alternate Member


HELEN R. OSIAS
Member

APPROVED BY GCG:

CESAR L. VILLANUEVA
Chairman

MA. ANGELA E. IGNACIO
Commissioner

RAINIER B. BUTAUD
Commissioner