



## CORPORATE GOVERNANCE MANUAL

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# Article I

## PREAMBLE

Corporate governance refers to “the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.”<sup>1</sup> Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.<sup>2</sup> It encompasses the entirety of the legal and factual regulatory framework for managing and supervising a Corporation.<sup>3</sup>

The primary goal of corporate governance is to create and sustain increased value in the Corporation for all of its stockholders and other stakeholders. To achieve this goal, it is necessary – among other things – to clearly set forth the principles of appropriate supervision and good management, and thereby lay the groundwork for the development and implementation of value-creating activities. Moreover, it is as important that these agreed principles of governance must be transparent to all stockholders concerned, thereby safeguarding stockholders’ and other stakeholders’ rights and promoting stockholders’ and their participation in the corporate governance process.

The framework for Corporate Governance is not drawn from any single document. The Revised Corporation Code of the Philippines (Republic Act No. 112321) lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by: (1) the Securities Regulation Code (Republic Act No. 8799), (2) the implementing rules and regulations issued by the Securities and Exchange Commission (“SEC” or “Commission”), (3) the Code of Corporate Governance (SEC Memorandum Circular No. 2, Series of 2002), (4) the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009), (5) the Amendment to the Revised Code of Corporate Governance (SEC Memorandum Circular No. 9, Series of 2014), (6) the Code of Corporate Governance for Publicly Listed Companies, and (7) the Real Estate Investment Trust (REIT) Act of 2009 (Republic Act No. 9856) and its Implementing Rules and Regulations (the “REIT Law”). All the terms used herein are used with the meanings assigned to them by said laws and implementing rules and regulations.

The machinery for corporate governance of AREIT, Inc. (“AREIT” or the “Corporation”) is principally contained in the Corporation’s Articles of Incorporation and By-Laws, and their amendments. These constitutive documents lay down, among others, the basic structure of governance, minimum qualifications of Directors, and the principal duties of the Board of Directors and officers of the Corporation. The function of this Manual of Corporate Governance is to supplement and complement the Corporation’s Articles of Incorporation and By-Laws by setting forth principles of good and transparent governance.

The Board of Directors, Management, officers, and employees of the Corporation hereby commit themselves to the principles and best practices of governance contained in this Manual as a guide in the attainment of its corporate goals. The Corporation shall make a continuing effort to create awareness of good corporate governance within the organization.<sup>4</sup> At the same time, the entire

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<sup>1</sup> Securities and Exchange Commission (SEC) Memorandum Circular No. 6, Series of 2009, as amended by SEC Memorandum Circular Nos. 9, series of 2014, 19, Series of 2016.

<sup>2</sup> Id.

<sup>3</sup> Berlin Initiative Group Code of Corporate Governance

<sup>4</sup> SEC Model.

organization hereby declares its continuing commitment to the Vision statement and corporate values of AREIT.

## **VISION**

To be the premiere and leading Real Estate Investment Trust (“REIT”) in the Philippines with a balanced portfolio providing stable returns and long-term growth.

## **MISSION**

Backed by the expertise and track-record of Ayala Land, Inc., AREIT delivers excellent real estate services and investment strategy that create sustainable value to its customers, locators, stakeholders and the relevant communities it serves.

# Article II

## GOVERNANCE STRUCTURE

### 1. The Board of Directors

The Board of Directors is the supreme authority in matters of governance and managing the business of the Corporation. Within their chartered authority, the Directors acting as a board have the fullest powers to regulate the concerns of the Corporation according to their best judgment. It shall be the Board's responsibility to promote and adhere to the principles and best practices of corporate governance and to foster the long-term success of the Corporation and to secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

#### 1.1 Composition

The Board of Directors shall be composed of eight (8) members, more than 49% of whom shall be independent and/or non-executive directors, who shall be elected by a majority of the Corporation's outstanding capital stock at the annual stockholders' meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

Majority of the Board of Directors shall have no executive responsibility and shall not perform any work related to the operations of the Corporation (Non-Executive Directors). The Non-Executive Directors possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

Independent Directors may serve for a period of not more than nine (9) years, without prejudice to being elected as a non-independent director of the Corporation nor an independent director in other companies of the business conglomerate, where applicable.

As a REIT corporation that is listed company with the Philippine Stock Exchange (PSE), the Corporation shall conform with the requirement to have such number of independent directors as may be required by law or regulations, and with the procedures for the nomination and election of independent directors as prescribed by law or regulations.

The Board has to be composed so that it possesses, as a group, the necessary knowledge, skills and experience required to properly perform its duties.

The Board shall encourage selecting a mix of competent Directors, each of whom can add value and contribute independent judgment in formulating sound corporate strategies, policies and decisions.

In the selection of candidates for the Board, the objectives set by the Board for its composition shall be seriously considered, as well as the required knowledge, abilities and experience needed to successfully manage the Corporation.

The Board shall regularly review its composition, taking into account the evolving requirements of the Corporation, and best practices in corporate governance.

## **1.2 Diversity**

Careful attention must be given to ensure that there is independence and diversity in background, gender, and other relevant factors, and appropriate representation of women.

The Corporation shall strive that its Board shall be composed of, and maintain, at least two (2) female directors.

It is important to have Board diversity to avoid groupthink and ensure that optimal decision-making is achieved. Diversity is not limited to gender and includes business experience, age, ethnicity, culture, skills, competence and knowledge. Nominees shall be selected based on merit.

## **1.3 Qualifications**

A Director of AREIT shall have the following qualifications:<sup>5</sup>

- a. ownership of at least one (1) share of the capital stock of the Corporation;
- b. a college degree or its equivalent or adequate competence and understanding of the fundamentals of the real estate industry or sufficient experience and competence in managing a business to substitute for such formal education;
- c. membership in good standing in relevant industry, and membership in business or professional organizations;<sup>6</sup> and
- d. possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.

## **1.4 Retirement Age**

With a view towards adopting an effective succession planning program for directors, as a general rule, the retirement age for Directors is eighty (80) years old, subject to such exceptions as may be approved by the Board of Directors, taking into account the relevant qualifications and invaluable contribution of the Director and the special circumstances affecting the Corporation.

## **1.5 Disqualifications**

The following persons are disqualified from being a Director of the Corporation:

- a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (i) involves the purchase or sale of securities as defined in the Securities Regulations Code; (ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; and (iii) arises out of his relationship

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<sup>5</sup> Except for item (b) which is a legal requirement, all other qualifications are derived from the SEC Model.

<sup>6</sup> Revised Code of Corporate Governance, Article 3. (D) (iii).

with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

- b. Any person who, by reason of any misconduct, after hearing, is permanently by a final judgment or order of the Commission or any court or other administrative body of competent jurisdiction from; (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a Director or officer of a bank, quasi-bank, trust company, investment house, investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraph (i) and (ii) above, or willfully violating the laws that govern securities and banking activities. The disqualification should also apply if (i) such person is the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued under the Revised Corporation Code, Securities Regulation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation promulgated by the Commission or BSP, (ii) such person has otherwise been restrained to engage in any activity involving securities and banking; (iii) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership or participation or association with a member or participant of the organization;
- c. Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d. Any person who has been adjudged by final judgment by the Commission, BSP, court of competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Revised Corporation Code of the Philippines, or any other law, rule, regulation or order administered by the Commission, or BSP;
- e. Any person judicially declared as insolvent;
- f. Any person finally found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the preceding paragraphs;<sup>7</sup>
- g. Any person who, within five (5) years prior to election or appointment as a director, is (a) convicted by final judgment (1) of an offense punishable by imprisonment exceeding six (6) years; (2) for violation the Revised Corporation Code; and (3) for violating The Securities Regulation Code; (b) found administratively liable for any offense involving fraudulent acts; and (c) by a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs (a) and (b).<sup>8</sup>

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<sup>7</sup> Disqualifications (a), (b) and (d) to (f) are required by the SEC Model; disqualification (c) is required by the Public Service Law.

<sup>8</sup> Revised Corporation Code, Sec. 26. Disqualification of Directors.



- h. No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:<sup>9</sup>
  - i. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any Corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least two-thirds (2/3) vote, determines to be competitive or antagonistic to that of the Corporation; or
  - ii. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other Corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or
  - iii. If the Board, in the exercise of its judgment in good faith, determines by at least two-thirds (2/3) vote that he is the nominee of any person set forth in (ii) or (iii).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

- i. An independent Director, after serving for a maximum cumulative term of nine (9) years, shall be perpetually barred from being re-elected as such in the Corporation, without prejudice to being elected as a non-independent director of the Corporation or an independent director in other companies of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the SEC.<sup>10</sup>
- j. Having willfully and knowingly voted or consented to patently unlawful acts of the Corporation, having been found guilty of gross negligence or bad faith in directing the affairs of the Corporation, or having acquired any personal or pecuniary interest in conflict with the duty as a director of the Corporation; and
- k. Such other grounds as may be provided by applicable laws, rules and regulations.

## **1.6 Temporary Disqualification of Directors**

The following are grounds for temporary disqualification of incumbent Directors:

- a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.

<sup>9</sup> Amended By-Laws, Article III, Section 3.

<sup>10</sup> SEC Memorandum Circular Nos. 19 series of 2016 and 4 series of 2017.

- b. Absence or non-participation for whatever reason(s) in more than twenty-five percent (25%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident.<sup>11</sup> This disqualification applies for purposes of the succeeding election.
- c. Dismissal or termination for cause as Director of any publicly-listed company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.
- d. Being under preventive suspension by the Corporation for any reason; and
- e. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

A temporarily disqualified Director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.<sup>12</sup>

### **1.7 Chairman of the Board**

The Chairman of the Board shall be separate from the Chief Executive Officer (“CEO”) to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. The Corporation shall disclose the relationship between the Chairman and the CEO, if any, in its annual report to the Commission.

The Chairman of the Board, shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. He shall –

- a. schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation’s operations;
- b. prepare the meeting agenda in consultation with the CEO;
- c. exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- d. assist in ensuring compliance with the Corporation’s guidelines on corporate governance.<sup>13</sup>

<sup>11</sup> Revised Code of Corporate Governance, Article (3.E) 2. (ii).

<sup>12</sup> Revised Code of Corporate Governance, Article 3.I.

<sup>13</sup> SEC Memorandum Circular No.2, series of 2002.

The Chairman shall have such other responsibilities as the Board of Directors may impose upon him.

## **1.8 Independent Directors**

Each Independent Director shall hold no interest or relationship with the Corporation that may hinder their independence from the Corporation or Management or interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.

- a. The Corporation shall have such number of independent directors as may be required by law or regulation. For this purpose, an independent director shall mean a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as an independent director of the Corporation and includes, among others, a person who:
  - i. Is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;
  - ii. Is not, and has not been in the three (3) years immediately preceding the election, a director, officer, employee of the Corporation, or the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial stockholder or of its related companies or any of its substantial stockholders;
  - iii. Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his/her election;
  - iv. Is not the beneficial owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
  - v. Is not a relative of any Director, officer or substantial stockholder of the Corporation or any of its related companies or any of its substantial stockholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
  - vi. Is not acting as a nominee or representative of a substantial shareholder of the Corporation, any Director of the Corporation, or any of its related companies or any of its substantial shareholders;
  - vii. Is not a securities broker-dealer of listed companies and registered issuers of securities. A "securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder,

nominee of the firm to an exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

- viii. Is not retained, either in his/her personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial stockholder, or is otherwise independent of management and free from any business or other relationship within the three (3) years immediately preceding the date of his/her election;
- ix. Does not engage or has not engaged in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner, or a company of which he is a director or substantial stockholder, other than such transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his/her independent judgment.

The types of transaction or affiliation under this paragraph which disqualify one from becoming an Independent Director include:

- i. Personal service contracts with the Corporation, or any of its related companies, or its senior management;
  - ii. Being affiliated with a significant customer or supplier of the Corporation or any of its related companies. For this purpose, a person shall be deemed to be affiliated with a party if such person: (a) has a direct or indirect ownership interest in, or (b) is employed by such party;
  - iii. Being affiliated with a non-profit organization that receives significant funding from the Corporation, or any of its related companies;
  - iv. Being a member of the immediate family of an individual who is, or has been during the past five years, employed by the Corporation or any of its related companies as an executive officer; or
  - v. Being affiliated with or employed by a present or former auditor of the Corporation, or any of its related companies in the past five years.
- x. Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial stockholders; and
  - xi. Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

When used in relation to a company subject to the requirement above:

- i. Related company means another company which is (a) its holding/parent company, (b) its subsidiary, and (c) a subsidiary of its holding company.
    - ii. Substantial stockholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.
  - b. An independent director shall have the following qualifications:
    - i. Ownership of at least one (1) share of stock of the Corporation registered under his name;
    - ii. Must be a college graduate or holds an equivalent academic degree;
    - iii. Must have been engaged in or exposed to the business of the Corporation for at least five (5) years;
    - iv. Must be a person of proven integrity/probity.
  - c. No person enumerated under Recommendation 2.6 of the Code of Corporate Governance shall qualify as an independent director. He shall also be disqualified during his tenure under any of the following instances or causes:
    - i. He becomes an officer or employee of the Corporation where he is such member of the Board of Directors or becomes any of the persons enumerated under Section 4(a), Article III of the Corporation's By-Laws;
    - ii. His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the Corporation;
    - iii. Fails, without any justifiable cause, to attend at least fifty percent (49%) of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;
    - iv. Such other disqualifications provided in this Manual.
  - d. An independent Director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or controlling shareholder at the time of his election or appointment and/or re-election as a Director.<sup>14</sup>
  - e. Independent Directors are not entitled to receive options, performance shares, and bonuses except pursuant to a resolution approved by stockholders owning at least a majority of the outstanding capital stock.

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<sup>14</sup> Korean Code of Best Practice for Corporate Governance.

The Corporation shall, as appropriate, provide independent Directors with technical support staff to assist them in performing their duties for such committees. Independent Directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. The Corporation shall cover the reasonable expenses of providing such support.

- f. The Board shall designate a lead independent Director among the independent Directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and CEO are held by one (1) person to ensure independent views and perspectives and avoid the abuse of power and authority, and potential conflict of interest.

The functions of the lead independent Director include, among others, the following:

- i. Serving as an intermediary between the Chairman and the other Directors when necessary;
- ii. Convening and chairing meetings of the non-executive Directors; and
- iii. Contributing to the performance evaluation of the Chairman, as required.

## **1.9 Policy on Multiple Board Seats**

The Corporation shall ensure that adequate time and attention is given to the fulfillment of each Directors' duties.

Independent Directors and non-executive Directors are encouraged to hold no more than five (5) board seats in any group of publicly-listed companies and executive Directors **to** hold no more than two (2) board seats in listed companies outside Ayala Land Inc., and its Subsidiaries and Affiliates.

## **1.10 Board Meetings and Quorum Requirements**

- a. Members of the Board should attend regular and special meetings of the Board in person or through remote communication, such as teleconferencing, videoconferencing or other alternative modes of communication allowed by SEC.

Two-thirds (2/3) of the number of Directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business.

- b. The Board may, to promote transparency, require the presence of at least one (1) independent Director in all of its meetings.<sup>15</sup> However, the absence of an independent Director shall not affect the quorum requirement if he is duly notified of the meeting but notwithstanding such notice fails to attend.

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<sup>15</sup> Revised Code of Corporate Governance, Article 3.1.

- c. The Board shall designate the days when it shall meet, but it shall meet at least six (6) times each calendar year.
- d. The Board may convene in a special meeting by the Chairman or upon the request of at least two (2) Directors.
- e. Non-executive Directors (NEDs) shall hold meetings semi-annually for proper check and balance; to ensure adequacy of the Corporation's internal controls and effectiveness of risk management. NEDs shall meet without the presence of executive Directors and may call on the external auditor and/or heads of internal audit, compliance and risk units as resource persons to ensure that proper checks and balances are in place within the Corporation. The meetings shall be chaired by the lead independent Director.

#### **1.11 General Responsibility of the Board for Good Governance**

- a. Compliance with the principles of good governance shall start with the Board of Directors.<sup>16</sup> It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its stockholders and other shareholders.<sup>17</sup>
- b. To ensure good governance of the Corporation, the Board should establish the vision and mission, strategic objectives and key policies and procedures for the management of the Corporation, as well as the mechanism for monitoring and evaluating Management's performance.<sup>18</sup>
- c. To the extent set forth above, the Board of Directors shall orient all its activities towards three (3) general guidelines:
  - i. All actions taken by the Board are subject to the principle of legal permissibility. They must therefore not infringe on the appropriate provisions of Philippine law and the Corporation's constitutive documents.
  - ii. All actions taken by the Board are subject to the principle of economic usefulness. They should accordingly contribute to increasing the value of the Corporation in a sustainable manner.<sup>19</sup>
  - iii. The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly-listed company.
- d. The Board shall ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to<sup>20</sup>:

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<sup>16</sup> SEC Model.

<sup>17</sup> SEC Model.

<sup>18</sup> SEC Model.

<sup>19</sup> Berlin Initiative Group German Code of Corporate Governance.

<sup>20</sup> SEC Memorandum Circular No. 2, series of 2002.

- i. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
- ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
- iii. Appointing a CEO with the appropriate ability, integrity, and experience to fill the role; and defining the duties and responsibilities of the CEO;
- iv. Reviewing proposed senior management appointments;
- v. Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan;
- vi. Institutionalizing the internal audit function;
- vii. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

#### **1.12 Board Self-Assessment**

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

To strengthen the objectivity of the assessment, the Board will engage an external facilitator to conduct the process every three (3) years.

The external facilitator can be an independent party such as, but not limited to, a consulting firm, an academic institution, or a professional organization.

#### **1.13 Specific Duties of the Board of Directors**

The Board shall exert its best effort to ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders. To do so, it shall perform all the functions which it is required to perform in the Corporation's By-Laws as well as the Board Charter with honesty and integrity, and shall –

- a. Oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation in order to sustain the Corporation's long-term viability and strength;
- b. Oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board shall also approve the Internal Audit Charter;
- c. Formulate and implement policies and procedures that would ensure the integrity, transparency and would guarantee fairness of related party transactions including other unusual or infrequently occurring transactions



exceeding thresholds of materiality between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and Directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board;

- d. Establish and make available an alternative dispute mechanism in the Corporation that can amicably settle intra-corporate disputes;
- e. Establish an effective performance management framework to align Management's performance with the standards and criteria set by the Board and senior management;
- f. Formulate and adopt a policy for the Board's and key officer's compensation programs aligned with work required and performance against business plans;
- g. Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and minutes should be taken of such meetings;
- h. Constitute an Audit Committee and such other committees as are required in the By-Laws of the Corporation;
- i. Select, appoint and assess the performance of the President, CEO and other senior officers in accordance with the process and criteria set in the Board Charter;
- j. Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Corporation;
- k. Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;
- l. Ensure that the Corporation complies with all relevant laws, regulations and as far as possible best business practices;
- m. Formulate a clear communication and disclosure strategy to accurately, timely and effectively communicate with the SEC, the PSE and the Corporation's stockholders and other stakeholders on matters of importance;
- n. Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems shall be regularly reviewed and updated to render for effectiveness;
- o. Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas;
- p. The Board is primarily responsible to the stockholders for financial reporting and control, and should:

- i. Provide to all stockholders relevant and timely information about the Corporation, including but not limited to a periodic report and an annual report of the Corporation's performance, position and prospects through publicly available reports submitted to the Commission;
  - ii. Present a balanced and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
  - iii. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
  - iv. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
  - v. Maintain a sound system of internal control to safeguard stockholders' investment and the Corporation's assets';
  - vi. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
  - vii. Require the Chief Audit Executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;
- q. Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;
  - r. Create a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable;
  - s. Create an internal self-rating system and conduct an annual performance assessment of the Board, its individual members, its committees, the President and CEO, and Management;<sup>21</sup>
  - t. Cause the Corporation to participate in the corporate governance survey;<sup>22</sup>

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<sup>21</sup> SEC Model.

<sup>22</sup> SEC Model.

- u. Ensure that all Directors, executives and employees adhere to the Corporation's Code of Ethics.

The Board of Directors shall have the following functions duties powers and attributes in addition to those assigned to it by the Revised Corporate Code, the REIT Act, and other sections of the By-Laws:

- a. Exercise the functions, powers, duties and attributes of the Corporation as a real estate investment trust under the REIT Act and other applicable laws, rules and regulations, subject to the approval by the stockholders if such approval is required by law;
- b. Determine the period manner and conditions under which the Corporation shall engage in the kinds of business comprised in Article II of the Articles of Incorporation;
- c. Determine the manner in which the corporate capital shall be invested, subject to the provisions of the REIT Act;
- d. Create committees and other bodies it may deem advantageous or necessary in running the affairs of the Corporation, as well as appoint, as it may deem advantageous or necessary in running the affairs of the Corporation, advisory directors who can participate in deliberations of the Board of Directors but whose functions shall strictly be advisory and are non-voting; appoint/elect the Chairman of the Board of Directors, President, CEO, Chief Operating Officer, Corporate Secretary, Assistant Corporate Secretary, Treasurer, Chief Financial Officer and Compliance Officer of the Corporation; create positions such as Executive Vice Presidents or Executive Managing Directors, Senior Vice Presidents or Senior Managing Directors, Vice Presidents or Managing Directors and Assistant Vice Presidents or Associate Directors, who need not be members of the Board of Directors, Attorneys-in-Fact, Managers, Assistant Managers, Assistant Secretaries and Legal Counsel for the Corporation, and such other positions as the Board of Directors deems necessary or advantageous, fix their duties and powers, and appoint individuals to these positions; provided that, any two (2) or more compatible positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Corporate Secretary at the same time;
- e. Adopt rules for the internal regulation of the Corporation, including a Manual on Corporate Governance, in accordance with applicable laws and rules;
- f. Determine the creation of branches, agencies, office departments of any class, under the conditions it may deem convenient;
- g. Carry out the functions relating to the responsibility over the title and custody of the assets and property of the Corporation; decide as to the safekeeping of the funds of the Corporation, open current accounts, fixed deposit accounts and savings accounts with any bank authorized to operate in the Philippines and/or abroad;
- h. Approve the budget and general expense account of the Corporation each year;

- i. Fix annually the percentage to be written off on all capital expenditures of the Corporation such as buildings, furniture and fixtures, etc.;
- j. Submit to the stockholders during the annual stockholders' meeting the Balance Sheet, Profit and Income Statement and Annual Report on the condition of the Corporation;
- k. Call special meetings;
- l. Authorize any other person or persons it may deem fit to purchase, sell, or mortgage the real or personal properties of the Corporation;
- m. Authorize any other person or persons it may deem fit to cancel mortgages or pledges executed as securities for loans and bonds when the mortgages have been repaid to the Corporation and when the bonds have been cancelled;
- n. Determine the time and manner of issuance of unissued stocks of the Corporation;
- o. Fix the budget of administration expenses;
- p. Determine the manner and conditions under which employees of the Corporation shall be granted pensions retirement gratuity or life insurance protection;
- q. Institute, maintain, defend, compromise or drop any litigation in which the Corporation or its officers may be interested in as plaintiff or defendant in connection with the property and business of the Corporation and grant extension of time for the payment or settlement of any indebtedness in favor of the Corporation;
- r. Settle any doubts that may arise relative to the interpretation of the By-Laws and supply any omissions, reporting such action as it may see fit to take to the stockholders during the annual stockholders' meeting;
- s. To delegate, from time to time, any of the powers of the Board of Directors 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 persons to be agents of the Corporation with such powers (including the power to sub-delegate) and upon such terms, as may be deemed fit; and
- t. To implement the By-Laws and to act on any matter not covered by the By-Laws; provided that such matter does not require the approval or consent of the stockholders under any applicable law, rules or regulation.

#### **1.14 Specific Responsibilities of Each Director**

A Director's office is one of trust and confidence. He should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should

exercise leadership, prudence and integrity in directing the Corporation towards sustained progress over the long term.<sup>23</sup>

In addition to the duties and responsibilities of a Director set forth in the Corporation's By-Laws, Board Charter and existing relevant statutes, a Director shall:

- a. Act in the best interest of the Corporation, the stockholders and the stakeholders in a manner characterized by transparency, accountability and fairness;
- b. Conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions. A Director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. He should observe the conflict of interest policy stated in this Manual.
- c. Abstain from taking part in deliberations for transactions where he has a material interest in;
- d. Devote time and attention necessary to properly discharge his duties and responsibilities. A Director should attend and actively participate in all meetings of the Board, the Board Committees where he is a member of, and the shareholders, except when prevented by justifiable causes;
- e. Act judiciously on a fully informed basis, in good faith and with due diligence and care. Before deciding on any matter brought before the Board of Directors, every Director should evaluate the issues, ask questions and seek clarifications as appropriate;
- f. Exercise independent judgment. A Director should view each problem/situation objectively and support plans and ideas that are beneficial to the Corporation;
- g. Have a working knowledge of the statutory and regulatory requirements affecting the Corporation. This would include a firm knowledge of the contents of the Articles of Incorporation and By-Laws of the Corporation and the amendments thereof, the requirements of the PSE and SEC for the conduct of the Corporation's business, and where applicable, the requirements of other regulatory agencies;
- h. Observe confidentiality. A Director shall observe the confidentiality of non-public information acquired by reason of his position as a Director. He should not disclose any information to any other person without the authority of the Board;
- i. Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment. Each Director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Corporation.<sup>24</sup>

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<sup>23</sup> SEC Model.

<sup>24</sup> SEC Memorandum Circular No 2, series of 2002.

- j. Attend and participate in the training program of the Corporation;
- k. Exercise of the degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a Director to act on an informed basis in good faith and in an honest belief that the action was taken in the best interest of the Corporation;<sup>25</sup>
- l. Prior to assuming office, attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institution. The re-elected Directors shall likewise attend at least once a year, a seminar on corporate governance which shall be conducted by training providers that are duly accredited by the SEC. If necessary, funds shall be allocated by the Corporation for this purpose; and
- m. Notify the Chairman and the Corporate Governance and Nomination Committee before accepting a directorship in another company.

### **1.15 Liability of Directors**

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such Directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders and other persons.

When a Director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation, in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.<sup>26</sup>

### **1.16 Compensation and Liability Insurance Coverage of Directors**

- a. By resolution of the Board of Directors, each director, may receive a reasonable per diem allowance for his attendance to each meeting of the Board of Directors. Any additional compensation, other than per diems to be given to the members of the Board of Directors shall be subject to stockholders' approval.

A director, except an independent director, shall not be precluded from serving the Corporation in any other capacity such as an officer, agent or otherwise, and from receiving compensation thereof.

The amount of the annual compensation of all directors and principal officers of the Corporation shall be fixed subject to the provisions of the REIT Act and other applicable laws, rules and regulations.

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<sup>25</sup> As suggested by the Audit and Risk Committee and approved by the Board.

<sup>26</sup> Revised Corporation Code, Section 29.

- b. Effective from the effective date of this Manual, no Director shall participate in the determination of his or her own per diems or compensation.<sup>27</sup>

The Corporation, to ensure effectiveness of holding Directors accountable and to attract competent persons as Directors, may purchase at its own expense liability insurance coverage for its Directors.<sup>28</sup>

### **1.17 Policy on Training of Directors**

All new Directors of the Corporation shall undergo at the minimum an eight-hour orientation program on the Corporation's business and corporate structure, vision and mission, corporate strategy, Governance Codes and Policies, Articles, By-Laws, this Manual, the Charters, the SEC-mandated topics on governance matters and other matters essential for the effective performance of their duties and responsibilities.

Directors shall also attend a four-hour annual continuing training program, including courses on corporate governance at least once a year.

Directors are encouraged to assess their own training and development needs for the continuing training program.

## **2. Board Committees**

The Board of Directors may create such committees as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Corporation and to aid in good governance. All established committees are required to have Committee Charters, stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters provide the standards for evaluating the performance of each committee and fully disclosed on the Corporation's website. As a minimum, however, the Board shall be supported by the following committee:

### **2.1 Executive Committee**

The Board may create an Executive Committee composed of at least three (3) members, one-third of whom shall be independent director/s. The Board shall designate one (1) of such members as Chairman of the Executive Committee. A majority of the members of the Executive Committee shall be members of the Board of Directors. The proportion of non-Filipino nationals to citizens of the Philippines in the membership of the Executive Committee shall not at any time exceed the proportion that the number of shares of the Corporation held by aliens bears to the number of shares of the Corporation held by citizens of the Philippines as set forth in its Articles of incorporation. The Board may, from time to time, increase the membership of the Executive Committee, and appoint additional members therein, who may or may not be Directors.

- a. The Executive Committee shall exercise any of the powers and attributes, to the extent allowed by law, of the Board of Directors during the intervening periods between meetings of the Board of Directors, shall report on all resolutions adopted by it to the Board of Directors at the meeting of the Board

<sup>27</sup> Amended By-Laws, Article III, Section 12.

<sup>28</sup> Korean Code of Best Practices for Corporate Governance.

immediately succeeding the meeting/s of the Executive Committee during which resolutions were approved., except with respect to --

- i. approval of any action for which shareholders' approval is also required;
- ii. the filling of vacancies on the Board or in the Executive Committee;
- iii. the amendment or repeal of By-Laws or the adoption of new by-laws;
- iv. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
- v. the distribution of cash dividends;
- vi. the exercise of powers delegated by the Board exclusively to other committees, if any.

The Board of Directors may delegate to and determine the powers, duties and functions of the members of the Executive Committee subject to applicable law.

- b. Two thirds (2/3) of the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity, provided, however, that the Board of Directors may at any time enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or alteration by the Board of Directors, provided that no rights or acts of third parties shall be affected by any such revision or alteration.

## **2.2 Corporate Governance and Nomination Committee<sup>29</sup>**

The Corporate Governance and Nomination Committee shall be composed of at least three (3) members, all of whom should be independent Directors. The Board shall designate the chairman of the Committee who must be an independent director. The Committee shall have the following functions:

- a. Oversee the implementation of the Corporate Governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conduct an annual self-evaluation of its performance;

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<sup>29</sup> Sec. 6(b)(i) of SEC Memorandum Circular No. 2, series of 2002, states that it shall be the duty of the Board of Directors "to install a process of selection to ensure a mix of competent Directors, each of whom can add value and contribute to the formulation of sound corporate strategies and policies."



- c. Ensure that the results of the Board evaluation are shared, discussed, and that concrete plans are developed and implemented to address identified areas for improvement;
- d. Recommend continuing education/training programs for Directors, assignment of tasks, projects to Board committees, succession planning for the Board members and senior officers.
- e. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Propose and plan relevant trainings for the members of the Board;
- g. Determine the qualifications for the Corporation's Directors, ensuring that Board members' qualifications are compliant with those set forth in the By-Laws;
- h. Determine the nomination and election process for the Corporation's Directors and has the special duty of defining the general profile of Board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
- i. Establish a formal and transparent procedure to develop a policy for determining the remuneration of Directors and officers that is consistent with the Corporation's culture and strategy as well as the business environment in which it operates.
- j. Establish and maintain a process to ensure that all candidates/nominees for election as Directors at the Annual Stockholders' Meeting are qualified in accordance with the By-Laws, Manual of Corporate Governance and relevant laws, rules and regulations and possess none of the disqualifications stated in the Revised Code of Corporate Governance; and Corporate Governance Code for Publicly-Listed Companies.
- k. Encourage the selection of a mix of competent Directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. In the selection of candidates, the objectives set by the Board regarding its composition are to be seriously considered, as well as the required knowledge, abilities and experience needed to successfully manage the Corporation. Careful attention must be given to ensure that there is independence and diversity, and appropriate representation of women in the Board, subject to the possession of the knowledge, abilities and experience determined by the Board as necessary for the Board to properly perform its functions;
- l. Review and evaluate the qualifications of persons nominated to positions in the Corporation which require appointment by the Board, and provide guidance and advice as necessary for the appointments of persons nominated to other positions.
- m. Review and disclose succession plans for members of the Board, and senior officers to the President/CEO.

- n. Provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for Directors, officers or advisors.
- o. **Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment:**
- p. **Designate amount of remuneration, which shall be in sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully:**
- q. **Develop a formal and transparent procedure for developing a policy on remuneration packages of individual directors, if any, and officers, which policy shall disallow independent directors from receiving option, performance shares and bonuses:**
- r. **Provide in the Corporation's annual report the Corporation's fee structure of non-executive directors, and ensure that independent directors are not entitled to receive options, performance shares and bonuses:**
- s. **Ensure that the Corporation's compensation policy is competitive and aligns the long-term interests of the corporate officers and directors with those of the Corporation: and**
- t. Discharge any other duties and responsibilities delegated to the Committee by the Board from time to time.

**No director shall be involved in the determination of his own per diem or compensation during his incumbent term.**

The Committee shall be guided by the Corporation's mission and vision in the fulfillment of its functions.

### **2.3 Audit Committee**

There shall be an Audit Committee composed of three (3) members, all of whom shall be non-executive directors and a majority of whom shall be independent Directors. The independent Director shall chair the Audit Committee, and as far as practicable, shall not be the chairman of the Board or any other committee. The Audit Committee shall promulgate its own charter, for approval of the Board, which shall set out its purposes, membership, structure, operations, reporting process, resources and other relevant information in accordance with SEC Memorandum Circular No. 4 (2012).

Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular.

The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting,

monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee Charter shall include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.

The Charter shall also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

The Audit Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Corporation. It shall have the following particular duties and responsibilities:

#### Internal Audit

- a. Review and approve the Internal Audit Charter (IA Charter and subsequent revisions thereto for approval of the Board. The IA Charter shall be periodically reviewed to ensure alignment with the International Standards for the Professional Practice of Internal Auditing (ISPPIA).
- b. Set up the Internal Audit Division, including the appointment of the internal audit head or the Chief Audit Executive (CAE). The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The CAE shall report directly to the Committee functionally. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal. The Committee shall set up the qualification criteria for internal auditors.
- c. Through the Internal Audit Division, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations
- d. Approve the terms and conditions for outsourcing internal audit services;
- e. Review and monitor the Management's responsiveness to the Internal Auditor's findings and recommendations;
- f. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- g. Ensure that the Internal Auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by their function and that the Internal Audit Division shall be free from interference in determining its scope, performing its work and communicating its results.

- h. Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensuring that the audit resources are reasonably allocated to the areas of highest risk.
- i. Review reports of the Internal Auditors and regulatory agencies, where applicable, ensuring that Management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues.
- j. Review Internal Audit Division's periodic reports and the Internal Audit Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well as any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the Internal Audit Division's activities and performance relative to the audit plans and strategies approved by the Committee.
- k. Conduct separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.
- l. Provide inputs on the performance of the Internal Audit Division and communicating/discussing such inputs with the Chief Finance Officer (CFO) who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.
- m. Institute special investigations as necessary and, if appropriate, hiring special counsel or experts to provide the required assistance.
- n. Review the evaluation of compliance with the Code of Conduct for management.
- o. Provide an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- p. Perform regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- q. Perform consulting and advisory services related to governance and control as appropriate for the organization;
- r. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- s. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;

- t. Evaluate specific operations at the request of the Board or Management, as appropriate; and
- u. Monitors and evaluates governance processes.

#### Financial Reporting

- v. Review and approve the Interim and Annual Financial Statements and all related disclosures and reports certified by the Chief Financial Officer and released to the public and/or submitted to the SEC and for compliance with both the internal financial management handbook and pertinent accounting standards, including legal and regulatory requirements before their submission to the Board, with particular focus on: (i) any change/s in accounting policies and practices; (ii) areas where significant amount of judgment has been exercised; (iii) significant adjustments resulting from audit; (iv) going concern assumptions; (v) compliance with accounting standards; (vi) compliance with tax, legal and regulatory requirements.
- w. Review and approve management representation letter before submission to the independent auditor.
- x. Ensure that a transparent financial management system, supported by a Procedures and Policies Handbook that will be used by the entire organization is established, to ensure the integrity of internal control activities throughout the Corporation.
- y. Elevate to international standards the accounting and auditing processes, practices and methodologies.
- z. Ensure that actions and measures in case of finding of error or fraud in the financial statements and related disclosures are in place and followed.
- aa. Review unusual or complex transactions.
- bb. Communicate with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements.

#### Independent Audit

- cc. Recommend the appointment and removal of the independent auditors and the fixing of their remuneration to the Board. The Committee shall conduct an assessment of independence and professional qualifications and competence of the independent auditor and ensure that a rotation process is observed in the engagement of the independent auditor.
- dd. Review and pre-approve the independent auditor's plans one (1) month before the conduct of external audit to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.

- ee. Discuss with the independent auditors, before the audit commences, the nature and scope of the audit, and ensure cooperation when more than one professional service firm is needed. In addition, the Committee shall review compliance of independent auditor with auditing standards.
- ff. Monitor the coordination of efforts between the independent and internal auditors.
- gg. Review the reports of the independent auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner, including addressing issues in relation to control, governance and compliance adequacy, efficiency and effectiveness of policies, processes, and activities of the Corporation.
- hh. Conduct a separate meeting in executive session, with the Independent Auditors to discuss any matter that the Committee or Independent Auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.
- ii. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses.
- jj. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the Independent Auditor and in relation to the Corporation's year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the Independent Auditor. The amount of both audit and non-audit work of Independent Auditors shall be disclosed in the Annual Report and Annual Governance Report.
- kk. Ensure that there is a process in place for understanding disagreements between the independent auditor and the Management of the Corporation.

The Internal Audit group of the Corporation shall support the Audit Committee in the rendition of its functions.

#### **2.4 Risk Management and Related Party Transactions Committee<sup>30</sup>**

There shall be a Risk Management and Related Party Transactions Committee composed of at least three (3) non-executive members, majority of whom are independent directors, including the Chairman. The Chairman of the Risk Management and Related Party Transactions Committee shall not be the chairman of the Board or any other committee. At least one (1) member must have the relevant thorough knowledge and experience in risk and risk management. It shall have the following duties and responsibilities:

- a) Promote an open discussion regarding risks faced by the Corporation, as well as risks faced by its subsidiaries that may have potential impact on the Corporation's operations, and ensure that risk awareness culture is pervasive throughout the organization;

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<sup>30</sup> On February 24, 2022, the Board of Directors approved to combine the Board Risk Oversight Committee and Related Party Transactions Review Committee into this committee.

- b) Review and discuss with Management the Corporation's risk governance structure and adequacy of policies and processes for risk identification, assessment and mitigation;
- c) Review and recommend to the Management the Corporation's levels of risk appetite and risk tolerance, and risk exposure allocation for approval by the Board of Directors;
- d) Review the Corporation's risk profile on an ongoing basis and re-evaluate the likelihood of occurrence, severity of impact of risk exposures, and any mitigating measures affecting those risks;
- e) Monitor the implementation of the Corporation's risk mitigation plans and other risk management activities with the assistance of the risk management function;
- f) Review and discuss risk management-related reports and issues raised by the Management, internal auditors, external auditors, legal counsel and regulators that impact the Corporation's risk management framework;
- g) Review disclosures regarding risk contained in the Corporation's Annual Report and other publicly-issued statements;
- h) Review the objectivity, effectiveness and efficiency of the Corporation's risk management function in the context of the Corporation's size, scale, complexity and scope of operations;
- i) Secure independent expert advice on risk management matters where considered necessary or desirable;
- j) In coordination with the Audit Committee, ensure that the Corporation's internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process;
- k) Determine the advisability of, and review and evaluate the terms and conditions of any material or significant RPTs and their required reporting disclosures;
- l) Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including a periodic review of RPT policies and procedures;
- m) Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored and subsequent changes in relationships with counterparties, (i.e. from non-related to related and vice-versa) are captured;
- n) Ensure that appropriate disclosure is made and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures and policies on conflicts of interest or potential conflicts of interest;
- o) Report to the Board on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- p) Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
- q) Ensure an active management oversight of sustainability efforts and climate-related risks and opportunities; and,
- r) Perform other activities related to this Charter as requested by the Board.

## **2.5 Sustainability Committee**

The Sustainability Committee shall be composed of at least three (3) members as determined by the Board. The Board shall designate the Chairman of the Committee. The Committee has to be composed in such a way that it possesses, as a group, the necessary knowledge, skills and experience required to properly perform its duties. The Committee shall regularly review its composition, taking into consideration the progressing standard of the Corporation, and best

practices in sustainable development. As such, the Committee shall have the following duties and responsibilities:

- a. Provide oversight, identify and assess significant social, ethical and environmental interdependencies that might impact on the long-term business objective of the Corporation to be recognized as a responsible and sustainable Corporation in the property sector;
- b. Guide policy-making in the Corporation's sustainability program;
- c. Regularly monitor new and innovative technologies, processes and practices that will permit the Corporation to attain sustainable growth;
- d. Regularly review both current and proposed partnerships and relationships with stakeholders that support the Corporation's sustainable growth;
- e. Regularly evaluate the Corporation's communication and marketing strategies related to sustainable growth;
- f. Review the sustainability-related content of the Corporation's annual report prior to its issuance;

## **2.6 Proxy Validation Committee**

The Board of Directors shall appoint three (3) persons (who need not be stockholders or Directors) to act as the Proxy Validation Committee which shall be empowered to pass on the validity of proxies. The Committee shall be guided by existing laws, and rules and regulations of the Commission regarding proxies. The term of office of the Committee members shall be fixed by the Board of Directors. In the event of vacancy in the Committee membership, the Board of Directors may appoint another member to such vacancy.<sup>31</sup> It shall have the following particular duties and responsibilities:

- a. At least five (5) working days prior to the date of the stockholders' meeting, the Committee shall perform the validation of the proxies submitted by stockholders. The Committee shall only consider proxies submitted not later than seven (7) working days prior to the date of the stockholders' meeting. The Committee shall prepare a summary of the valid and invalidated proxies to be submitted to the Office of the Corporate Secretary, together with the proxies.
- b. Validation, counting and tabulation of votes cast at the Corporation's stockholders' meeting.
- c. Perform such other duties and functions as may be delegated by the Board from time to time.

The Committee shall be guided by applicable laws, the By-Laws, and the rules and regulations of the Commission regarding proxies. (SEC Rule 20, Section 20 of the Securities Regulation Code)

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<sup>31</sup> Amended By-Laws, Article IV, Section 1.



## Article III

### MANAGEMENT

#### 1. General Responsibilities of Management

Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets.<sup>32</sup> It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with IT strategy and the business goals of the Corporation; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.

Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the Corporation in a timely manner.<sup>33</sup>

#### 2. Executive Officers of the Corporation

The Executive Officers of the Corporation are the President and CEO, the Chief Operating Officer, the Chief Finance Officer and/or Treasurer, the Corporate Secretary, and Assistant Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors.<sup>34</sup>

The Board may from time to time, appoint such other officers as it may determine to be necessary or proper.

Any two (2) or more compatible positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time<sup>35</sup>

#### 3. Roles of the Executive Officers of the Corporation

The positions of the Chairman and the CEO shall be held by separate individuals, with clearly defined responsibilities, to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. The Corporation shall disclose the relationship between the Chairman and the CEO, if any, in its annual report to the Commission.

<sup>32</sup> Berlin Initiative German Code of Corporate Governance.

<sup>33</sup> SEC Memorandum Circular No. 2, series of 2002.

<sup>34</sup> Amended By-Laws, Article V, Section 2.

<sup>35</sup> Amended By-Laws, Article V, Section 2.

### **3.1 President and Chief Executive Officer**

Minimum internal control mechanisms for management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Corporation's organizational and procedural controls. In addition to the duties imposed on the President/CEO by the Board of Directors, the President shall:

- a. determine the Corporation's strategic direction and formulate and implement its strategic plan on the direction of the business;
- b. communicate and implement the Corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;
- d. has a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- e. direct, evaluate and guide the work of the key officers of the Corporation;
- f. manage the Corporation's resources prudently and ensures a proper balance of the same;
- g. provide the Board with timely information and interfaces between the Board and the employees;
- h. build the corporate culture and motivate the employees of the Corporation;
- i. serve as the link between internal operations and external stakeholders;
- j. initiate and develop corporate objectives and policies and formulate long-range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;
- k. supervise and manage of the business, affairs and property of the Corporation, and over its employees and officers, upon the direction of the Board of Directors;
- l. see to it that all orders and resolutions of the Board are carried into effect;
- m. submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs;
- n. implement the administrative and operational policies of the Corporation under his supervision and control;
- o. appoint, remove, suspend or discipline employees of the Corporation, prescribed their duties and determine their salaries;

- p. oversee the preparation of the budgets and the statements of accounts of the Corporation;
- q. represent the Corporation at all functions and proceedings;
- r. execute on behalf of the Corporation all contracts, agreements and other instruments affecting the interests of the Corporation which require the approval of the Board of Directors;
- s. make reports to the Board of Directors and stockholders;
- t. sign certificates of stocks;

The President/CEO shall have such other responsibilities as the Board of Directors may impose upon him.

### **3.2 The Chief Finance Officer**

The CFO shall be the appointed by the Board of Directors. The CFO, who may also be the Treasurer of the Corporation, shall:

- a. provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- b. maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- c. promote investor confidence in the Corporation by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with;
- d. strengthen internal controls by monitoring compliance with policies; recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The Chief Finance Officer shall have such other responsibilities as the Board of Directors may impose upon him and as stated in the By-Laws.

### **3.3 The Treasurer**

The Treasurer of the Corporation shall be a resident of the Philippines and shall have charge of the funds, securities, receipts and disbursements of the Corporation. He shall have the following functions:

- a. deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;

- b. regularly and at least every semester render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;
- c. ensure fund availability on a timely basis and at the most economical means;
- d. optimize yields in temporary excess funds;
- e. provide relevant and timely capital market information;
- f. ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him and as stated in the By-Laws.

### **3.4 The Corporate Secretary**

The Corporate Secretary shall be a resident and citizen of the Philippines. He is an officer of the Corporation and his loyalty to the mission, vision and specific business objectives of the Corporation comes with his duties. The Corporate Secretary is a separate individual from the Compliance Officer. The Corporate Secretary is not a member of the Board of Directors, and annually attends a training on corporate governance. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. He must also have some financial and accounting knowledge.<sup>36</sup> The Corporate Secretary shall have the following functions:<sup>37</sup>

- a. Assists the Board of Directors and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- b. Safekeeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- d. Works fairly and objectively with the Board, Management, and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- e. Advises on the establishment of board committees and their terms of reference;
- f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the

<sup>36</sup> SEC Memorandum Circular No. 2, series of 2002.

<sup>37</sup> Amended By-Laws, Article V, Section 3; SEC Memorandum Circular No. 2, series of 2002; SEC Model.

members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

- g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- h. Performs required administrative functions;
- i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements;
- j. Performs such other duties and responsibilities as may be provided by the Commission;
- k. Serves as an adviser to the Directors on their responsibilities and obligations;
- l. Records the minutes and transactions of all meetings of the Directors, the Executive Committee, and all other committees, and stockholders and to maintain minute books of such meetings in the form and manner required by law, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
- m. Keeps record books showing the details required by law with respect to the stock certificates of the Corporation, including ledgers and transfer books showing all shares of the Corporation subscribed, issued and transferred;
- n. Keeps the corporate seal and affix it all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;
- o. Attends to the giving and serving of all notices of the Corporation required by law or these By-Laws to be given;
- p. Certifies to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations;
- q. Acts as 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; to hear and determine questions in connection with the right to vote, to count and tabulate all votes, determine the result and do such acts as are proper to conduct the election;
- r. Performs such other duties as are incidental to his office or as may be assigned to him by the Board of Directors or the President; and
- s. Ensures fulfillment of disclosure requirements to the Commission and the PSE.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him. The Board shall have separate and independent access to the Corporate Secretary.

### **3.5 The Compliance Officer**

The Compliance Officer shall be appointed by the Board of Directors to be in charge of the compliance function and shall hold the position of a Vice President or its equivalent. He shall be a separate individual from the Corporate Secretary and shall perform the following functions:

- a. ensure proper onboarding of new Directors (i.e. orientation on the Corporation's business, charter, Articles of Incorporation and By-laws, among others);
- b. monitor, review, evaluate and ensure the compliance by the Corporation, its officers and Directors with the relevant laws, the Code of Corporate Governance for Publicly-Listed Companies, rules and regulations and all governance issuances of regulatory agencies;
- c. report to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- d. ensure the integrity and accuracy of all documentary submissions to regulators;
- e. appear before the SEC when summoned in relation to compliance with the Code of Corporate Governance for Publicly-Listed Companies;
- f. collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- g. aid in the review of the Corporation's transactions and identify any potential material Related Party Transactions (RPT) that would require review by the Board and ensure that the Corporation's RPT policy is kept updated and is properly implemented;
- h. issue annually an Integrated Annual Corporate Governance Report (I-ACGR) that is duly signed by the Chairman and CEO, the President and Chief Operating Officer, all independent Directors of the Corporation, Compliance Officer and Corporate Secretary;
- i. identify possible areas of compliance issues and work towards the resolution of the same;
- j. ensure the attendance of Board members and key officers to relevant trainings;
- k. oversight over the responsibilities of the Data Protection Officer relating to data integrity, protection, and privacy in accordance with applicable rules.

The Compliance Officer shall have such other responsibilities as the Board of Directors may impose upon him.

### **4. Training of Executive Officers**

Key officers of the Corporation shall attend a four-hour annual continuing training program, including courses on corporate governance and on other relevant areas as determined from training and development needs assessment.

## 5. Fund Manager

The Fund Manager of the Corporation shall have the following qualifications:

- a. It is a Philippine domestic corporation: (i) duly licensed by the appropriate Philippine regulatory agency to engage in the business of fund management or if a trust entity, shall be covered by existing Bangko Sentral ng Pilipinas (BSP) rules and regulations governing trust entities and regulations which the BSP may from time to time issue, (ii) with at least three (3)-years track record in the area of fund and/or real estate management, corporate finance, or other relevant finance-related functions, (iii) with a minimum paid-up capital of Three Hundred Million Pesos (₱300,000,000.00); and (iv) with sufficient human organizational and technical resources for the proper performance of its duties, including two (2) responsible officers or a trust officer, in case of a trust entity, each of whom shall have at least five (5) years track record in fund management and at least one (1) of the responsible officers or a trust officer in case of a trust entity, shall be available at all times to supervise the business of the Fund Manager;
- b. Its office in the Philippines shall have a meaningful role in its business activities and must perform accounting, compliance and investor relations services in the Philippines;
- c. The Fund Manager is backed up by a parent company that is a Philippine domestic corporation (i) duly licensed by the appropriate Philippine regulatory agency that is engaged or involved in the fields of (1) mall, office, hotels and resort operations, (2) industrial parks, real estate logistics and warehousing; (3) residential property and (4) facilities management and (ii) with at least ten (10) -years track record in the area of fund and/or real estate management, corporate finance, or other relevant finance-related functions and (iii) has a minimum capitalization of Five Billion Pesos (₱5,000,000,000.00) capable of deploying personnel that would provide the expertise and resources for the proper performance of its duties;
- d. Its chief executive officer or trust officer shall be a resident of the Philippines, and its two (2) full-time and qualified professional employees shall have a track record and experience in financial management as well as experience in the real estate industry for at least five (5) years; and
- e. Such other qualifications which the Board of Directors may deem proper or beneficial to the Corporation.

The Fund Manager of the Corporation shall have the following duties and responsibilities:

- a. implement the investment strategies of the Corporation by: (i) determining the allocation of its Deposited Property to the allowable investment outlets in accordance with the REIT Plan and the investment strategy of the Corporation; and (ii) selecting income-generating real estate in accordance with the investment strategy of the Corporation;
- b. objectively evaluate the desired investments, and formally advise the Corporation of its recommendation, even if contrary to the instructions of the Corporation;

- c. oversee and coordinate the following activities of the Corporation: property acquisition; leasing; operational and financial reporting (including operating budgets); appraisals; audits; market review; accounting and reporting procedures, as well as refinancing and asset disposition plans; and
- d. such other duties and functions as may be required by the Board of Directors or agreed between the Corporation and the Fund Manager.

## **6. Property Manager**

The Property Manager of the Corporation shall have the following qualifications:

- a. A Philippine domestic corporation which must possess sufficient human, organizational and technical resources for the proper performance of its duties, including two (2) responsible officers each of whom shall have at least five (5) years track record in property portfolio management, and at least one (1) of the responsible officers shall be available at all times to supervise the business of the Property Manager, including asset and property management;
- b. It has satisfactory internal controls and written compliance procedures;
- c. The Property Manager is backed up by a parent company: (i) that is a Philippine domestic corporation; (ii) that is engaged in the real estate business with expertise in the fields of (1) mall, office, hotel and resort operations. (2) industrial parks, real estate logistics and warehousing; (3) residential property and (4) facilities management; and (iii) that has a minimum paid-up capital of at least Five Billion Pesos (₱5,000,000,000.00); and
- d. Such other qualifications which the Board of Directors may deem proper or beneficial to the Corporation.

The Property Manager of the Corporation shall have the following duties:

- a. manage all aspects of the real estate owned by the Corporation in accordance with the REIT Plan and the investment strategy of the Corporation;
- b. plan the tenant mix and identify potential tenants;
- c. formulate and implement leasing strategies.
- d. enforce tenancy conditions;
- e. ensure compliance with government regulations in respect of the real estate under management;
- f. perform tenancy administration work, such as managing tenant occupancy and ancillary amenities, and negotiating with tenants on grant, surrender and renewal of lease, rent review, termination and re-letting of premises;
- g. conduct rental assessment, formulating tenancy terms, preparing tenancy agreements, rent collection and accounting, recovery of arrears and possession;



- h. secure and administer routine management services, including security control, fire precautions communication systems and emergency management;
- i. maintain and manage the physical structures/real properties;
- j. formulate and implement policies and programs in respect of building management, maintenance and improvement;
- k. initiating refurbishment and monitoring such activity; and
- l. such other duties and functions necessary and incidental to property management, as may be required by the Board of Directors or agreed between the Corporation and the Property Manager.

## Article IV

### GOVERNANCE POLICY ON CONFLICT OF INTEREST

The personal interest of Directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and the Corporation without regard to their own personal and selfish interests.<sup>38</sup>

- a. A conflict of interest exists when a Director or an officer of the Corporation—
  - i. supplies or is attempting or applying to supply goods or services to the Corporation;
  - ii. supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
  - iii. by virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
  - iv. is offered or receives consideration for delivering the Corporation's business to a third party;
  - v. is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Corporation.
- b. If an actual or potential conflict of interest should arise on the part of the Directors, whether involving an RPT or not, it should be fully disclosed and the concerned Director must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict. A Director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.
- c. A contract of the Corporation with one (1) or more of its Directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present:<sup>39</sup>
  - i. The presence of such Director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
  - ii. The vote of such Director was not necessary for the approval of the contract;
  - iii. The contract is fair and reasonable under the circumstances;

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<sup>38</sup> Canlas' Handbook on Stock, Stockholders and Directors.

<sup>39</sup> Revised Corporation Code, Section 31.

- iv. The contract is approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the contract;
- v. In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first three (3) conditions set forth in the preceding paragraph is absent, in the case of a contract with a Director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the Director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

- d. Where a Director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the Director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the Director risked his own funds in the venture.<sup>40</sup>
- e. The foregoing is without prejudice to the Corporation's existing Code of Business Conduct and Ethics for its officers, employees and staff.

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<sup>40</sup> Revised Corporation Code, Section 31.

# Article V

## AUDIT, RISK OVERSIGHT AND COMPLIANCE

### 1. Internal Audit

- a. The Internal Audit Group shall provide independent and objective assurance and advisory services to the Corporation designed to add value and improve on the organization's operations. It shall provide the Board, Management and the stockholders and other stakeholders an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders. It shall also provide the Board, Management and the stockholders and other stakeholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.
- b. The Internal Audit Group shall have the following specific duties and responsibilities:
  - i. Assist the Board and the Audit Committee in discharging its governance responsibility;
  - ii. Evaluate and provide reasonable assurance that risk management, control and governance systems are functioning as intended and will enable the Corporation's strategy, objectives and goals to be met;
  - iii. Report risk management issues and internal controls deficiencies identified directly to the Audit Committee and provide recommendations to improve the company's operations, in terms of both efficient and effective performance;
  - iv. Evaluate information security and associated risk exposures;
  - v. Evaluate regulatory compliance program with consultation from legal counsel and other relevant units or external advisors, as may be necessary;
  - vi. Evaluate the Corporation's readiness in case of business interruption;
  - vii. Maintain open communication with Management and the Audit Committee;
  - viii. Team with other internal and external resources as appropriate for assurance and advisory work;
  - ix. Engage in continuous education and staff development; and

- x. Provide support to the Corporation's anti-fraud and whistleblower programs.
- c. It shall perform its auditing functions faithfully by maintaining independence from the Management and controlling shareholders.
- d. The Internal Audit Group shall be headed by a CAE. The CAE shall preferably be a Certified Public Accountant and/or a Chief Internal Auditor and shall report to the Audit Committee of the Board of Directors.
- e. The Internal Auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing. Otherwise, the CAE shall disclose to the Board and Management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.<sup>41</sup>

## 2. External Audit

- a. The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.
- b. The External Auditor shall –
  - i. perform fair audits independently from the Corporation, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Corporation's accounting information;
  - ii. check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
  - iii. attend the annual stockholders' meeting and answer any questions on audit reports and on themselves, their work and their remuneration;
  - iv. perform such other functions as may be approved by the Board in its engagement of the auditor *provided, however*, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
- c. The External Auditor shall be required to stipulate its duties and responsibilities to the Corporation.
- d. The External Auditor or key engagement partners shall be rotated and changed in accordance with the requirements prescribed by applicable laws and regulations such as the rotation period.
- e. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports.

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<sup>41</sup> SEC Memorandum Circular No. 2, series of 2002 except for the requirement of being a CPA.

Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

- f. If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall also present his views in said reports.<sup>42</sup>

### **3. Risk Oversight**

In managing the Corporation's risk management system, the Corporation shall have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfil his responsibilities, subject to the Corporation's size, risk profile and complexity of operations.<sup>43</sup>

The CRO has the following functions, among others:<sup>44</sup>

- a) supervise the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM process and documentation;
- b) communicate the top risks and the status of implementation of risk management strategies and actions plans to the Board Risk Oversight Committee;
- c) collaborate with the President in updating and making recommendations to the Board Risk Oversight Committee;
- d) suggest ERM policies and related guidance, as may be needed; and
- e) provide insights on the following:
  - i. risk management processes are performing as intended;
  - ii. risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - iii. established risk policies and procedures are being complied with.

There should be a clear communication between the Board Risk Oversight Committee and the CRO.

### **4. Compliance System**

The Corporation's compliance system shall be overseen by the Compliance Officer appointed by the Board of Directors. The Compliance Officer shall ensure the Corporation's compliance with all relevant laws, rules and regulations, particularly of all relevant regulatory agencies.

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<sup>42</sup> SEC Memorandum Circular No. 2, series of 2002.

<sup>43</sup> SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies.

<sup>44</sup> SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies.

# Article VI

## COMMUNICATION AND INFORMATION

### 1. Management's Responsibility for Information

Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:

- a. Present a balanced and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
- b. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
- c. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
- d. Maintain a sound system of internal control to safeguard stockholders' investment and the Corporation's assets;
- e. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
- f. Require the Chief Audit Executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.

Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by management to the Board.

Management, through the Investor Relations function, shall be responsible for publicly and timely disclosure of all material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and management.

The Board shall therefore commit at all times to full disclosure of material information dealings, including non-financial information, with emphasis on the management of economic, environment, social and governance issues of the business, which underpin sustainability. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

## **2. The Investor Relations Function**

There shall be an Investor Relations Division within the Corporation, which shall be tasked with --

- a. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;
- b. Formulation of a clear policy on communicating or relating relevant information to Corporation stockholders and to the broader investor community accurately, effectively and sufficiently;
- c. Setting up of an avenue to receive feedback, complaints and queries from shareholders other than through the annual stockholders' meeting,
- d. Preparation of disclosure documents to the Commission and the PSE, and
- z
- e. Dissemination of this Manual, and the conduct of an orientation program for the Board and Management.

The Investor Relations Division shall report to the Chief Finance Officer.

## **3. Communication of this Manual**

This Manual shall be submitted to and made available at the Commission. It shall also be available for inspection by any stockholder of the Corporation at its principal office during reasonable hours on a business day.

The Manual shall be posted in the website of the Corporation to facilitate access for shareholders and stakeholders of the Corporation.

## **4. Channels of Communication**

The Corporation shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.<sup>45</sup>

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<sup>45</sup> SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies.



## Article VII

### STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS<sup>46</sup>

#### 1. Shareholder Rights

The Board shall be committed to respect the following rights of the stockholders:

##### 1.1 Voting Right

All stockholders have the right to vote on the election, removal and replacement of Directors and vote on certain corporate acts in accordance with the Corporation Code.

Cumulative voting shall be used in the election of Directors. Directors may be removed with or without cause, but Directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of Directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation.

Any stockholder may nominate candidates for election to the Board of Directors by sending a nomination letter to the Corporate Governance and Nomination Committee within the relevant deadline as may be approved by the Board and disclosed pursuant to the rules of the PSE. All nominations will be reviewed and deliberated upon by the Corporate Governance and Nomination Committee prior to indorsing the qualified candidates for ratification and approval by the Board.

##### 1.2 Pre-emptive Right

No stockholders of any class shall be entitled to any pre-emptive right to purchase, subscribe for, or receive any part of the shares of the Corporation, whether issued from its unissued capital, increase in its authorized capital or its treasury stock.<sup>47</sup>

##### 1.3 Right of Inspection

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meeting and stock registries in accordance with the Revised Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.

##### 1.4 Right to Information

The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among Directors and key officers, and the aggregate compensation of Directors and officers.

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<sup>46</sup> SEC Memorandum Circular No. 2, series of 2002.

<sup>47</sup> Articles of Incorporation, Seventh Article.

The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission.

The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, subject to reasonable advance notice and guidelines issued by the Board which are consistent with applicable laws, rules and regulations of the SEC.

In accordance with existing laws and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for and to those relating to matters for which the Management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

The Board shall make the results of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the minutes of Annual and Special Shareholders' Meeting should be available on the Corporation's website within five (5) business days from the end of the meeting.

#### **1.5 Right to Dividends and Dividend Policy**

Shareholders have the right to receive dividends out of the Corporation's unrestricted retained earnings subject to the discretion of the Board. The Corporation shall distribute annually at least ninety percent (90%) of its distributable income as dividends to its shareholders not later than the last day of the fifth (5<sup>th</sup>) month following the close of the fiscal year of the Corporation in accordance with the REIT Law. However, the Corporation, by at least majority of the Board, including the unanimous vote of all independent directors, may restrict the retained earnings and not distribute the same: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

#### **1.6 Appraisal Right**

In accordance with the Revised Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

- i. In case an amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;

- iii. In case of merger or consolidation; and
- iv. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

### **1.7 Alternative Dispute Mechanism for Intra-Corporate Dispute**

Any dispute, controversy or claim between the Corporation and its stockholders arising from, relating to, or in connection with the implementation of the Articles of Incorporation or By-Laws, or from intra-corporate relations, except those involving criminal offenses and interests of third parties, may be referred to and resolved by arbitration in accordance with prevailing Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules and Securities and Exchange Commission Rules and Regulations.<sup>48</sup>

## **2. Duty of Directors to Promote Shareholders' Rights**

It is the duty of the Directors to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and recognize lawful mechanisms to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms.

They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

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<sup>48</sup> Amended By-Laws, Article X, Section 1.

## Article VIII

### PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Corporation's Directors, officers, staff, in case of violation of any of the provisions of this Manual:

1. In case of first violation, the subject person shall be reprimanded;
2. In case of second violation, suspension from office. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
3. For third violation, removal from office. The commission of a third violation of this Manual by any member of the Board shall be a sufficient cause for removal from Directorship.

## Article IX

### REVIEW AND AMENDMENT OF MANUAL

1. The provisions of this Manual and the enforcement thereof shall be subject to periodic review unless otherwise stated by the Board.
2. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.
3. This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

## Article X

### CHARTERS OF THE BOARD AND BOARD COMMITTEES AND COMPANY POLICIES

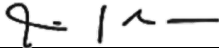
1. The Charters of the Board and Board Committees, and any amendments thereto, are deemed incorporated into this Manual.
2. Company Policies relating to governance and its stakeholders (i.e, Whistleblower Policy, Insider Trading Policy), and their amendments, are deemed included in this Manual.

## Article XI

### ADOPTION AND EFFECTIVITY OF REVISED MANUAL

This Corporate Governance Manual shall be effective upon approval by the Board of Directors. This supersedes the previous Manual adopted by the Board of Directors of the Corporation on **24 February 2022**.

#### SIGNATURES



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**Jose Emmanuel H. Jalandoni**  
Chairman of the Board



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**Ma. Teresa R. Famy**  
Chief Finance Officer  
and Chief Compliance Officer