Republic of the Philippines
Department of Transportation and Communications
MACTAN-CEBU INTERNATIONAL AIRPORT AUTHORITY
Airport Road, Lapu-Lapu City 6016, Tel/Fax No. (032) 3400228

"MANUAL OF CORPORATE GOVERNANCE"[1] for MACTAN-CEBU INTERNATIONAL AIRPORT AUTHORITY (MCIAA)

ARTICLE I
PREAMBLE

Corporate governance "*refers to a system whereby shareholders, creditors and other stakeholders of a Corporation ensure that Management enhances the value of the Corporation as it competes in an increasingly global marketplace.*"[2]

The machinery for corporate governance of the **Mactan-Cebu International Airport Authority** ("**MCIAA**") is principally contained in the Charter of MCIAA (Republic Act No. 6958). The said law lay down, among others, the basic structure of governance, qualifications of directors, and the principal duties of the Board of Directors and officers of MCIAA. The function of this Manual of Corporate Governance is to supplement and complement the Charter of MCIAA by setting forth principles of good governance and transparent governance.

The Board of Directors, Management, Officers and employees of MCIAA commit themselves to the principles and best practices of governance contained in this Code as a guide in the attainment of its corporate goals. MCIAA shall make a continuing effort to create awareness of a good corporate governance within the organization.

ARTICLE II
DECLARATION OF PRINCIPLES

[1] As adopted by the MCIAA Board under Resolution No. 2013-2009 during its meeting on December 13, 2013 and as amended by the MCIAA Board under Resolution No. 2014-2012 during its meeting on September 30, 2014

[2] SEC Memorandum Circular No. 2

MCIAA believes good corporate governance will lead to better corporate performance and is essential in attaining long-term, sustainable growth. While recognizing that corporate governance may be affected by many factors, MCIAA believes that the fundamental principles of accountability, transparency and fairness are keys to good governance. In the observance of these fundamental principles, the Board of Directors is setting the tone to ensure that a culture of ethics, compliance and social responsibility pervade in all levels of airport and its allied operations.

ARTICLE III
DEFINITIONS OF TERMS

1. DEFINITION OF TERMS. - For purposes of this Manual, the following terms shall have the following meanings:

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

   "*Appointive Directors*" refer to all members of its Board of Directors who are not *ex officio* members thereof;

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

   "*Board of Directors*" or "*Board*" or "*Governing Board*" ("Board") refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all property, of MCIAA, whether it be formally referred to as the "Board of Directors" or some other term in its Charter.

   "*Charter*" refers to Republic Act No. 6958, "Charter of the Mactan-Cebu International Airport Authority."

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

   "*Chief Executive Officer* ("CEO") refers to the highest ranking corporate executive of MCIAA

   "*Confidential Information*" refers to all non-public information entrusted to or obtained by a member of the Board or Officer by reason of his/her position as such with MCIAA. It includes, but is not limited to, non-public information that might be ofuse to competitors or harmful to MCIAA or its customers/stakeholders if disclosed, such as: (a) non-public information about MCIAA's financial condition, prospects or plans, its

marketing and sales programs and research and development information, as well as information relating to mergers, acquisitions, divestitures, stock splits and similar transactions; (b) non-public information concerning possible transactions or ventures with other companies, or information about suppliers, joint venture partners, or any information that MCIAA is under obligation to keep confidential; and (c) non-public information about internal discussions, deliberations and decisions, between and among Directors and Officers.

"*Director*" refers to any member of the Governing Board of MCIAA, whether it be formally referred to as the "Board of Directors" or some other term in its Charter.

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

"*Executive Officer*" ("Officer") refers to the CEO or whoever is the highest ranking officer in MCIAA, the Corporate Treasurer, the Compliance Officer, and such other corporate officer of MCIAA as expressly provided for in its Charter. As distinguished from Board Officers, Executive Officers primarily form part of the Management of MCIAA.

"*Fit and Proper Rule*" refers to a set of standards for determining whether a member of the Board of Directors or the CEO is qualified to hold a position in MCIAA which shall include, but not be limited to, standards on integrity, experience, education, training and competence, as such standards are set forth under GCG Memorandum Circular No. 2012-05.

"*GCG*" refers to Governance Commission for GOCCs.

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

"*Material Information*" ("Material Fact") refers to any fact or information that would potentially affect the investment decision of an investor in MCIAA.

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

"*Per Diems*" refer to the compensation granted to members of the board of directors of MCIAA for actual attendance in meetings.

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

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

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

2. SINGULAR TERM INCLUDE THE PLURAL. - Unless otherwise indicated in this Code, any reference to a singular, shall apply as well to the plural, and vice versa.

3. COVERAGE. - This Manual shall be observed by all Members of the Board of Directors, management, officers and employees of MCIAA.[3]

ARTICLE IV
GOVERNANCE

1. THE BOARD OF DIRECTORS

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of MCIAA. Within their chartered authority, the directors acting as a board, have the fullest powers to regulate the concerns of MCIAA according to the latter's best interest.

1.1 **Composition of the Board**

The Charter of MCIAA[4] provides that the Board shall have eleven (11) members which shall be composed of a Chairman, a Vice-Chairman and nine (9) members. The Secretary of Transportation and Communications and the General Manager of MCIAA shall be the *ex officio* Chairman and Vice-Chairman of the Board, respectively. The Assistant Secretary of the Air Transportation Office and the Secretaries of the following executive departments or any Undersecretary or Assistant Secretary designated by the respective Secretaries shall be *ex officio* members, to wit: the Department of Finance, the Department of Justice and the Department of Tourism. In addition, four (4) members recommended by the

[3] As amended under Board Resolution No. 2014-2102 dated September 30, 2014;
[4] (Sec. 6, R. A. 6958, MCIAA Charter)

governor of the Province of Cebu shall be appointed by the President of the Philippines, for a term of four (4) years, from the private sector. The governor of the Province of Cebu or his duly authorized representative shall be the ninth member.

1.2 Selection Process

All Appointive Directors in MCIAA shall be appointed by the President of the Philippines from a shortlist prepared by the GCG.[5]

1.3 Term of Office of Appointive Directors

The term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause: Provided, however, That each Appointive Director shall continue to hold office until the successor is appointed and qualified.[6]

1.4 Fit and Proper

All members of the Board, including the CEO and other Officers, shall be qualified by the Fit and Proper Rule issued by the GCG approved by the President of the Philippines, including any future amendments and revisions thereof.

The Fit and Proper Rule is found in GCG M.C. No. 2012-05 with Section 5 thereof providing the minimum qualifications of Appointive Directors and CEOs.

1.5 Board Meetings and Quorum Requirements

a) Members of the Board should attend regular and special meetings of the Board in person. In view of modern technology, however, attendance at Board meetings through teleconference or videoconference may be allowed.

b) A majority of the number of directors as fixed in the Charter shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act.

1.6 General Responsibility of the Board for Corporate Governance

a) **Compliance with the principles of good governance shall start with the Board of Directors**. It shall be the Board's responsibility to foster the long-term success of MCIAA and secure its sustained competitiveness in the

[5] *Pursuant to Sec. 15 of R.A. No. 10149 and Sec. 12 GCG M.C. No. 2012-07*
[6] *Sec. 17, R.A. No. 10149*

global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of MCIAA, the Filipino people, and other stakeholders.

b) **A director's office is one of trust and confidence**. He should act in the best interest of MCIAA in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing MCIAA towards sustained progress in the long term. A director assumes certain responsibilities to different constituencies or stakeholders, who shall have the right to expect that the institution is being run in a prudent and sound manner.

c) To ensure good governance of MCIAA, the Board shall establish the organization's vision and mission, strategic objectives, policies and procedures that may guide and direct the activities of MCIAA and the means to attain the same as well as the mechanism for monitoring management's performance. While the management of the day-to-day affairs of MCIAA is the responsibility of the management team, the Board is, however, responsible for monitoring and overseeing management action.

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:

d.1) Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

d.2) Annual election of the Chief Executive Officer with the appropriate ability, integrity, and experience to fill the role, and defining the duties and responsibilities of the CEO who shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause;

d.3) Reviewing proposed management appointments;

d.4) Ensuring the selection, appointment and retention of qualified and competent management, reviewing MCIAA's personnel and human resource policies, compensation plan and the management succession plan;

d.5) Institutionalizing the internal audit function; and,

d.6) Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

1.7 **Specific Duties of the Board of Directors**

The Board shall exert its best effort to ensure a high standard or best practice for MCIAA. To do so, it shall perform all the functions and duties which it is required to perform in its Charter (Sec. 7, R.A. 6958), and additionally, shall –

a) Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings shall be minuted.

b) Constitute an Audit and Compliance Committee and such other Committees as are required by law and/or the requirements of good corporate governance;

c) Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the organization;

d) Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;

e) Ensure that MCIAA complies with all relevant laws, regulations and, as far as possible, best business practices;

f) Formulate a clear communication and disclosure strategy to promptly and regularly communicate with MCIAA's major and other stakeholders on matters of importance;

g) Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such system shall be regularly reviewed and updated to render for effectiveness;

h) Identify, monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas;

i) Assess, at least annually, its performance and effectiveness as a body, as well as the various committees, the Chief Executive Officer and MCIAA itself; and

j) Keep its authority within the powers of the institution as prescribed by its Charter (R.A. 6958) and existing laws, rules and regulations.

1.8 **Specific Responsibilities of each Director**

A director shall have the following responsibilities:

a) **Conduct fair business transactions with MCIAA 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.

b) **Devote time and attention necessary to properly discharge his duties and responsibilities**. A director should attend and actively participate in Board meetings.

c) **Act judiciously**. Before deciding on any matter brought before the Board of Directors, every director should evaluate the issues, ask questions and seek clarifications as appropriate.

d) **Exercise independent judgment**. A director should view each problem/situation objectively and support plan and ideas which he believes are beneficial to MCIAA.

e) **Have a working knowledge of the statutory and regulatory requirements affecting MCIAA**. This would include a firm knowledge of the contents of its Charter and where applicable, the requirements of other agencies.

f) **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.

g) **Ensure the continuing soundness, effectiveness and adequacy of MCIAA's control environment**. Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Airport Authority.

h) **Honesty, Loyalty and Good Faith**. Each director must act honestly and in good faith, with loyalty and in the best interest of MCIAA, and its major and other stakeholders.

1.9 Prohibition on Multiple Board Seats

The capacity of Appointive Directors to serve with diligence shall not be compromised. As such, no Appointive Director in MCIAA may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates.[7].

1.10 Appointment of Appointive Directors

a) The selection and nomination, and shortlisting of prospective Appointive Directors shall be pursued in accordance with the rules and criteria formulated by the GCG, which shall include the following statutorily-mandated conditions, thus:

i) The GCG shall cause the creation of search committees to pursue the process of selection, nomination and shortlisting of prospective appointees;[8]

ii) All nominees included in the list submitted by the GCG to the President shall meet the Fit and Proper Rule, and such other qualifications which the GCG may determine taking into consideration the unique requirements of each GOCC;[9]

iii) The GCG shall ensure that the shortlist shall exceed by at least fifty percent (50%) of the number of Directors to be appointed;[10] and

iv) In the event that the President does not see fit to appoint any of the nominees included in the shortlist, the President shall ask the GCG to submit additional nominees.

1.11 Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of MCIAA or who are guilty of gross negligence or bad faith in directing the affairs of MCIAA 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 MCIAA, its stakeholders and other persons.

When a director attempts to acquire or acquires, in violation of his duty, any interest adverse to MCIAA with respect to any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his

[7] *Per GCG declared policy to limit the number of Board seats that an incumbent GOCC Board Member may occupy, from which he/she may receive compensation, to at most three (3) positions, inclusive of their primary position at any given time, as provided in Section 49, Chapter 10, Book IV of the Administrative Code of 1987 and Section 11 of GCG M.C. No. 2012-07.*
[8] Sec. 15, R.A. No. 10149
[9] Id.
[10] Id.

own behalf, he shall be liable as a trustee for MCIAA and must account for the profits which otherwise would have accrued to the Airport Authority.

1.12 Remuneration of Directors

The Board of Directors shall determine a level of remuneration for Directors that shall be sufficient to compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a Board member.

2. BOARD COMMITTEES

The Board of Directors shall constitute such committees as it may deem necessary to support it in the performance of its functions and to aid in good corporate governance. The Committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board. The existence of the committees shall not excuse the Board of Directors of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.[11]

As a minimum, however, the Board shall be supported by the following committees:

2.1 EXECUTIVE COMMITTEE.

There shall be an Executive Committee composed of not less than three (3) members of the Board, with the Chairman of the Board being the Committee Chairman.

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by a vote of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee in accordance with MCIAA's Charter, except with respect to:[12]

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

b) Filling of vacancies on the Board or in the Executive Committee;

c) Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;

d) Distribution of cash dividends; and

[11] *GCG Memorandum Circular No. 2012-07 Sec. 16.1*
[12] *See Sec. 35, Corporation Code of the Philippines.*

e) Exercise of powers delegated by the Board exclusively to other committees.

2.2 AUDIT COMMITTEE

a) There shall be an Audit Committee composed of at least three (3) members, two (2) of them, including the Chairman, shall have accounting, auditing or related financial management expertise or experience.

b) The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.

c) Upon setting up of the committee, the Board of Directors shall draw up a written charter or terms of reference which clearly sets out the committee's authority and duties, as well as the reporting relationships with the Board of Directors. This charter shall be approved by the Board of Directors and reviewed and updated periodically.

d) The committee shall have the explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

e) All other directors and the chief legal officer of MCIAA shall be *ex officio* members of the committee.

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

f.1) Be responsible for setting up an internal audit department and consider the appointment of the Chief Internal Auditor; establish and identify the reporting line of the Chief Internal Auditor so that the reporting levels allow the internal audit activities to fulfill its responsibilities;

f.2) Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

f.3) Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of MCIAA, and crisis management. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;

f.4) Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following:

- a definitive timetable within which the accounting system of MCIAA will be 100% International Accounting Standard (IAS) Compliant; and,

- an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.

f.5) Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

f.6) Review the quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and other regulatory requirements;

f.7) Ensure that internal auditors have free and full access to all the MCIAA's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

f.8) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the GOCC through a procedures and policies handbook that will be used by the entire organization; and

f.9) Such other tasks and duties which the Board may assign and/or delegate to the committee from time to time.

2.3 GOOD GOVERNANCE COMMITTEE

a) The Good Governance Committee shall be composed of at least three (3) members of the Board who shall possess a range of expertise as well as adequate knowledge of governance to be able to recommend principles that will enhance corporate practices.

b) The Committee shall be chaired by the Chairperson of the MCIAA Governing Board, pursuant to Section 16.2.3 of GCG Memorandum Circular No. 2012-07. The Vice-Chairperson and other Board members of the Committee shall be designated by the Board through a resolution.

c) The committee shall have a written charter that defines the duties and responsibilities of the committee and its members. The charter shall be approved by the Board of Directors and reviewed and updated periodically.

d) The Chief Legal Officer shall serve as *ex officio* member.

e) The committee shall assist the Board in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to positions requiring appointment/approval/concurrence by the Board. Its other duties and responsibilities include the following:

e.1) Ensure the Board's effectiveness and due observance of corporate governance principles and guidelines;

e.2) Oversee the periodic performance evaluation of the Board and its Committees and Executive Management including an annual self evaluation of the Committee's performance;

e.3) Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation);

e.4) Responsible for enjoining the members of the Board to give priority to their attendance to MCIAA Board and its committee meetings;

e.5) Make recommendations to the Board regarding the continuing education of directors, assignment to board committees, and succession plan of senior officers;

e.6) Periodically review and update, at least annually, MCIAA's Manual on Corporate Governance and the charter of the Good Governance Committee; and,

e.7) Such other tasks and duties which the Board may delegate and/or assign to the committee from time to time.

2.4 RISK MANAGEMENT COMMITTEE

a) The Risk Management Committee shall be composed of at least three (3) members of the Board with at least one member having a background in finance and investments.[13]

[13] GCG Memorandum Circular No. 2012-07 sec. 16.2.5

b) All other directors, the Chief Financial Officer, Chief Internal Auditor, Chief Legal Officer, Operations Manager and Human Resource Manager shall serve as *ex officio* members.

c) The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.

d) The committee shall have a written charter that defines the duties and responsibilities of its members. The charter shall be approved by the Board and reviewed and refined periodically.

e) Other duties and responsibilities:

e.1) Serve as a catalyst in the development of an era of enhanced risk awareness and sensitivity in doing business;

e.2) Assist in the definition of business opportunities from a risk return perspective ensuring that returns are commensurate with risks taken consistent with MCIAA's risk philosophy;

e.3) Oversee the adequacy and effectiveness of existing risk policies, procedures and controls including, but not limited to, the System of Limits delegated to management, ensuring the System remains effective, and adhered to and appropriate actions are taken in case of breach;

e.4) See the development of a written plan in defining the required risk management strategies in identifying, assessing, measuring, monitoring and controlling the major risks MCIAA is confronted with, giving emphasis to the priority risk areas of concern;

e.5) Ensure that plan/strategies are implemented through proper communication to concerned parties. The committee shall conduct regular discussions on MCIAA's current risk exposure based on regular management reports and call the attention of concerned units/management for appropriate action in reducing these risks, if necessary;

e.6) Identify and evaluate risk exposures and assess the probability of each risk becoming a reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen;

e.7) Review and revise the plan/strategies as needed to ensure its relevancy, adequacy and effectiveness in the face of changing risk exposures over time brought about by various factors (*i.e.*, economic condition, security, new regulations, etc.);

e.8) Ensure adequate separation of duties in risk management process to avoid potential conflicts of interest. In this light, the committee shall see to it that risk measurement, monitoring and control functions are sufficiently independent from position-taking functions; and,

e.9) Such other tasks and duties which the Board may delegate and/or assign to the committee from time to time.

2.5 BUSINESS DEVELOPMENT AND FINANCE COMMITTEE

a) The Business Development and Finance Committee shall be composed of at least three (3) members of the Board who shall possess a range of expertise as well as adequate knowledge of airport operations and allied businesses to be able to recommend principles that will enhance commercial viability of MCIAA.

b) The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.

c) The committee shall have a written charter that defines the duties and responsibilities of the committee and its members. The charter shall be approved by the Board of Directors and reviewed and updated periodically.

d) Its other duties and responsibilities include the following:

d.1) Make recommendations to the Board on policies and strategies relating to business development and finance;

d.2) Make recommendations to the Board the annual budget and financial projections, business projects, development plans, investments, and other activities with revenue impact or long-term commitment to MCIAA;

d.3) Evaluate and make recommendations on borrowings, credit and loan agreements that MCIAA may enter into;

d.4) Review and make recommendations to the Board airport treasury, financial management, charging and pricing policies; and,

d.5) Such other tasks and duties which the Board may delegate and/or assign to the committee from time to time.

2.6 NOMINATIONS AND REMUNERATION COMMITTEE

a) The Nominations and Remuneration Committee shall be composed of at least three (3) members.

b) The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.

c) The committee shall have a written charter that defines the duties and responsibilities of the committee and its members. The charter shall be approved by the Board of Directors and reviewed and updated periodically.

d) The Chief Legal Officer shall serve as *ex officio* member.

e) The committee shall have the following duties and responsibilities:

e.1) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of management and other employees ensuring that compensation is not only compliant with existing laws and regulations, but also consistent with MCIAA's culture, strategy and control environment;

e.2) Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;

e.3) Reviewing and evaluating the qualifications of all persons nominated to positions in MCIAA which require appointment by the Board;

e.4) Recommending to the GCG nominees for the shortlist in line with MCIAA's Board composition and succession plan; and

e.5) Developing recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the MCIAA's culture, strategy, control environment, as well as the pertinent laws, rules and regulations[14].

e.6) Review the existing Human Resources Development or Personnel Handbook, to strengthen the provisions on salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts, or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance above-stated; and,

e.7) Such other tasks and duties which the Board may assign and/or delegate to the committee from time to time.

[14] Sec. 16.2.4 GCG MC No. 2012-07

2.7 ANNUAL PERFORMANCE EVALUATION OF THE BOARD

A systematic evaluation process of the Board shall be developed as a necessary tool in enhancing its professionalism and as a useful incentive for Board Members to devote sufficient time and effort to their duties. The evaluation should also be instrumental in developing effective and appropriate induction and training programs for new and existing members of the Board[15].

ARTICLE V
MANAGEMENT

1. GENERAL RESPONSIBILITIES OF MANAGEMENT

a) Management stands as the *locus* of decision-making for the day-to-day affairs of MCIAA. It determines MCIAA's activities by putting the organization's targets in concrete terms and formulating the basic strategies for achieving these targets.

b) Management is primarily accountable to the Board for the operations of MCIAA. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of MCIAA in a timely manner.

2. EXECUTIVE OFFICERS

The Executive Officers of MCIAA are the Chairman, the Vice-Chairman, the General Manager who shall be the Chief Executive Officer, the Assistant General Manager, the Chief Financial Officer, and the Corporate Secretary.

a) CHAIRMAN OF THE BOARD

As provided for by the Charter (Sec. 6, R.A. 6958), the Secretary of Transportation and Communications shall be the *ex officio* Chairman of the Board. The Chairman of the Board shall, when present, preside at all meetings of the Board and shall render advice and counsel to the CEO. He shall

i. Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of MCIAA's operations;

ii. Prepare the meeting agenda in consultation with the CEO;

[15] *Sec. 17, GCG MC No. 2012-07*

iii. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and,

iv. Assist in ensuring compliance with the guidelines on corporate governance.

b) **VICE-CHAIRMAN OF THE BOARD**

As provided for by the Charter (Sec. 6, R.A. 6958, as amended), the Secretary of Tourism or his duly-authorized representative shall be the *ex officio* Vice-Chairman of the Board. In the absence of the Chairman of the Board, the Vice-Chairman shall preside at meetings of the Board.

c) **CHIEF EXECUTIVE OFFICER (CEO)**

The CEO or the highest-ranking officer provided for in the Charter, shall be elected annually by the members of the Board from among its ranks.[16] The CEO shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.[17]

In addition to the functions, powers and duties imposed on the CEO by the Charter (Sec. 8, R.A. 6958), and by the Board, the CEO shall:

(a) Exercise general supervision and authority over the regular course of business, affairs, and property of MCIAA, and over its employees and officers;

(b) See to it that all orders and resolutions of the Board are carried into effect;

(c) Submit to the Board as soon as possible after the close of each fiscal year, and to the shareholders at the annual meeting, if applicable, a complete report of the operations of MCIAA for the preceding year, and the state of its affairs;

(d) Report to the Board from time to time all matters which the interest of MCIAA may require to be brought to its notice; and

(e) Perform such other duties and responsibilities as the Board may impose upon him.

d) **THE ASSISTANT CHIEF EXECUTIVE OFFICER**

In the absence or incapacity of the Chief Executive Officer, except for the *ex officio* functions of the CEO, the Assistant CEO shall perform all the other functions, duties and responsibilities of the CEO. He shall be appointed by the CEO, subject to the approval of the Board and in accordance with existing rules and regulations of the Civil Service Commission.

[16] Sec. 18, R.A. No. 10149
[17] Id.

The Assistant CEO shall have such other responsibilities as the Board of Directors may impose upon him from time to time.

3. OTHER EXECUTIVE OFFICERS

Subject to the provisions of its Charter, the Executive Officers shall be appointed by the Board:

a) THE CHIEF FINANCIAL OFFICER

The Chief Financial Officer (CFO) shall be appointed by the General Manager, subject to the approval of the Board and in accordance with existing rules and regulations of the Civil Service Commission.

The CFO shall be responsible for the following:

i. 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;

ii. Maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and government regulatory bodies in compliance with statutory requirements; and,

iii. Strengthen internal controls by monitoring compliance with policies, recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The CFO shall have such other responsibilities as the Board of Directors may impose upon him from time to time.

b) THE CORPORATE SECRETARY

The Corporate Secretary must be Filipino. He is an officer of MCIAA. Loyalty to the mission, vision and specific business objectives of MCIAA are expected of the Corporate Secretary. Considering the varied functions and duties of the office, the Corporate Secretary must possess administrative and interpersonal skills, and must have legal, financial, and accounting skills.

The Corporate Secretary shall have the following functions:

i. Keep the minutes of the meetings of the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose,

and shall furnish copies thereof to the Chairman, the General Manager and other members of the Board as appropriate;

ii. Attend to the giving and serving of notices of Board meetings;

iii. Be fully informed and be part of the scheduling process of other activities of the Board;

iv. Prepare an annual schedule of Board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting; and,

v. Oversee the adequate flow of information to the Board prior to meetings.

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

4. POWER OF THE GOVERNING BOARD TO DISCIPLINE/REMOVE OFFICERS

Subject to existing civil service laws, rules and regulations, and with ensuring compliance with the requirements of due process, the Board shall have the authority to discipline, or remove from office, the CEO, or any other Officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.[18]

ARTICLE VI
DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS[19]

1. FIDUCIARIES OF THE STATE. - Directors and Officers are fiduciaries of the State in that:

   a) they have the legal obligation and duty to always act in the best interest of MCIAA[20], with utmost good faith in all dealings with the properties, interests and monies of MCIAA[21]; and

   b) they are constituted as trustees in relation to the properties, interests and monies of MCIAA.

[18] Sec. 22, R.A. No. 10149
[19] GCG Memorandum Circular No. 2012-07
[20] taken from Opening paragraph of Sec. 19, R.A. No. 10149.
[21] taken from Sec. 20, R.A. No. 10149.

2. DIRECTORS AND OFFICERS AS PUBLIC OFFICIALS. - Directors and Officers are also Public Officials as defined by, and are therefore covered by the provisions of the "Code of Conduct and Ethical Standards for Public Officials and Employees,"[22] with its declared policies: (a) to promote a high standard of ethics in public service; and (b) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.[23]

3. RESPECT FOR AND OBEDIENCE TO THE CONSTITUTION AND THE LAW. - As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause MCIAA to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to MCIAA in which they serve, and to act within the bounds of their Charter.

4. DUTY OF DILIGENCE. - The fiduciary duty of diligence of Directors and Officers to always act in the best interest of MCIAA, with utmost good faith in all its dealings with the property and monies of MCIAA, includes the obligation to:

   a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of MCIAA, using the utmost diligence of a very cautious person with due regard to all the circumstances[24];

   b) Apply sound business principles to ensure the financial soundness of MCIAA[25];" and

   c) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity."[26]

Every Director or Officer, by the act of accepting such position in MCIAA, affirms and covenants: (1) to have a working knowledge of the statutory and regulatory requirements affecting MCIAA he is to serve, including the contents of its Charter, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; and (2) to always keep himself informed of industry developments and business trends in order to safeguard MCIAA's interests and preserve its competitiveness.

5. DUTY OF LOYALTY. - The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of MCIAA, with utmost good faith in all its dealings with the property and monies of MCIAA, includes the obligation to:

   a) Act with utmost and undivided loyalty to MCIAA[27];

[22] Rep. Act No. 6713.
[23] Sec. 2, R.A. No. 6713
[24] Sec. 19(b) combined with Sec. 21, R.A. No. 10149.
[25] Sec. 19(d), R.A. No. 10149.
[26] Sec. 19(e), R.A. No. 10149

b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board[28]; and

c) Avoid (1) taking for themselves opportunities related to MCIAA's business; (2) using MCIAA's property, information or position for personal gain; or (3) competing with MCIAA's business opportunities.

5.1 AVOID CONFLICT OF INTEREST**.** - Directors and Officers shall at all times avoid any actual or potential conflict of interest with MCIAA. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest. Any question about a Director's or Officer's actual or potential conflict of interest with MCIAA shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.

5.2. TRUSTEE RELATION TO MCIAA PROPERTIES, INTERESTS AND MONIES. - Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where MCIAA is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of MCIAA in dealing with its properties, investments in other corporations, and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of MCIAA.[29]

5.3. TAKING OF CORPORATE OPPORTUNITIES. - Where a Director or an Officer, by reason of his being a member of the Board or an Officer of MCIAA, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in corporations where MCIAA has an interest, the use the properties of MCIAA for his/her own benefit, the receipt of commission(s) on contract(s) with MCIAA or its assets, or the taking advantage of corporate opportunities of MCIAA, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Act, without prejudice to any administrative, civil or criminal action against members of the such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.[30]

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[27] Sec. 19(a), R.A. No. 10149
[28] Sec. 19(c), R.A. No. 10149
[29] Sec. 20 of R.A. No. 10149
[30] Last paragraph of Sec. 19, R.A. No. 10149.

5.4. RESTITUTION. - Pursuant to Section 24 of the Act, upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to MCIAA are in the possession of a Director or Officer of MCIAA without authority, or that profits are earned by the Director or Officer in violation of his/her fiduciary duty, or the aggregate per diems, allowances and incentives received in a particular year are in excess of the limits provided under the Act, the Director or Officer receiving such properties or monies shall immediately return the same to MCIAA.

Failure by a Director or Officer to make the restitution within thirty (30) days after a written demand has been served shall, after trial and final judgment, subject such Director or Officer to the punishment of imprisonment for one (1) year and a fine equivalent to twice the amount to be restituted and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.[31]

6. LIMITS TO COMPENSATION, PER DIEMS, ALLOWANCES AND INCENTIVES. - Pursuant to Section 23 of the Act:

a) The Charter of MCIAAs to the contrary notwithstanding, the compensation, per diems, allowances and incentives of the Appointive Directors shall be determined by the GCG, using as a reference, among others, Executive Order No. 24, dated February 10, 2011;

b) Directors shall not be entitled to retirement benefits as such directors.

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

a) Would be illegal or in violation of law;

b) Is part of an attempt or agreement to do anything in return;

c) Has a value beyond what is normal and customary in MCIAA's business;

d) Is being made to influence the member of Board's, or Officer's, actions as such; or

e) Could create the appearance of a conflict of interest.

[31] Art. 24, R.A. No. 10149.

MCIAA shall formally adopt a "No Gift Policy" within MCIAA and ensure its full advertisement to the community and its strict implementation by particular set of rules.

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

ARTICLE VII
OBLIGATIONS OF MCIAA TO DIRECTORS AND OFFICERS[32]

1. PROVIDING FOR STAFF SUPPORT TO DIRECTORS. - MCIAA shall provide the members of its Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

2. OBTAINING OF DIRECTORS AND OFFICERS LIABILITY INSURANCE (DOLI). - Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, i.e., that of extraordinary diligence, it is equitable that when MCIAA itself and/or the members of the Board and Management are hailed before tribunals on matters that are within the official functions and capacity and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore for MCIAA to obtain "Directors and Officers Liability Insurance" (DOLI) coverage for itself and the members of the Governing Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecuting, the actions that may be filed against MCIAA arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties.

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

[32] GCG Memorandum Circular No. 2012-07

ARTICLE VIII
CSR AND RELATIONS WITH STAKEHOLDERS[33]

1. DUTY TO BE RESPONSIVE TO STAKEHOLDERS. - Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to MCIAA and its stockholders, but also with different constituencies or Stakeholders, who have the right to expect that MCIAA is being run in a prudent manner and with due regard to the interests of all Stakeholders. Consequently, members of the Board and Officers shall deal fairly with MCIAA employees, customers, suppliers and other Stakeholders.[34] No member of the Board or Officer may take unfair advantage of MCIAA's employees, customers, suppliers and other Stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

2. CSR PRINCIPLES. - As an integral part of the National Government, MCIAA is inherently mandated to be socially responsible, to act and operate as good corporate citizens. The Governing Board shall recognize and perform the obligations MCIAA has towards the National Government together with the employees, suppliers, customers and other Stakeholders, and the communities in which it operates. The Directors, Officers and all its employees are required to abide by ethical policies as mandated by the GCG. The protection of the reputation and goodwill of MCIAA is of fundamental importance, and Directors, Officers and employees should be aware of the disciplinary implications of breaches of policy. MCIAA will promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work. MCIAA has an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that the people of MCIAA, and/or the stockholders believe their reporting to management may result in harassment, or undue distress, they may contact the GCG support to report such matters. The GCG provides for an opportunity for concerns to be investigated and ensures appropriate action is taken to resolve the matter effectively.

3. FORMAL RECOGNITION OF THE STAKEHOLDERS. - MCIAA Board shall, as an integral part of its Charter Statement and embodied in its Manual of Corporate Governance, identify and formally recognize MCIAA's major and other Stakeholders, identify the nature of their interests, provide a hierarchy system of their conflicting interest in MCIAA, and providing a clear policy on communicating or relating with Stakeholders accurately, effectively and sufficiently, together with a system of properly rendering an accounting on how MCIAA has served their legitimate interests.[35]

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[33] GCG Memorandum Circular 2012-7

[34] Taken from Sec. II(2)(a), SEC Code of Corporate Governance, SEC Memorandum Circular No. 2, s. 2002.

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

4. EMPLOYEES. - Every employee in MCIAA is encouraged to –

   a) Remember that the biggest stakeholder is the Government;

   b) Share the vision of MCIAA;

   c) Be accountable to the public;

   d) Listen and learn from his/her co-employees;

   e) Think and act as a team;

   f) Focus on the customers and strive for customer satisfaction;

   g) Respect others;

   h) Communicate with stockholders and customers;

   i) Deliver results and celebrate success; and

   j) Protect the reputation of MCIAA.

   There shall be employee development discussions and structured training programs for continuing personal and professional development for employees.

5. CUSTOMERS. – Customers are the airline passengers, the airlines and other businesses and entities in the airport. Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. MCIAA shall operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent quality, reliability and safety in return for the price paid for the same. MCIAA shall operate policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances in all aspect of society in order to ensure that it continues to add value to its customers' businesses.

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

6. SUPPLIERS. - As with other relationships with the Stakeholders, MCIAA shall aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. MCIAA shall aim to offer, through partnership with its suppliers, the best combination of state-of-the-art technology and world class service, strong

customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.

7. HEALTH AND SAFETY. – MCIAA shall aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. MCIAA shall comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. The staff shall be informed regarding the policies and practices of MCIAA in order to maintain a healthy, safe and enjoyable environment.

8. ENVIRONMENT. – MCIAA shall consider that there are inevitable environmental impacts associated with daily operations. It shall be the goal of MCIAA to minimize harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, MCIAA shall strongly encourage 3 R's: "Reduce", "Reuse", and "Recycle". In the course of the operations of MCIAA, it shall identify opportunities to reduce consumption of energy, water and other natural resources. MCIAA shall also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our impact on the environment. In doing so, by adopting simple, environmentally friendly initiatives, MCIAA shall raise awareness among the members of the communities it affects.

ARTICLE IX
GOVERNANCE POLICY ON CONFLICT OF INTEREST

1. **CONFLICT OF INTEREST POLICY**

The personal interest of directors and officers should never prevail over the interest of MCIAA. 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 MCIAA.

a) A conflict of interest exists when a director or an officer of MCIAA -

   i. Supplies or is attempting or applying to supply goods or services to MCIAA;

   ii. Supplies or is attempting to supply goods, services or information to an entity in competition with MCIAA;

   iii. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to MCIAA;

   iv. If offered or receives consideration for delivering MCIAA's business to a third party; and,

v. Is engaged or is attempting to engage in a business or activities which compete with or work contrary to the best interests of MCIAA.

b) If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. 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 MCIAA with one or more of its directors is voidable, at the option of MCIAA, unless all of the following conditions are present:

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;

iv. In case of an officer, the contract has been previously approved by the Board of Directors

ARTICLE X
AUDIT AND COMPLIANCE

1. INTERNAL AUDIT

a) The Internal Audit Group shall provide independent and objective assurance and advisory services to MCIAA designed to add value and improve on the organization's operations. It shall provide the Board, Management and other stakeholders with reasonable assurance that the organization'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) It shall perform its auditing functions faithfully by maintaining independence from the management and other stakeholders.

c) The Internal Audit Group shall be headed by a Chief Internal Auditor, who shall be the Chief Audit Executive. The Chief Internal Auditor shall preferably be a Certified Public Accountant and shall report to the Audit Committee of the Board of Directors.

d) The Internal Auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing.

2. EXTERNAL AUDIT

The Commission on Audit shall serve as the External Auditor of the Airport Authority and shall promote an environment of good corporate governance. If the external auditor believes that the statements made in MCIAA's annual report, information statement or proxy statement filed is incorrect or incomplete, he shall present his views in said reports.

3. COMPLIANCE SYSTEM

To ensure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer, who shall hold the position of a Department Head or its equivalent. As head of the Compliance Monitoring Office, he is functionally under the supervision of the Board of Directors and reporting to it through the Audit Committee. Administratively, the office shall be supervised by the office of the General Manager.

The Compliance Officer shall perform the following duties:

a) Operationalize this Manual, and monitor compliance with the provisions and requirements of this Manual;

b) Determine violation/s of this Manual and recommend penalty for violation thereof for further review and approval by the Board;

c) Issue a certification every January 30th of the year on the extent of the Airport Authority's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same;

d) Liaise/coordinate with regulatory bodies on matters of concern relative to compliance laws and regulations;

e) Identify, monitor and control compliance risks;

f) Determine violations of this Manual and create a system for according due notice, hearing, and due process for dealing with violations of this Manual; and,

h) Render periodic reports to the Board through the Audit Committee on the progress of and issues relative to the compliance program.

ARTICLE XI
COMMUNICATION AND INFORMATION

1. MANAGEMENT'S RESPONSIBILITY FOR INFORMATION

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

- Present a balanced and understandable assessment of MCIAA's position and prospects;

- Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;

- Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;

- Maintain a sound system of internal control to safeguard corporate funds and assets;

- 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; and

- 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.

b) Management shall further 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.

2. COMMUNICATION OF THIS MANUAL

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

ARTICLE XII
MONITORING AND ASSESSMENT

1. ASSESSMENTS.

a) A Self-Assessment shall be regularly conducted on MCIAA's implementation of the corporate governance principles using the questionnaire and the rating system duly approved by the Board of Directors.

b) A Board approved peer assessment system on each director who have rendered service to MCIAA for at least six (6) months shall be conducted.

c) These assessment systems including the features thereof, shall be disclosed in MCIAA's annual report.

2. MONITORING

a) The Compliance Officer shall monitor compliance by all concerned of the provisions of this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided in Article IX hereof.

b) This Manual shall be reviewed at least annually or as often as necessary.

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

ARTICLE XIII
PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, appropriate penalties shall be imposed after due notice and hearing in accordance with existing policies and with the Uniform Guidelines in Handling Administrative Cases.

ARTICLE XIV
MISCELLANEOUS PROVISIONS

1. AMENDMENTS. - This Manual may be amended by MCIAA through the issuance of a memorandum circular duly published in MCIAA's website and copy formally submitted to the UP Law Center.

2. EFFECTIVITY. - This Manual shall be effective fifteen (15) days after it is published in MCIAA's website and from the date formal copy is received by the UP Law Center.