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CJH Golf Club

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30 September 2020

**SECURITIES AND EXCHANGE COMMISSION  
CORPORATE GOVERNANCE AND FINANCE DEPARTMENT**

North Wing Hall, Secretariat Building  
PICC Complex, Pasay City 1307

Re: New Manual on Corporate Governance of  
Camp John Hay Golf Club, Inc.  
SEC Registration No. A1997-5628

Gentlemen:

Pursuant to SEC Memorandum Circular No. 24, Series of 2019 and SEC Memorandum Circular No. 19, Series of 2020, we respectfully submit herewith the New Manual of Corporate Governance of Camp John Hay Golf Club, Inc.

Very truly yours,

  
**GILBERT RAYMUND T. REYES**  
Compliance Officer

OFFICE COPY

## **NEW MANUAL ON CORPORATE GOVERNANCE**

**OF**

**CAMP JOHN HAY GOLF CLUB, INC.**



The Board of Governors and management, i.e. officers and staff, of Camp John Hay Golf Club, Inc. (hereinafter referred to as "the Club"), hereby commit themselves to the principles and best practices of corporate governance contained in this Manual, which are indispensable to the Club's attainment of its goals.

### **1. OBJECTIVE AND DEFINITIONS**

This Manual institutionalizes the principles of good corporate governance in the entire organization.

The Board of Governors and Management, employees, and members believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

The technical terms used in this Manual shall have the respective meanings as set forth below:

*Board of Governors* — refers to the governing body elected by the members that exercises the corporate powers of the Club, conducts all its business and controls its properties.

*Corporate Governance* — refers to the system of stewardship and control to guide the Club in fulfilling its long-term economic, moral, legal and social obligations towards its members.

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

Its purpose is to maximize the Club's long-term success, thereby creating sustainable value for its members, other stakeholders, and the nation.



*Club* — refers to Camp John Hay Golf Club, Inc.

*Enterprise Risk Management* — a process, effected by the Club's Board of Governors, management, and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the Club, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

*Executive governor* — a governor who has executive responsibility of day-to-day operations of a part or the whole of the Club.

*Internal control* — refers to the process designed and effected by the Club's Board of Governors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial management of corporate information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

*Independence* - refers to that environment which allows the person to carry out his/her work freely and objectively.

*Independent governor* — a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a governor.

*Internal auditing* — refers to an independent, objective assurance and consulting activity designed to add value and improve the Club's operations. It helps the Club accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

*Management* — a group of executives given the authority by the Board to implement the policies it has laid down in the conduct of the business of the Club.

*Manual* — refers to this New Manual on Corporate Governance

*Members* — the members of the Club being a non-stock corporation.



*Non-audit work* — refers to other services offered by the external auditor to the Club that are not directly related and relevant to its statutory audit function. Examples include accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal auditing, and services that may compromise the independence and objectivity of the external audit.

*Non-executive governor* — a governor who has no executive responsibility and does not perform any work related to the day-to-day operations of the Corporation.

*Non-Proprietary Right* — an interest, participation or privilege over a specific property of a corporation that allows the holder to use such property under certain terms and conditions. The holder, however, shall not be entitled to profits from the corporation or to its assets upon its liquidation.

*Proprietary Right* — an interest, participation or privilege in the Club which gives the holder the right to use the facilities and to receive profits or earnings from the Club. Upon the liquidation of the Club, the holder shall have proportionate ownership rights over its assets.

*Related Parties* — covers the Club's governors, officers, substantial members and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the covered entity. It also covers the covered Club's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

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

*Revised Corporation Code* — refers to the Revised Corporation Code of the Philippines.



*SEC* - refers to the Securities and Exchange Commission.

Significant Influence - The power to participate in the financial and operating policy decisions of the Club but has no control or joint control of those policies.

Stakeholders - any individual, organization or society at large who can either affect and/or be affected by the Club's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the Club operates.

## **2. COMPLIANCE SYSTEM**

### **2.1 Compliance Officer**

2.1.1 To ensure adherence to corporate principles and best practices, the Chairperson of the Board of Governors shall designate a Compliance Officer, not a member of said Board but a member of the Club's Management team in charge of the compliance function with a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Club. The Compliance Officer shall be primarily liable to the Club and its members, and not to the Chairperson of the Board of Governors.

2.1.2. He has, among others, the following duties and responsibilities:

- Monitor, review, evaluate and ensure the compliance by the Club, its officers and governors with the relevant laws, this Manual, the Code of Corporate Governance for Public Companies and Registered Issuers, rules and regulations and all governance issuances of regulatory agencies;
- Ensure proper onboarding of new governors;
- Appear before the SEC when summoned in relation to compliance with the Code of Corporate Governance for Public Companies and Registered Issuers and other relevant rules and regulations;



- Report to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- Ensure the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
- Collaborate with other departments within the Club to properly address compliance issues, which may be subject to investigation;
- Issue a certification every January 30<sup>th</sup> of the year regarding the Club's compliance with this Manual for the previous year, and to explain the reason(s) for deviations from the same, if any; and
- Identify possible areas of compliance issues and work towards the resolution of the same;
- Ensure the attendance of Board members and key officers to relevant trainings; and
- Perform such other duties and responsibilities as may be provided by the Board and SEC.

2.1.3. The appointment of the compliance officer shall be immediately disclosed to the SEC on SEC Form 17-C.

## **2.2. Plan of Compliance**

### **2.2.1. Board of Governors**

The number of governors which shall constitute the Club's Board of Governors shall be ten (10). They shall be elected by the members of the Club, and shall serve without remuneration.

The Board of Governors shall have at least two (2) independent governors or such number to constitute at least one-third of the members of the Board, whichever is higher.

Compliance with the principles of good corporate governance shall start with the Board of Governors.



2.2.1.1. General Responsibility. It shall be the Board's responsibility to foster the long-term success of the Club and to sustain its competitiveness and growth in a manner consistent with its corporate objectives and the long-term best interests of the Club, its Members, and other stakeholders. The individual governors shall conduct themselves with utmost competence, honesty, and integrity in the discharge of their duties, functions, and responsibilities.

A governor's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, and fairness, and should exercise leadership, prudence and integrity in directing the Club towards sustained progress.

2.2.1.2. Fiduciary Roles, Responsibilities, and Accountabilities

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

To ensure a high standard of best practice corporate governance for the Club, its stockholders and other stakeholders, the Board shall perform, among others, the following duties and functions:

- Install a process for the selection of diverse and competent governors and officers for the Club, with a collective working knowledge, experience, or expertise that is relevant to the formulation of sound corporate strategies and policies of the Club's operations.
- Determine the Club's purpose, its vision, and its mission, as well as strategies to carry out its objectives.



- Ensure that the Club complies with all relevant laws, regulations, and codes of best business practices;
- Identify the Corporation's stakeholders in the community in which it operates or those who are directly affected by its operations and formulate a clear policy on communicating or relating with them accurately, effectively and sufficiently through an effective investor relations program;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators, and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly recorded;
- Keep Board authority within the powers of the Club, as prescribed in the Articles of Incorporation, By-Laws, and in existing laws, rules, and regulations.
- Establish and maintain an alternative dispute resolution system in the Club that can amicably settle conflicts or differences between the Club, its members, third parties, and regulatory authorities.
- Provide the Club's members with a balanced and comprehensible assessment of the Club's performance, position, and prospects on a quarterly basis, including interim and other reports, which could affect the Club's operations and reports to pertinent government regulatory agencies.
- Organize an orientation program for first-time governors and relevant annual continuing training programs for all incumbent governors.



- Insofar as not covered in this Manual, approve a Board Charter that lays down the roles, responsibilities and accountabilities of the Board in carrying out its duties. This Manual and the Board Charter should serve as a guide to the governors in the performance of their functions.
- Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Club and all members and all other stakeholders.
- Oversee the development of and approve the Club's business and strategy, and monitor its implementation, in order to sustain the Club's long-term viability and strength.
- Ensure and adopt an effective succession planning program for governors, key officers and Management to ensure the continuous and consistent growth of the Club. This should include adopting a retirement policy for governors and key officers.
- Align the remuneration of key officers and governors with the long-term interests of the Club. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance. In this regard, no governor should participate in the determination of his own per diem or compensation.
- Have a formal and transparent Board nomination and election policy that should include how it accepts nominations from the Club's members and reviews the qualifications of nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a governor. In addition, its process of identifying the quality of governors should be aligned with the strategic direction of the Club.



- Ensure that there is a policy and system governing related party transactions ("RPTs") and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.
- Approving the selection and assessing the performance of the Management led by the Chief Executive Officer ("CEO") or his equivalent, and control functions led by their respective heads.
- Establish an effective performance evaluation framework, which includes the standard or criteria for assessment, that will ensure that the Management, including the CEO or his equivalent, and personnel's performance is at par with the standards set by the Board and senior Management.
- Oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of Board members, Management, and members. The Board should also adopt an Internal Audit Charter.
- Oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.
- Ensure that the Club shall have an adequate and effective internal control system and an Enterprise Risk Management framework in the conduct of its business, taking into account its size, risk profile, nature and complexity of operations.



- Make available, at the option of a member, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.
- Establish a Customer Relations Office ("CRO") or its equivalent to ensure constant engagement and communication with its members. The CRO or its equivalent should be present at every members' meeting.
- Identify the Club's various stakeholders and promote cooperation between them and the Club in creating wealth, growth and sustainability. Included in the stakeholders are the holders of non-proprietary rights.
- Establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders.
- Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Club's goals and in its governance.
- Recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Club to grow its business, while contributing to the advancement of the society where it operates.

#### 2.2.1.4. Duties and Responsibilities of a Governor

An individual governor shall have the following duties and responsibilities:

- To conduct fair business transactions with the Club and to ensure that his personal interests do not interfere with his or her decisions as part of the Board. If an actual or potential conflict of interest should arise on the part of any of the individual governors, the governor concerned should fully

disclose the said conflict and should not participate in the decision-making on the matter to which such conflict pertains. Should such conflict be of such materiality so as to adversely affect the Club, such governor may be asked to resign;

- To devote time and attention necessary to properly and diligently discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Club, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies. He shall also be informed of developments and trends which are pertinent to the Club, in order to safeguard the Club's continued viability;
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Club's control environment.

#### 2.2.1.5 Independent Governors

The independent governors shall possess a general understanding of the operations of the Club. An independent governor refers to a person who:

- Is not, or has not been a senior officer or employee of the Club unless there has been a change in the controlling ownership of the Club;
- Is not, and has not been in the two (2) years immediately preceding the election, a governor of the Club; a governor, officer, employee of the Club's subsidiaries, associates, affiliates or related companies; or a governor, officer, employee of the



covered Club's substantial shareholders and its related companies;

- Has not been appointed in the Club, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" Governors/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 two (2) years immediately preceding his election;
- Is not an owner of more than two percent (2%) of the outstanding shares of the Club, its subsidiaries, associates, affiliates, or related companies;
- Is not a relative of a governor, officer, or substantial shareholder of the Club or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include a spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- Is not acting as a nominee or representative of any governor of the Club or any of its related companies;
- Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a governor, officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Club, any of its related companies or substantial shareholders, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;



- Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, governor or substantial shareholder, in any transaction with the Club or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;
- Is not affiliated with any non-profit organization that receives significant funding from the Club or any of its related companies or substantial shareholders; and
- Is not employed as an executive officer of another company where any of the Club's executives serve as governors.

The Board's independent governors shall serve for a maximum cumulative term of nine (9) years. After which, the independent governor shall be perpetually barred from reelection as such in the Club, but may continue to qualify for nomination and election as a non-independent governor. In the instance that the Club wants to retain an independent governor who has served for nine (9) years, the Board shall provide meritorious justification/s and seek members' approval during the annual members' meeting.

A governor with a material or potential interest in any transaction affecting the Club shall fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction.

The non-executive governors shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive governors present to ensure that proper checks and balances are in place within the Club. The meetings shall be chaired by the lead independent governor, if applicable.



The Board shall designate a lead governor among the independent governors if the Chairperson of the Board is not independent, including if the positions of the Chairperson of the Board and Chief Executive Officer or its equivalent are held by one person.

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

- Serve as an intermediary between the Chairperson and the other governors when necessary;
- Convene and chair meetings of the non-executive governors; and
- Contribute to the performance evaluation of the Chairperson, as required.

#### 2.2.1.6 Board Meetings and Quorum

- The governors shall attend and actively participate in all meetings of the Board, Committees, and members in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the governors shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

#### 2.2.1.7 Access to Information

Board members shall be provided by the Club's Management with complete, adequate and timely information prior to Board meetings, which may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements, including any variance between the projections and actual results in the budget.



Governors shall have separate and independent access to the Corporate Secretary, and may, either individually or as a group, take independent professional advice in the furtherance of their duties at the Club's expense.

#### 2.2.1.8 Commitment

The non-executive governors of the Board shall not concurrently serve as governors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent governorships shall be five (5) public companies and/or registered issuers if the governor also sits in at least three (3) publicly-listed companies.

An incumbent governor shall notify the Board of Governors before accepting a directorship or governorship in another company.

#### 2.2.1.9 Board Ethics

The Board of Governors shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of Board members. The Code of Business Conduct and Ethics shall be properly disseminated to all the members of the Board and disclosed and made available to the public through the Club's website.

The Board shall also ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.

The Board shall likewise set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics. Further, the Board shall disseminate the policy and program to employees across the organization through orientations and continuous trainings to embed them in the Club's culture.



The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

### **2.2.2. Board Committees**

All established committees shall provide for their Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees and its members.

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees.

#### **2.2.2.1 Nomination and Election Committee ("NOMELEC")**

Under Article VIII, Section 8.2 of the Club's By-laws, the Chairperson and Vice-Chairperson of the NOMELEC shall be chosen by the Board of Governors not later than ninety (90) calendar days prior to the date of election. The NOMELEC, which shall have five (5) members, shall be composed of the Chairperson, Vice-Chairperson, an independent governor, and two (2) other Members from among the Regular Members of the Club in good standing, who shall be chosen by the Chairperson and the Vice-Chairperson within ten (10) calendar days from their appointment.

##### **2.2.2.1.1. Selection of Nominees**

The NOMELEC shall pre-screen and make a short-list of all the candidates nominated to become a member of the Board of Governors, in accordance with the following qualifications and disqualifications:

##### **Qualifications**



- Holder of at least one (1) Regular membership certificate of the Club under his name or in the name of the juridical Regular Member of which he is the representative;
- He must be a Regular Member of the Club in good standing during his tenure;
- He must be an active member of any of the Club's committees for at least one (1) year prior to his nomination

#### Disqualifications

- Any person finally convicted judicially of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation, criminal or otherwise, of any provision of the Securities Regulation Code, the Revised Corporation Code, their Implementing Rules and Regulations, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the SEC or the Bangko Sentral ng Pilipinas;
- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised



Corporation Code, committed within five (5) years prior to the date of his election or appointment.

Any of the following shall be a ground for the temporary disqualification for election as a governor:

- 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 such governor's refusal persists;
- Absence or non-participation for whatever reason(s) for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Governors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal/termination from directorship /governorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity which gave rise to his dismissal/termination;
- Being under preventive suspension by the Club;
- If an independent governor becomes an officer or employee of the Club, or would have a relationship with the Club which would interfere with the exercise of independent judgment as a governor, he shall be automatically disqualified from being an independent governor; and
- Conviction that has not yet become final referred to in the grounds for the disqualification of governors;

The following shall likewise be temporarily disqualified from being nominated and/or elected as an Independent Governor:



- A Regular Governor who resigns or whose term ends on the day of the election shall be disqualified for nomination and election as an Independent Governor for a period of two (2) years from such resignation or expiration of term; and
- Persons appointed as Chairperson *Emeritus*, Ex-officio Governors, Ex-officio Club Officers or Members of Executive Advisory Boards, as well as those appointed in a capacity to assist the Board of Governors in the performance of its duties and responsibilities, shall be ineligible for nomination and/or election as an Independent Governor for a period of one (1) year from when he/she vacates any of the above position(s).

#### 2.2.2.1.2. Redefining the Role of the Chief Executive Officer

The positions of Chairperson of the Board and Chief Executive Officer ("CEO") or its equivalent position, shall be held by separate individuals.

The CEO has the following roles and responsibilities, among others:

- Implement the Club's strategic plan on the direction of the business;
- Communicate and implement the Corporation's vision, mission, values and overall strategy as formulated by the Board and promote any organization or stakeholder change in accordance with the same;
- Oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;
- Have a good working knowledge of the Club's industry and market and keep up-to-date with its core business purpose;
- Direct, evaluate, and guide the work of the key officers of the Club;

- Manage the Club's resources prudently and ensure a proper balance of the same;
- Provide the Board with timely information and interfaces between the Board and the employees;
- Build the Club culture and motivate the Club's employees; and
- Serve as the link between internal operations and external stakeholders.

#### 2.2.2.1.3. Multiple Directorships/Governorships/ Official Positions

The NOMELEC shall consider the following in determining the eligibility and capacity of a nominee-governor, who also holds governorships, directorships, and/or other official posts in other corporate entities:

- The nature of the business of the corporations in which he is a director, governor and/or officer;
- Age of the governor;
- Number of directorships, governorships, and/or official positions in other corporations or organizations; and
- Possible conflict of interest.

The capacity of a governor to perform his duties diligently, however, shall be the primary consideration in considering a nominee for governorship.

The individual governors, the Chief Executive Officer, and the other executive officers shall, as far as practicable, limit their memberships in other corporate Boards, as well as their assumption of official functions therein. Regardless of the number of posts such governors or officers hold, their capacity to serve the Club with diligence should not be compromised thereby.



## **2.2.2.2 Audit Committee**

### 2.2.2.2.1 Composition

The audit committee shall be composed of at least three (3) non-executive governors, the majority of whom, including the Chairperson, should be independent governors. Each member must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairperson of the Audit Committee should not be the Chairperson of the Board or of any other committees.

### 2.2.2.2.2 Duties and Responsibilities of the Audit Committee

- Codify an Audit Committee Charter which 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;
- Recommend the approval of the Internal Audit ("IA") Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversee the implementation of the IA Charter;
- Through the IA Department, monitor and evaluate the adequacy and effectiveness of the Club's internal control system, integrity of financial reporting, and security of physical and information assets;
- Oversee the IA Department, and recommend the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the



terms and conditions for outsourcing internal audit services, if applicable;

- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- Monitor the Management's responsiveness to the Internal Auditor's findings and recommendations;
- Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;
- Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid and the Corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;
- Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices;
  - Areas where a significant amount of judgment has been exercised;
  - Significant adjustments resulting from the audit;
  - Going concern assumptions;
  - Compliance with accounting standards; and



- Compliance with tax, legal and regulatory requirements
- Review the recommendations in the External Auditor's management letter;
- Perform oversight functions over the Club's Internal and External Auditors and ensure their independence and unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;
- Coordinate, monitor, and facilitate compliance with laws, rules, and regulations;
- Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders;
- 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, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- In case of the absence of a RPTs Committee, evaluate all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Club are misappropriated or misapplied;



- In case of the absence of an RPT Committee:
  - Determine any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:
    1. The related party's relationship to the Club and interest in the transaction;
    2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
    3. The benefits to the Corporation of the proposed RPT;
    4. The availability of other sources of comparable products or services; and
    5. An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Club shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
  - Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Club's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Club's affiliation or transactions with other related parties;
  - Report to the Board of Governors 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;



- Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and
- Perform the functions of the Board Risk Oversight Committee in the absence thereof.
- Meet internally and with the Board at least once every quarter without the presence of the Chief Executive Officer or other Management team members, and periodically meet with the head of the IA.

#### 2.2.2.2.3 Internal Audit Department ("IA")

The Club shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Club's operations. The following are the functions of the IA, among others:

- 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;
- Perform regular and special audit as contained in the annual audit plan and/or based on the Club's risk assessment;
- Perform consulting and advisory services related to governance and control as appropriate for the organization;

- Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Club;
- 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;
- Evaluate specific operations at the request of the Board or Management, as appropriate; and
- Monitor and evaluate governance processes.

The Club's IA activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

#### **2.2.2.3. Corporate Governance Committee**

The Corporate Governance Committee ("CG Committee") shall be composed of at least three (3) governors, majority of whom should be independent governors, including the Chairperson.

The CG Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- 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 Club's size, complexity of operations and business strategy, as well as its business and regulatory environments;



- Oversee the periodic performance evaluation of the Board and its committees as well as the executive management, and conduct an annual evaluation of the said performance;
- Ensure that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Recommend the continuing education/training programs for governors, assignment of tasks/projects to Board committees, succession plan for the Board members and senior officers, and remuneration packages for corporate and individual performance;
- Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Propose and plan relevant trainings for the members of the Board;
- Determine the nomination and election process for the Club's governors and define the general profile of Board members that the Club may need, and ensure that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election; and
- Establish a formal and transparent procedure for determining the remuneration of governors and officers that is consistent with the Corporation's culture and business strategy as well as the business environment in which it operates.

### **2.3.3. The Corporate Secretary**

- 2.3.3.1 The Corporate Secretary is an officer of the Club, should not be a member of the Board of Governors and shall be a separate individual from the Compliance Officer. He/she is expected to perform his/her duties with diligence. Likewise, he/she

must maintain and exhibit loyalty to the mission, vision, and specific objectives of the Club. In view of the size and operations of the Club, the Corporate Secretary may, at the same time, serve as Compliance Officer.

2.3.3.2. The Corporate Secretary shall be a Filipino citizen.

2.3.3.3. Considering his varied functions and duties, the Corporate Secretary must possess administrative and interpersonal skills, as well as adequate legal knowledge and expertise.

2.3.3.4. Duties and Responsibilities

- Assist the Board and the Board committees in the conduct of their meetings.
- Safely keep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Club.
- Keep abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the Club, and advise the Board and the Chairperson on all relevant issues as they arise;
- Work fairly and objectively with the Board, management, members, and other stakeholders and contribute to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders/members as well as other stakeholders.
- Advise on the establishment of Board committees and their terms of reference.
- Have a working knowledge of the operations of the Club.



- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Club.
- Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so and maintain records of the same.
- Ensure that all the procedures, rules, and regulations are strictly followed by the members of the Board.
- Oversee the drafting of the by-laws and the Board Charter, and ensure that they conform with regulatory requirements.
- Submit to the SEC, at the end of every fiscal year, an annual certification as to the attendance of the governors during Board meetings.
- Perform all required administrative functions and such other duties and responsibilities as may be provided by the Board and the SEC.
- Annually attend a training on corporate governance.

#### **2.3.4. External Auditor**

2.3.4.1. The Club shall have an external auditor, who shall ensure that an environment of good corporate governance is reflected in the financial records and reports of the Club.

2.3.4.2. The appointment, reappointment, removal, and fees of the external auditor shall be recommended by the Audit Committee and approved by the Board of Governors and the members. For the removal or change in the external auditor, the reasons for removal or change shall be disclosed to the SEC, the members, and the public through the Club's website and other required disclosures.

2.3.4.3. The reason/s for the resignation, dismissal or cessation from service of an external auditor and the date thereof shall be reported in the Club's annual and current reports. 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.

2.3.4.4. The external auditor of the Club shall not at the same time serve as nor perform functions pertaining to the Club's internal auditor. The Club shall ensure that other non-audit work assigned to its external auditor is not in conflict with the functions of the external auditor.

2.3.4.5. The Club's external auditor shall be changed every five (5) years, or earlier. In case an accounting firm is engaged, the handling partner thereof shall likewise be changed every five (5) years or earlier.

2.3.4.6. If an external auditor believes that the statements made in the Club's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.



### **2.3.5. Internal Auditor**

2.3.5.1. The Club shall likewise have an Internal Auditor or a group of Internal Auditors. The Internal Auditor(s) shall ensure the Club's key organizational and procedural controls are responsive, effective, appropriate, and are regularly complied with.

2.3.5.2. The Internal Auditor shall report to the Audit Committee.

2.3.5.3. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Club's organizational and procedural controls.

2.3.5.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

## **3. ADEQUATE AND TIMELY INFORMATION**

- 3.1. To enable the Members of the Board of Governors to properly fulfill their duties and responsibilities to the Club, as well as to its members, the Club's management shall provide them with complete, timely, and adequate information about the matters to be taken up in the Board's meetings.
- 3.2. Members of the Board of Governors shall be given independent access to the Club's management and its Corporate Secretary, as well as the pertinent records of the latter two, in order to ensure that full and impartial information are available to the Governors. Information includes matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.



- 3.3. The Board and its individual members, in furtherance of their duties and responsibilities, may avail themselves of independent professional advice at the expense of the Club.

#### **4. ACCOUNTABILITY AND AUDIT**

- 4.1 The Club's management, under the supervision of the Audit Committee, shall formulate rules and procedures on financial reporting and internal control, which will:
- Clearly delineate and explain the extent of responsibility of the management, the Club's internal auditor, and the Club's external auditor in the preparation of the Club's financial statements.
  - Institute an effective internal control system which will ensure the integrity of the financial reports and the protection of the Club's assets for the benefit of all Members and stakeholders.
  - Ensure the Club's compliance with the financial reporting requirements of all pertinent government regulatory agencies.
  - Include the evaluation of the adequacy and effectiveness of the Club's control mechanisms that cover the Corporation's governance, operations, and information systems, including the reliability of the financial and operational information, effectiveness and efficiency of operations, protection of assets, as well as compliance with contracts, laws, rules, and regulations.
- 4.2 The Club shall disclose the nature of non-audit services performed by its external auditor in the Annual Report in the interest of managing potential conflict of interest cases. The Audit Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

#### **5. COMMUNICATION PROCESS**

- 5.1. This Manual shall be available for inspection by any member of the Club at reasonable hours on business days.



- 5.2. All governors, executives and officers of management, 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.
- 5.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.

## **6. TRAINING PROCESS**

- 6.1. If necessary, funds shall be allocated by the Finance Committee for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 6.2. A governor shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

## **7. REPORTORIAL OR DISCLOSURE SYSTEM OF CLUB'S CORPORATE GOVERNANCE POLICIES**

- 7.1. The Club shall establish a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public;
- 7.2. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the Club's Compliance Officer and posted on the Club's website;
- 7.3. All material information, *i.e.*, anything that could potentially affect share price, adversely affect the Corporation's viability or the interest of its members and other stakeholders shall be comprehensively, accurately and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, RPTs, shareholdings of governors and changes of ownership.
- 7.4. All governors and officers shall disclose/report to the Club any dealings in the Club's shares by the said governors and officers within five (5) business days.



- 7.5. Other information that shall always be disclosed includes remuneration of all governors and senior management corporate strategy, and off balance sheet transactions.
- 7.6. All disclosed information shall be released through usual Club announcements as well as through the annual report.
- 7.7. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders, through the appropriate submissions to the SEC as well as other pertinent governmental regulatory offices. Such information should include, among others, earnings, results, acquisition and disposition of assets, off balance sheet transactions, RPTs, and direct and indirect remuneration of members of the Board and of the management.
- 7.8. The Club shall disclose all relevant information on its corporate governance policies and practices in the Annual Corporate Governance Report, which shall be submitted to the SEC, and continuously updated and posted on the Club's website.
- 7.9. The Club shall disclose to all members and other stakeholders the Club's strategic (long-term goals) and operational objectives (short-term goals) as well as impacts of a wide range of sustainability issues, with emphasis on the management of environmental, economic, social and governance (EESG) issues of its business which underpin sustainability.

## **8. MEMBERS' BENEFIT**

The Club recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its Members. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Club and all its Members:



## 8.1. MEMBERS' RIGHTS AND PROTECTION

### 8.1.1. Members' Rights

The Board shall be committed to respect the following rights of the members, without discrimination or distinction.

### 8.1.2. Right to Participate in the Approval of Material Corporate Acts

8.1.2.1. The Corporate Secretary shall send the Notice of Annual and Special Members' Meetings with sufficient and relevant information at least twenty-one (21) days before the meeting. Required information in the notice include, among others, the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated upon and approved or ratified at the meeting.

8.1.2.2. Members shall have the right to propose to the Corporate Secretary the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Members' Meeting.

8.1.2.3. The result of the votes on matters taken during the most recent Annual or Special Members' Meeting shall be available the next working day. In addition, the Minutes of the Annual and Special Members' Meeting should be available on the Club's website within five (5) business days from the date of the meeting.

Voting results include a breakdown of the approving and dissenting votes on the matters raised during the Annual or Special Members' Meeting.

The minutes of the meeting includes the following matters: (1) a description of the voting and vote tabulation procedures used; (2) the opportunity given to members to ask questions, as well as a record of the questions asked and the answers received; (3) the matters discussed and the resolutions reached; (4) a record of the voting results for each agenda item; (5) a list of the governors, officers and members who



attended the meeting; and (6) dissenting opinion on any agenda item that is considered significant in the discussion process.

8.1.2.4. Members shall be informed of the voting procedures that would govern the Annual and Special Members' Meeting.

### **8.1.3. Voting Right**

8.1.3.1. Members shall have the right to nominate, elect, remove, and replace governors and vote on certain corporate acts in accordance with the Revised Corporation Code.

8.1.3.2. Cumulative voting shall be used in the election of governors.

8.1.3.3. A governor shall not be removed without cause if it will deny minority members representation in the Board.

8.1.3.4. Members shall be informed of the nomination and removal process.

### **8.1.4. Pre-emptive Right**

No pre-emptive right is granted to the members of the Club, as expressly stated in Article 7 of the Club's Articles of Incorporation.

### **8.1.5. Right to Inspect**

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

### **8.1.6. Right to Information**

8.1.6.1. The Members shall be provided, upon request, with periodic reports which disclose personal and professional information about the governors



and officers and certain other matters such as their holdings of the Club's shares, dealings with the Club, relationships among governors and key officers, and the aggregate compensation of governors and officers.

8.1.6.2. The minority members comprising of at least twenty percent (20%) of all Regular Members entitled to vote shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting.

8.1.6.3. The minority members shall have access to any and all information relating to matters for which the Management is accountable. The minority members shall be allowed to propose the inclusion of such matters in the agenda of the membership meeting, as they may deem pertinent and relevant.

#### **8.1.7. Right to Dividends**

In view of the non-profit nature of the Club, no part of its net income shall be distributed to any member thereof, whether as dividends or in the form of declaration of pecuniary profits, as expressly stated in Article 7 of its Articles of Incorporation.

#### **8.1.8. Promotion of Members' Rights**

It shall be the duty of the governors to promote membership rights, remove impediments to the exercise of membership rights and to redress violation of members' rights. They shall encourage the exercise of members' voting rights and the solution of problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to members participating in meetings and/or voting in person. The governors shall pave the way for the electronic filing and distribution of membership information necessary to make informed decisions subject to legal constraints.

The Board of Governors shall likewise be transparent and fair in the conduct of annual and special member's meetings. The Board shall encourage the Club's members to



attend meetings, and shall apprise them ahead of time of their right to appoint a proxy. Subject to the provisions of the Club's By-Laws, all doubts regarding the validity of a proxy shall be resolved in favor of the member involved.

## **9. MONITORING AND ASSESSMENT**

- 9.1. The Board of Governors shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees. The Board shall establish a system which provides for the criteria and process to determine such performance and should allow for a feedback mechanism from the members.
- 9.2. Each Committee shall report regularly to the Board of Governors.
- 9.3. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under part 8 of this Manual.
- 9.4. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Club's annual report (SEC Form 17-A) or in such form of report that is applicable to the Club. The adoption of such performance evaluation system must be covered by a Board approval.
- 9.5. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 9.6. All business processes and practices being performed within any department or business unit of the Club that are not consistent with any portion of this Manual shall be revoked unless upgraded to the extent compliant.

## **10. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

- 10.1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Club's governors, officers, staff, subsidiaries and affiliates and their respective governors,



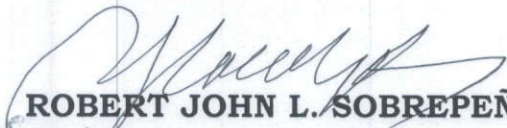
officers and staff in case of violation of any of the provision of this Manual.

- In case of **first violation**, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.
- For **third violation**, the maximum penalty of removal from office shall be imposed

10.2. The commission of a third violation of this Manual by any member of the Board of the Club shall be a sufficient cause for removal from governorship.

10.3. The Compliance Officer shall be responsible for determining violation(s) through notice and hearing and shall recommend to the Chairperson of the Board the imposable penalty for such violation, for further review and approval of the Board.

Signed:

  
**ROBERT JOHN L. SOBREPEÑA**  
*Chairperson of the Board*

  
**GILBERT RAYMUND T. REYES**  
*Compliance Officer*