



**DMCI HOLDINGS**  

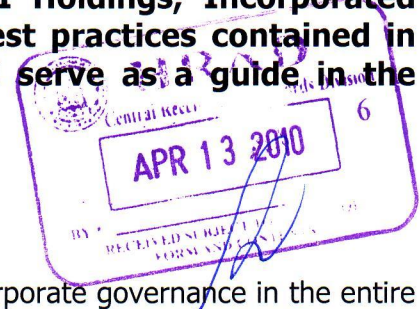
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**INCORPORATED**

**Amended Manual on  
Corporate Governance**  
*April 2010*



**The Board of Directors and Management of DMCI Holdings, Incorporated hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same shall serve as a guide in the attainment of our corporate goals.**



## **1. OBJECTIVE**

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

The Board of Directors and Management believe that corporate governance is one of the necessary components of what constitutes sound business management. In this regard, Management shall undertake the necessary effort to create corporate governance awareness within the organization as soon as possible.

## **2. DEFINITION OF TERMS**

For the purpose of this Manual, words importing the singular also include the plural and the masculine includes the feminine and the neuter and vice versa where the context requires. The technical terms used in this Manual shall have the respective meanings as set forth below:

**Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties

**Chairman** – refers to the person duly elected by the members of the Board of Directors to preside over Board meetings and other duties and responsibilities listed under the Corporation By-laws.

**Corporate Governance** – the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders.

**Corporation**- refers to DMCI Holdings, Incorporated.

**Code** – refers to the Code of Corporate Governance.

**Director** – refers to a person duly elected by stockholders in the Board.

**Executive Director** – a director who is also the head of a department or unit of the corporation or performs any work related to its operation.



**Independent Director** – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

**Internal Control** – the systems established by the Board of Directors and Management for the accomplishment of the Corporation's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with the applicable laws, regulations and internal rules.

**Internal Control System** – the framework under which internal controls are developed and implemented to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed.

**Internal Audit** – an independent and objective assurance activity designed to add value to and improve the corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.

**Internal Audit Department** – refers to an organic unit of the Corporation that provide independent, objective assurance and consulting services designed to review the implementation of the Internal Control.

**Management** – refers to the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation

**Non-executive Director** – a director who is not the head of a department or unit of the corporation nor performs any work related to its operation.

**Non-audit work** – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor.

**Manual** – refers to this Manual on Corporate Governance.

**PSE** – shall refer to the Philippine Stock Exchange

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



### **3. BOARD GOVERNANCE**

The Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

#### **3.1 Composition of the Board**

The Corporation's Board shall be composed of nine (9) directors, two (2) of which are independent directors who are elected by the stockholders.

The membership of the Board may be a combination of executive and non-executive directors (which included independent directors) in order that no director or small group of directors can dominate the decision-making process.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

#### **3.2 Board of Directors**

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

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

##### **3.2.1 General Responsibility of a Director**

A Director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, professionalism, diligent, and fairness.

##### **3.2.2 Specific Functions of the Board**

To insure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- Install a process of selection to ensure a mix of competent directors and officers.
- Determine the Corporation's purpose, its vision, mission, and strategies to carry out its objective



- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the Corporation's shareholders and other stakeholders and formulate a clear policy on communicating or relating with them 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 minuted; and
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.

### **3.2.3 Duties and Responsibilities of a Director**

A Director shall have the following duties and responsibilities:

- To conduct fair business transactions for the Corporation and to ensure that personal interests and biases do not influence him/her in arriving at Board decisions;
- To devote sufficient time and the necessary attention to properly 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 Corporation, 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.
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.



### **3.2.4 Qualifications of Directors**

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- He shall be at least thirty (30) years old;
- He shall have worked or in business for at least six (6) years and held a position not less than managerial level;
- He shall have proven to possess integrity and probity; and
- He shall be assiduous.

#### Disqualifications

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- Any person finally found by SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Code, the Corporation Code, or any other law, rules, regulations or order administered by the SEC or Bangko Sentral ng Pilipinas;
- Any person judicially declared to be insolvent or bankrupt;
- 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
- Any person convicted by an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Code, committed within five (5) years prior to the date of his election or appointment.
- Any person treated for mental disorder, drug or alcohol addiction or confined in a mental institution;



- Any person owning directly or indirectly more than ten (10%) percent equity in any similar nature of business other than the Corporation's affiliates or subsidiaries.

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to fully disclose the extent of his business interest as required under the Code and its implementing Rules and Regulations. This disqualification shall be in effect as long as his 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 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 in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- Being under preventive suspension by the Corporation;
- If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director;
- If the beneficial equity ownership in the Corporation or its subsidiaries and affiliates exceeds two (2) percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.



## 4. BOARD COMMITTEES

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

### 4.1 Nomination and Election Committee

The Nomination Committee shall have at least three (3) Directors, one of whom must be independent.

4.1.1 It shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the following qualifications and disqualifications:

4.1.2 In consultation with the Board, review and re-define, as appropriate, the role, duties and responsibilities of the Chief Executive Officer (CEO) by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

4.1.3 The CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

4.1.4 The Nomination Committee shall consider the following guidelines in determining the number of directorships for the members of the Board:

- The nature of the business of the Corporation which he is a director;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.



## **4.2 Compensation and Remuneration Committee**

The Compensation or Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director.

### **4.2.1 Duties and Responsibilities**

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- Disallow any director to decide his or her own remuneration.
- Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and ensuing year.
- Review of the existing Administration or Personnel, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance or personnel concerned with all statutory requirements that must be periodically met in their respective posts.



### **4.3 Audit Committee**

The audit committee shall be composed of at least three (3) Members of the Board, at least two (2) of whom must be independent and one (1) of whom shall be its head or chairman. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment. *(In compliance with SEC Memorandum Circular No. 6 Series of 2004)*

#### **4.3.1 Duties and Responsibilities**

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- Perform direct interface functions with the internal and external auditors.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - a. A definitive timetable within which the accounting system of the Corporation will be substantially International Accounting Standard compliant.
  - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through step-by-step procedures and policies handbook that will be used by the entire organization.



## **5. THE CORPORATE SECRETARY**

The Corporate Secretary who should be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation. He should:

### **2.2.3.4. Duties and Responsibilities**

- Gather and analyze all documents, records, and other information essential to the conduct of his duties and responsibilities to the Corporation.
- Be loyal to the mission, vision, and objectives of the Corporation.
- Work fairly and objectively with the Board, Management and stockholders.
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- 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.
- Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

## **6. COMPLIANCE OFFICER**

The Compliance Officer shall report directly to the Chairman of the Board. He shall hold the position of a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman.

### **6.1.1 He shall perform the following duties:**

- Monitor compliance with the provisions and requirements of this Manual;
- Appear before the SEC upon summon on similar matters that need to be clarified by the same;



- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Issue a certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
- Identify, monitor and control compliance risks.

6.1.2 The appointment of the compliance officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to the said Officer.

## **7. ACCOUNTABILITY AND AUDIT**

The Board is primarily accountable to the stockholders. It should provide a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other report that could adversely affect its business, as well as reports to regulators that are required by law.

The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC who shall undertake the independent audit of the Corporation.

### **7.1 External Auditor**

- 7.1.1 An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An External Auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- 7.1.2 The reason/s for the resignation, dismissal or cessation from service and the date thereof of an External Auditor shall be reported in the Corporation's annual and current reports. 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.
- 7.1.3 The External Auditor of the company shall not at the same time provide the services of an Internal Auditor. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the External Auditor.



- 7.1.4 The External Auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
- 7.1.5 If an external auditor believes that the statements made in the Corporation's annual reports, information statement or proxy statement filed during engagement is incorrect or incomplete, he shall qualify his views in said reports.

Under the supervision of the Audit Committee, the Internal Auditor should formulate the rules and procedures on financial reporting and internal control.

## **7.2 Internal Auditor**

- 7.2.1 The Corporation shall have in place an independent Internal Audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls remain effective and appropriate, and are complied with.
- 7.2.2 The Internal Auditor shall report to the Audit Committee.
- 7.2.3 The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.
- 7.2.4 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 of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

## **8. COMMUNICATION PROCESS**

- 8.1 This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- 8.2 All Directors and 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.



- 8.3 An adequate number of printed copies of this Manual must be reproduced with a minimum of at least one (1) hard copy of the Manual per department.

## **9. TRAINING PROCESS**

- 9.1 If necessary, funds shall be allocated by the Treasurer or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 9.2 A Director 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.
- 9.3 For continuing education, the Compliance Officer may attend from time to time seminars or workshops or be a member of an association dedicated to such.

## **10. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES**

- 10.1 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.
- 10.2 The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by and through the Compliance Officer.
- 10.3 All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of directors and changes to ownership.
- 10.4 Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.
- 10.5 The Corporation is prohibited in communicating material non-public information to any person, unless is ready to simultaneously disclose the material non-public information to the Exchange. This rule does not apply if the disclosure is made to:
  - 10.5.1 A person who is bound by duty to maintain trust and confidence to the Corporation such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and
  - 10.5.2 A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his/her personal gain.



- 10.6 In order to fully comply and enforce Section 4.2 of the Revised Disclosure Rules, the following internal controls shall be implemented:
- 10.6.1 The Board shall adopt a resolution to effect and comply with said Section.
  - 10.6.2 The said Section shall be circulated to the Corporation's and its subsidiaries' executive officers, managers, and staff.
  - 10.6.3 An information sheet on material contracts, undertakings, or dealings shall be made and submitted to the office of the Compliance Officer.
  - 10.6.4 The Compliance Officer shall evaluate or as the case maybe, consult the Chairman on the degree of materiality of information to be disclosed, and
  - 10.6.5 In matter of evaluating, the Compliance Officer shall always consider that any material information not detrimental to the course of business of the Corporation shall be disclosed to PSE
- 10.7 All disclosed information shall be released via the approved PSE procedure for company announcements as well as through the annual report.

## **11. SHAREHOLDERS' BENEFIT**

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

### **11.1 INVESTORS' RIGHTS AND PROTECTION**

#### **11.1.1 Rights of Investors/Minority Interests**

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

#### **11.1.2 Voting Right**

7.1.2.1. Shareholders shall have the right to elect, remove, and replace Directors and vote on certain corporate acts in accordance with the Code.

7.1.2.2. Cumulative voting shall be used in the election of Directors.

7.1.2.3. A director shall not be removed without cause if it will deny minority shareholders of representation in the Board.



### **11.1.3 Pre-emptive Right**

All stockholders shall have pre-emptive rights, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Code.

### **11.1.4 Power of Inspection**

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

### **11.1.5 Right to Information**

- 11.1.5.1 The shareholders shall be provided, upon request, with periodic reports, which disclose professional and other related information about the directors and officers and certain other matters such as their holdings of the company's shares, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- 11.1.5.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- 11.1.5.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

### **11.1.6 Right to Dividends**

- 11.1.6.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board.



11.1.6.2 The Corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or; b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

### **11.1.7 Appraisal Right**

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Code of the Philippines, under any of the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and
- In case of merger or consolidation.
- It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.



## 12. MONITORING AND ASSESSMENT

- Each Committee shall report regularly to the Board.
- The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible Director, officer or employee to the penalty provided under Part 8 of this Manual.
- The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- This Manual shall be subject to quarterly review unless the Board amends the same frequency.
- All business processes and practices being performed within any department or business unit of Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

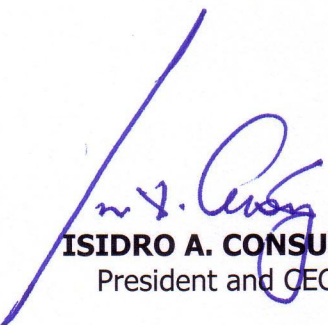
## 13. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL


- To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, 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.
- The commission of a third violation of this Manual by any member of the Board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
- The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman the imposable penalty for such violation, for further review and approval of the Board.



Signed:

  
**HERBERT M. CONSUNJI**  
Compliance Officer 

  
**ISIDRO A. CONSUNJI**  
President and CEO

  
**DAVID M. CONSUNJI**  
Chairman of the Board

April 12, 2010