

## MANUAL ON CORPORATE GOVERNANCE

### ARTICLE I PREAMBLE

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

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

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

### ARTICLE II DECLARATION OF PRINCIPLES

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

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<sup>1</sup> SEC Memorandum Circular No. 2

## **ARTICLE III GOVERNANCE**

### **1. The Board of Directors**

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

#### **1.1 Composition of the Board**

The Charter of the MCIAA (Sec. 6, R. A. 6958) provides that the Board shall have eleven (11) members. The Secretary of Transportation and Communications and the General Manager of MCIAA shall be the *ex officio* Chairman and Vice-Chairman of the Board respectively. The Assistant Secretary of the Air Transportation Office and the Secretaries of the following executive departments or any Undersecretary or Assistant Secretary designated by the respective Secretaries shall be *ex officio* members, to wit: the Department of Finance, the Department of Justice and the Department of Tourism. In addition four (4) members recommended by the governor of the Province of Cebu shall be appointed by the President of the Philippines, for a term of four (4) years, from the private sector. The governor of the Province of Cebu or his duly authorized representative shall be the ninth member.

#### **1.2 Board Meetings and Quorum Requirements**

- a) Members of the Board should attend regular and special meetings of the Board in person. In view of modern technology, however, attendance at Board meetings through teleconference or videoconference may be allowed.
- b) A majority of the number of directors as fixed in the Charter shall constitute a quorum for the transaction of corporate business, and every decision or at least a majority of the directors present at a meeting at which there is quorum shall be valid as a corporate act.

#### **1.3 General Responsibility of the Board for Corporate Governance**

- a) **Compliance with the principles of good governance shall start with the Board of Directors.** It shall be the Board's responsibility to foster the long-term success of the MCIAA and secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the MCIAA, the Filipino people, and other stakeholders.
  
- b) **A director's office is one of trust and confidence.** He should act in the best interest of the MCIAA in a manner characterized by transparency, accountability, and fairness. He should exercise leadership, prudence and integrity in directing the MCIAA towards sustained progress over the long term. A director assumes certain responsibilities to different constituencies or stakeholders, who shall have the right to expect that the institution is being run in a prudent and sound manner.
  
- c) To ensure good governance of the MCIAA, the Board shall establish the organization's vision and mission, strategic objectives and procedures that may guide and direct the activities of the MCIAA and the means to attain the same as well as the mechanism for monitoring management's performance. While the management of the day-to-day affairs of the MCIAA is the responsibility of the management team, the Board is, however, responsible for monitoring and overseeing management action.
  
- d) The Board shall ensure the presence and adequacy of internal control mechanisms for good performance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
  - d.1) Ensuring the presence of organizational and procedural controls, supported by an effective management informational system and risk management reporting system;
  - d.2) Appointing a Chief Executive Officer with the appropriate ability, integrity, and experience to fill the role, and defining the duties and responsibilities of the CEO;
  - d.3) Reviewing proposed management appointments;
  - d.4) Ensuring the selection, appointment and retention of qualified and competent management, reviewing the MCIAA's personnel and human resource policies, compensation plan and the management succession plan;
  - d.5) Institutionalizing the internal audit function; and,

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

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

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

- a) Property discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings shall be minuted;
- b) Constitute an Audit and Compliance Committee and such other Committee as are required by law and/or the requirements of good corporate governance;
- c) Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the organization;
- d) Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;
- e) Ensure that the MCIAA complies with all relevant laws, regulations and, as far as possible, best business practices;
- f) Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the MCIAA's major and other stakeholders on matters of importance;
- g) Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems shall be regularly reviewed and updated to render for effectiveness;
- h) Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas;
- i) Assess, at least annually, its performance and effectiveness as a body, as well as the various committees, the Chief Executive Officer and the MCIAA itself; and
- j) Keep their authority within the powers of the institution as prescribed by its Charter (R.A. 6958) and in existing laws, rules and regulations.

## 1.5 Specific Responsibilities of each Director

A director shall have the following responsibilities:

- a) **Conduct fair business transactions with the MCIAA and ensure that personal interest does not bias Board decisions.** A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality.
- b) **Devote time and attention necessary to properly discharge his duties and responsibilities.** A director should attend and actively participate in Board meetings.
- c) **Act judiciously.** Before deciding on any matter brought before the Board of Directors, every director should evaluate the issues, ask questions and seek clarifications as appropriate.
- d) **Exercise independent judgment.** A director should view each problem/situation objectively and support plan and ideas which he believes are beneficial to the MCIAA.
- e) **Have a working knowledge of the statutory and regulatory requirements affecting the MCIAA.** This would include a firm knowledge of the contents of its Charter and where applicable, the requirements of other agencies.
- f) **Observe confidentiality.** A director shall observe the confidentiality of non-public information acquired by reason of his position as a director. He should not disclose any information to any other person without the authority of the Board.
- g) **Ensure the continuing soundness, effectiveness and adequacy of the MCIAA's control environment.** Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Airport Authority.
- h) **Honesty, Loyalty and Good Faith.** Each director must act honestly and in good faith, with loyalty and in best interest of the MCIAA, and its major and other stakeholders.

## 1.6 Liability of Directors

Directors who willfully and knowingly vote or consent to patently lawful acts of the MCIAA or who are guilty of gross negligence or bad faith in directing the affairs of the MCIAA or acquire any personal or pecuniary interest in conflict

with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the MCIAA, its stakeholders and other persons.

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

### **1.7 Remuneration of Directors.**

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

## **2. Board Committees**

The Board of Directors shall constitute such committees as it may deem necessary to support it in the performance of its functions and to aid in good corporate governance. As a minimum, however, the Board shall be supported by the following committees;

### **2.1 Executive Committee**

- a) The Executive Committee shall be composed of the Chairman, Vice-Chairman and three (3) other members of the Board of Directors to be appointed by the Board of Directors. The Chairman or, in his absence, the Vice-Chairman, shall preside over all meetings of the Executive Committee. Except as the Board of Directors may otherwise provide, the Executive Committee may act, by majority vote of all its members, on all matters within the competence of the Board.
- b) The Executive Committee, however, cannot act on the following matters:
  - b.1) Adoption, amendment or repeal of by-laws;
  - b.2) Amendment or repeal of any resolution of the Board which, by its express terms, is amendable or repeatable only by the Board;
  - b.3) Appointment of the CEO and the other senior management officers; and,
  - b.4) Such other limitations as may be imposed by the Board.

## **2.2 Audit Committee**

- a) There shall be an Audit Committee composed of at least three (3) members, two (2) of them, including the Chairman, shall have accounting auditing or related financial management expertise or experience.
- b) The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.
- c) Upon setting up of the committee, the Board of Directors shall draw up a written charter or terms of reference which clearly sets out the committee's authority and duties, as well as the reporting relationships with the Board of Directors. This charter shall be approved by the Board of Directors and reviewed and updated periodically.
- d) The committee shall have the explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.
- e) All other directors and the chief legal officer of the MCIAA shall be ex officio members of the committee.
- f) The committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the MCIAA. It shall have the following particular duties and responsibilities:
  - f.1) Be responsible for setting up an internal audit department and consider the appointment of the Chief Internal Auditor; establish and identify the reporting line of the Chief Internal Auditor so that the reporting levels allow the internal audit activities to fulfill its responsibilities;
  - f.2) Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
  - f.3) Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the MCIAA, and crisis management. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;

- f.4) Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following:
  - a definitive timetable within the accounting system of the MCIAA will be 100% International Accounting Standard (IAS) Compliant; and,
  - an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- f.5) Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate actions in a timely manner in dressing control and compliance functions with regulatory agencies;
- f.6) Review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and other regulatory requirements;
- f.7) Such other tasks and duties which the Board may assign and/or delegate to the committee from time to time.

### **2.3 Good Governance Committee**

- a) The Good Governance Committee shall be composed of at least three (3) members of the Board who shall possess a range of expertise as well as adequate knowledge of governance to be able to recommend principles that will enhance corporate practices.
- b) The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.
- c) The committee shall have a written charter that defines the duties and responsibilities of the committee and its members. The charter shall be approved by the Board of Directors and reviewed and updated periodically.
- d) The committee shall assist the Board in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to positions requiring

appointment/approval/concurrence by the Board. Its other duties and responsibilities include the following:

- d.1) Ensure the Board's effectiveness and due observance of corporate government principles and guidelines;
- d.2) Oversee the periodic performance evaluation of the Board and its Committees and Executive Management including an annual self evaluation of the Committee's performance;
- d.3) Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation);
- d.4) Responsible for enjoining the members of the Board to give priority to their attendance to the MCIAA Board and its committee meetings;
- d.5) Make recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan of senior officers;
- d.6) Periodically review and update, at least annually, the MCIAA's Manual on Corporate Governance and the charter of the Good Governance Committee; and,
- d.7) Such other tasks and duties which the Board may delegate and/or assign to the committee from time to time.

#### **2.4 Risk Management Committee**

- a) The Risk Management Committee shall be composed of at least three (3) members of the Board.
- b) All other directors, the Chief Financial Officer, Chief Internal Auditor, and Chief Legal Officer shall serve as ex officio members.
- c) The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.
- d) The committee shall have a written charter that defines the duties and responsibilities of its members. The charter shall be approved by the Board and reviewed and refined periodically.

- e) Other duties and responsibilities:
- e.1) Serve as a catalyst in the development of an era of enhanced risk awareness and sensitivity in doing business;
  - e.2) Assist in the definition of business opportunities from a risk return perspective ensuring that returns are commensurate with risks taken consistent with the MCIAA risk philosophy;
  - e.3) Oversee the adequacy and effectiveness of existing risk policies, procedures and controls including, but not limited to, the System of Limits delegated to management, ensuring the System remains effective, and adhered to and appropriate actions are taken in case of breach;
  - e.4) See the development of a written plan in defining the required risk management strategies in identifying, assessing, measuring, monitoring and controlling the major risks the MCIAA is confronted with, giving emphasis to the priority risk areas of concern ;
  - e.5) Ensure that plan/strategies are implemented through proper communication to concerned parties. The committee shall conduct regular discussion on the MCIAA's current risk exposure based on regular management reports and call attention of concerned units/management for appropriate action in reducing these risks, if needed.
  - e.6) Identify and evaluate risk exposures and asses the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.
  - e.7) Review and revise the plan/strategies as needed to ensure its relevancy, adequacy and effectiveness in the face of changing risk exposures over time brought about by various factors (i.e., economic condition, security, new regulations, etc...);
  - e.8) Ensure adequate separation of duties in risk management process to avoid potential conflicts of interest. In this light, the committee shall see to it that risk measurement, monitoring and control functions are sufficiently independent from position-taking functions; and,

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

**2.5 Business Development and Financial Committee**

- a) The Business Development and Financial Committee shall be composed of at least three (3) members of the Board who shall possess a range of expertise as well as adequate knowledge of airport operations and allied businesses to be able to recommend principles that will enhance commercial viability of the MCIAA.
- b) The chairmanship and membership of the committee shall be on rotation basis for purposes of enrichment and best practices.
- c) The committee shall have a written charter that defines the duties and responsibilities of the committee and its members. The charter shall be approved by the Board of Directors and reviews and updated periodically.
- d) Its other duties and responsibilities include the following:
  - d.1) \_\_\_\_\_  
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  - d.2) \_\_\_\_\_  
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  - d.3) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  - d.4) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ ; and,
  - d.5) Such other tasks and duties which the Board may delegate and/or assign to the committee from time to time.

**2.6 Compensation and Remuneration Committee**

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

- b) The committee shall have the following duties and responsibilities:
  - b.1) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of management and other employees ensuring that compensation is not only compliant with existing laws and regulations, but also consistent with the MCIAA’s culture, strategy and control environment;
  - b.2) Review the existing Human Resources Development or Personnel Handbook, to strengthen the provisions on salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts, or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance above-stated; and,
  - b.3) Such other tasks and duties which the Board may assign and/or delegate to the committee from time to time.

**ARTICLE IV  
MANAGEMENT**

1. **General Responsibilities of Management**

- a) Management stands as the *locus* of decision-making for the day-to-day affairs of the MCIAA. It determines the MCIAA’s activities by putting the organization’s targets in concrete terms and formulating the basic strategies for achieving these targets.
- b) Management is primarily accountable to the Board for the operations of the MCIAA. As part of its accountability it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the MCIAA in a timely manner.

2. **Executive Officers**

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

a) **Chairman of the Board**

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

- i. Schedule meetings to enable the Board to perform its duties responsibility while not interfering with the flow of the MCIAA's operations;
- ii. Prepare the meeting agenda in consultation with the CEO;
- iii. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and,
- iv. Assist in ensuring compliance with the guidelines on corporate governance.

b) **Vice-Chairman of the Board**

As provided for by the Charter (Sec. 6, R.A. 6958), the General Manager shall be the *ex officio* Vice-Chairman of the Board. In the absence of the Chairman of the Board, the Vice-Chairman shall preside at meetings of the Board.

c) **General Manager / CEO**

The General Manager, who shall be the Chief Executive Officer of the MCIAA, shall be appointed by the Board (Sec. 7(b), R.A. 6958).

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

- i. Have general supervision of the business, affairs, and property of the MCIAA, and over its employees and officers;
- ii. See to it that all orders and resolution of the Board of Directors are carried into effect;
- iii. Submit to the Board as soon as possible the close of each fiscal year a complete report of the operations of the MCIAA for the preceding year, and the state of its affairs; and,
- iv. Report to the Board from time to time all matters within his knowledge which the interest of the MCIAA may require to be brought to their notice.

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

d) **The Assistant General Manager**

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

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

e) **The Chief Financial Officer**

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

The CFO shall be responsible for the following:

- i. Provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- ii. Maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and government regulatory bodies in compliance with statutory requirements; and,
- iii. Strengthen internal controls by monitoring compliance with policies, recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

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

f) **The Corporate Secretary**

The Corporate Secretary must be Filipino. He is an officer of the MCIAA. Loyalty to the mission, vision and specific business objectives of the MCIAA are

expected of the Corporate Secretary. Considering the varied functions and duties of the office; the Corporate Secretary must possess administrative and interpersonal skills, and must have legal, financial, and accounting skills.

The Corporate Secretary shall have the following functions:

- i. Keep minutes of the meetings of the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the General Manager and other members of the Board as appropriate;
- ii. Attend to the giving and serving of notices of Board meetings;
- iii. Be fully informed and be part of the scheduling process of other activities of the Board;
- iv. Prepare an annual schedule of Board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting; and,
- v. Oversee the adequate flow of information to the Board prior to meetings.

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

## **ARTICLE V**

### **GOVERNANCE POLICY ON CONFLICT OF INTEREST**

#### **1. Conflict of Interest Policy**

The personal interest of directors and officers should never prevail over the interest of the MCIAA. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the MCIAA.

- a) A conflict of interest exists when a director or an officer of the MCIAA –
  - i. Supplies or is attempting or applying to supply goods or services to the MCIAA;
  - ii. Supplies or is attempting to supply goods, services or information on an entity with the MCIAA;

- iii. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which belong to the MCIAA;
  - iv. If offered or receives consideration for delivering the MCIAA's business to a third party; and,
  - v. Is engaged or is attempting to engage in business or activities which compete with or work contrary to the best interest of the MCIAA.
- b) If an annual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.
- c) A contract of the MCIAA with one or more of its directors is voidable, at the option of the MCIAA, unless all of the following conditions are present;
- i. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
  - ii. The vote of such director was not necessary for the approval of the contract.
  - iii. The contract is fair and reasonable under the circumstances;
  - iv. In case of an officer, the contract has been previously approved by the Board of Directors.

## **ARTICLE VI**

### **AUDIT AND COMPLIANCE**

#### **1. Internal Audit**

- a) The Internal Audit Group shall provide independent and objective assurance and advisory services to the MCIAA designed to add value and improve on the organization's operations. It shall provide the Board, Management and other stakeholders with reasonable assurance that the organization's key organizational and procedural controls are effective, appropriate, and complied with. It shall review, audit, and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

- b) It shall perform its auditing functions faithfully by maintaining independence from the management and other stakeholders.
- c) The Internal Audit Group shall be headed by a Chief Internal Auditor, who shall be the Chief Audit Executive. The Chief Internal Auditor shall preferably be a Certified Public Accountant and shall report to the Audit Committee of the Board of Directors.
- d) The Internal Auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing.

2. **External Audit**

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

3. **Compliance System**

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

The Compliance Officer shall perform the following duties:

- a) Operationalize this Manual, and monitor compliance with the provisions and requirements of this Manual;
- b) Determine violation/s of this Manual and recommend penalty for violation thereof for further review and approval by the Board;
- c) Issue a certification every January 30<sup>th</sup> of the year on the extent of the Airport Authority's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same;
- d) Liaise/coordinate with regulatory bodies on matters of concern relative to compliance laws and regulations;

- e) Identify, monitor and control compliance risks;
- f) Determine violations of this Manual and create a system for according due notice, hearing, and due process for dealing with violations of this Manual; and,
- g) Render periodic reports to the Board through the Audit Committee on the progress of and issues relative to the compliance program.

## **ARTICLE VII**

### **COMMUNICATION AND INFORMATION**

#### **1. Management's Responsibility for Information**

- a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:
  - Present a balanced and understandable assessment of the MCIAA's position and prospects;
  - Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
  - Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
  - Maintain a sound system of internal control to safeguard corporate funds and assets;
  - Based on the approved audit plans, scope and frequency of audits, ensure that the internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations, and contracts;
  - Require the Chief Audit Executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior Management.

2. **Communication of this Manual**

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

**ARTICLE VIII  
MONITORING AND ASSESSMENT**

1. **Assessments**

- a) A Self-Assessment shall be regularly conducted on the MCIAA's implementation of the corporate governance principles using the questionnaire and the rating system duly approved by the Board of Directors.
- b) A Board approved peer assessment system on each director who gave rendered service to the MCIAA for at least (6) months shall be conducted.
- c) These assessment systems including the features thereof. Shall be disclosed in the MCIAA's annual report.

2. **Monitoring**

- a) The Compliance Officer shall monitor compliance by all concerned of the provisions of this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided in Article IX hereof.
- b) This Manual shall be reviewed at least annually or as often as necessary.
- c) All business processes and practices being performed within any department or business unit that are not consistent with any portion of this Manual shall be revoked unless upgraded to be compliant.

**ARTICLE IX**  
**PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL**

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

**ARTICLE X**  
**ADOPTION AND EFFECTIVITY**

This Manual was adopted by the Board of Directors of the Mactan-Cebu International Airport Authority on \_\_\_\_\_. It shall be effective on \_\_\_\_\_.

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