



MANUAL OF CORPORATE GOVERNANCE

Article I. Objectives.

Pursuant to the Code of Corporate Governance for GOCCs adopted per GCG Memorandum Circular No. 2012-07, the Board of Directors of Duty Free Philippines Corporation (DFPC for brevity) hereby promulgates and adopts this Manual of Corporate Governance.

This Manual shall provide the framework that would ensure responsible, transparent and accountable behavior in the discharge of corporate powers in managing the business.

Article II. Definition of Terms.

For purposes of this Manual, the terms below shall have the following meanings:

1. "Act" refers to Republic Act No. 10149, and officially named the "GOCC Governance Act of 2011".
2. "Appointive Directors" refer to the members of the DFPC-Board of Directors, who are not ex-officio members thereof.
3. "Board Officers" refer to Officers whose primary task is to serve the Board or to pursue the immediate functions of the Board, such as the Chairman, Vice-Chairman and the Corporate Secretary.
4. "Board of Directors" or "Board" refers to the collegial body constituted pursuant to Section 91 of RA 9593.
5. "Chief Operating Officer ("COO") refers to the highest ranking corporate executive of DFPC pursuant to Section 92 of RA 9593.
6. "Executive Officer (Officer) refers to the COO.
7. "Ex Officio Board Member" (Ex Officio Director) refers to the Department of Tourism (DOT) Secretary as Chairperson, Secretaries of the Department of Finance (DOF) and Department of Trade and Industry (DTI) or their duly authorized permanent representatives, who sits or acts as a member of the DFPC Board of Directors.
8. "Fit and Proper Rule" refers to a set of standards for determining whether a member of the Board of Directors or the COO is qualified to hold a position in a GOCC which shall include, but not be limited to, standards on integrity, experience, education, training and competence, as such standards are set forth under GCG Memorandum Circular No. 2012-05 and RA No. 9593.
9. "Management" refers to the COO and other executive officers identified in the approved Organizational Structure and Staffing Pattern to implement the policies determined by the Board in directing the course and business activities of DFPC
10. "Officers" refer to both Board Officers and Executive Officers.
11. "Per Diems" refer to the compensation granted to the representative directors/members of the DFPC Board of Directors for actual attendance in meetings.
12. "Performance Evaluation System" ("PES") refers to the process of appraising the accomplishments of DFPC in a given fiscal year based on set performance criteria, targets and weights.
13. "Performance Scorecard" refers to a governance and management tool forming part of the performance evaluation system which consists of a set of measures, targets and initiatives that facilitate the achievement

of breakthrough results and performance through the effective and efficient monitoring and coordination of the strategic objectives of DFPC.

14. "Stakeholder" refers to any individual or entity for whose benefit DFPC has been constituted, or whose life, occupation, business or wellbeing is directly affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which DFPC has been constituted, and which would include a stockholder, member, or other investor in DFPC, management, employees, supply creditors, or the community in which DFPC operates.
15. "Strategy Map" refers to an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of DFPC's vision in relation to its mission or purpose for having been created.

Article III. The Governing Board

Section 1. Mandate and Responsibility¹.The Board shall be primarily responsible for the governance of DFPC and is accountable to the State for its operations and performance consistent with its mandate to operate the duty-and tax-free merchandising system in the Philippines to augment the service facilities for tourists and to generate foreign exchange and revenue for the government.²

1. Provide the corporate leadership of DFPC subject to the rule of law, and the objectives set by the National Government through the Department of Tourism and the GCG;
2. Establish DFPC's vision and mission, strategic objectives, policies and procedures, as well as defining DFPC's values and standards through:
 - a. Charter Statement
 - b. Strategy Maps
 - c. Other control mechanism mandated by the best business practices
3. Determine important policies that bear on the character of DFPC to foster its long term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
4. Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;
5. Provide sound written policies and strategic guidelines on DFPC's operating budgets and capital expenditures, and prepare the annual and supplemental budgets of DFPC;
6. Comply with all reportorial requirements as required by applicable laws, rules and regulations, including that of GCG;
7. Formally adopt and conduct annually the mandated Performance Evaluation System and the Performance Scorecard and timely and accurate report the results to GCG;
8. Ensure the fair and equitable treatment of all Stakeholders and enhancing DFPC's relations with its Stakeholders.

Section 2. Powers and Functions. The Board shall be vested in and exercise the following powers and functions:³

¹ Adopted from Section 7, Code of Corporate Governance for GOCCs

² Section 90 of RA No. 9593

³ Section 99 of the Implementing Rules and Regulations of the Tourism Act except for par.4 which was directed to be amended per letter of March 6, 2014

1. Organize DFPC in a manner most efficient and economical for the conduct of its business and the implementation of its mandate;
2. Adopt by-laws, promulgate policies, approve plans and programs and prescribe rules and regulations necessary to implement the intents and purpose of DFPC;
3. Approve the annual corporate and such supplemental budget as may be submitted by the COO;
4. Approve the compensation, allowances, and benefits of DFPC officers and employees, including the compensation and benefits scheme which shall be comparable with the prevailing compensation plans in the private sector and compliant with GCG's Compensation and Position Classification System;
5. Appoint a Corporate Secretary;
6. Authorize contracts or agreements as may be necessary for the proper, efficient and stable administration of the DFPC and for the attainment of the purposes and objectives of the Act;
7. Contract loans, indebtedness and credit, issue commercial papers and bonds in any local or foreign currency from international financial institutions, foreign entities and local or foreign private commercial banks or similar institutions under such terms and conditions prescribed by law, rules and regulations;
8. Construct, own or lease, operate and maintain stores, warehouses and other facilities necessary to support its operations;
9. Grant franchises and concessions for the operation of tax and duty free stores and/or product categories and/or brands;
10. Create subsidiaries in support of its retail functions;
11. Exercise all powers necessary or incidental to the attainment of the intent or purpose of the Tourism Act.

Section 3. Specific Functions⁴. In addition, the Board shall perform the following functions:

1. Meet regularly to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration, and that all such meetings shall be properly documented or minuted;
2. Determine the DFPC's purpose and value, as well as adopting strategies and policies, including risk management policies and programs, in order to ensure that DFPC survives and thrives despite financial crises and that its assets and reputation are adequately protected;
3. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
4. Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan, to ensure that the Officers of DFPC have the necessary motivation, integrity, competence and professionalism;
5. Monitor and manage potential conflicts of interest of Directors, Management, and shareholders, including misuse of corporate assets and abuse in related party transactions;
6. Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
7. Ensure the integrity of DFPC's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards;
8. Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of, key risks and key performance areas;

⁴ Sec 8, Code of Corporate Governance for GOCCs

9. Adopt, implement and oversee the process of disclosure and communications;
10. Constitute specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions;
11. Conduct and maintain the affairs of DFPC within the scope of its authority, as prescribed in the Tourism Act and its IRR, and applicable laws, rules and regulation; and.
12. Subject to existing civil service rules and regulations, and with ensuring compliance with the requirements of due process, the Board shall have the authority to discipline, or remove from office, the COO, or any other officer, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.⁵

Section 4. Composition.⁶ The DFPC Board of Directors shall be composed as follows:

1. The DOT Secretary as Chairperson;
2. The Chief Operating Officer of the DFPC as Vice-Chairperson;
3. The Department of Finance (DOF) Secretary as Member;
4. The Department of Trade and Industry (DTI) Secretary as Member; and
5. Three (3) representative directors to be appointed by the President upon the recommendation of the Tourism Congress.

The Secretaries of the DOF and the DTI shall each designate a permanent representative in the Board with a rank not lower than Assistant Secretary or equivalent rank and who must possess relevant experience and shall be duly authorized to act on behalf of the Secretary in his or her absence.

Section 5. Ex-Officio Alternates. Ex Officio Directors may designate their respective alternates, who ideally should be the officials next-in-rank to them and whose acts shall be considered the acts of their principals.⁷

Section 6. Multiple Board Seats. The capacity of Appointive Directors to serve with diligence shall not be compromised. As such, no Appointive Director of DFPC may hold more than two (2) Board Seats in other GOCCs, Subsidiaries and/or Affiliates.⁸

Section 7. Qualifications of Appointive Directors⁹.

1. Each appointive director, recommended by the Tourism Congress and shortlisted by the GCG in accordance with its rules and criteria, for appointment by the President must be:
 - a. A Filipino citizen
 - b. With recognized competence in business management, marketing, finance, tourism and other related fields; and
 - c. Must be a high ranking official of an accredited tourism enterprise or registered enterprise.
2. Each director appointed by the President shall have no conflict of interest in any manner concerning the operations of DFPC; and

⁵ Sec 22, RA No. 10149

⁶ Sec 91, Tourism Act of 2009

⁷ Sec.36, RA 10149

⁸ Section 11, Code of Corporate Governance

⁹ Section 94 of IRR on Tourism Act and Section 15 of RA 10149

3. Each director shall be qualified by the Fit and Proper Rule adopted by the GCG.

Section 8. Manner of Appointment of Appointive Directors.¹⁰

1. All Appointive Directors of DFPC shall be appointed by the President of the Philippines from a shortlist prepared by the GCG;
2. The selection and nomination, and shortlisting of prospective Appointive Directors shall be pursued in accordance with the rules and criteria formulated by the GCG, which shall include the following statutorily-mandated conditions, thus:
 - a. The GCG shall cause the creation of search committees to pursue the process, nomination, and shortlisting of prospective appointees;
 - b. All the nominees included in the list submitted by the GCG to the President shall meet the Fit and Proper Rule, and such other qualifications which the GCG may determine taking into account the unique requirements of DFPC particularly the nomination of the Tourism Congress;
 - c. The GCG shall ensure that the shortlist shall exceed by at least fifty percent (50%) of the number of Directors to be appointed; and
 - d. In the event that the President does not see fit to appoint any of the nominees included in the shortlist, the President shall ask the GCG to submit additional nominees.

Section 9. Term of Office. Pursuant to Section 17 of Republic Act No. 10149, otherwise known as GOCC Governance Act of 2011, the term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause: *Provided, however,* That the Appointive Director shall continue to hold office until the successor is appointed. An Appointive Director may be nominated by the GCG for reappointment by the President only if one obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors for DFPC.

Section 10. Vacancy before Expiration of Term. Any member appointed to fill a vacancy in the Board occurring prior to the expiration of the term to which his predecessor was appointed shall serve only for the unexpired portion of the term of his predecessor. He/she shall likewise be appointed by the President from the nominees from the shortlist submitted by the GCG, in accordance with GCG's Fit and Proper Rule.

Section 11. Board Officers. The Board Officers of DFPC are the Chairman, the Vice Chairman, Corporate Secretary, and Compliance Officer, who must be all Filipino citizens.

Section 12. Functions and Powers of Board Officers.

1. Chairman of the Board. A different person from the COO in order to ensure an appropriate balance of power, increased accountability, greater capacity of the Board for independent decision-making, and optimum capacity to exercise supervisory function over Management.

¹⁰ Sec 12, Code of Corporate Governance except 2 (b) which was modified by Sec. 91 of the Tourism Act of 2009

The Chairman shall, when present, preside at all meetings of the Board. The Chairman's responsibilities may include:

- a. Calling meetings to enable the Board to perform its duties and responsibilities;
 - b. Approving meeting agenda in consultation with the COO and the Corporate Secretary;
 - c. Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and
 - d. Assisting in ensuring compliance with DFPC's guidelines on corporate governance.
2. Vice-Chairman. In the absence of the Chairman of the Board, the Vice-Chairman, who is also the COO of DFPC shall preside at the meetings of the Board; and
3. Corporate Secretary. The Corporate Secretary is not a member of the Board. The Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. The Corporate Secretary shall have the following functions:
- a. Serve as an adviser to the Board Members on their responsibilities and obligations;
 - b. Keep the minutes of meetings of the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the Vice-Chairman and other members of the Board, as appropriate;
 - c. Keep in safe custody the seal of DFPC and affix it to any instrument requiring the same;
 - d. Attend to the giving and serving of notices of Board meetings;
 - e. Be fully informed and be part of the scheduling process of other activities of the Board;
 - f. Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
 - g. Oversee the adequate flow of information to the Board prior to meetings; and
 - h. Ensure fulfillment of disclosure requirements to regulatory bodies. The Corporate Secretary shall have such other responsibilities as the Board may impose upon him. The Board shall have separate and independent access to the Corporate Secretary.

Section 13. Compliance Officer. The Board shall appoint a Compliance Officer who shall report directly to the Chairman. In the absence of such office or appointment, the Corporate Secretary, who is preferably a lawyer, shall act as Compliance Officer. The Compliance Officer shall perform the following duties:

1. Monitor compliance by DFPC of the requirements under RA No. 10149, this Code, the rules and regulations of the appropriate Government Agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
2. Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues; and
3. Issue a certification every 30 May of the year on the extent of DFPC's compliance with the government corporate standards governing GOCCs for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.

The appointment of a Compliance Officer shall not relieve the Governing Board of its primary responsibility vis-a-vis the State, acting through the GCG, to ensure that DFPC has complied with all its reportorial, monitoring and compliance obligations.

Section 14. Board Committees.¹¹ The Board shall constitute Board Committees as specified below and other committees which the Board may require in the performance of its functions. The committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board. The existence of the committees shall not excuse the Board of Directors of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.

1. Executive Committee. It shall be composed of three (3) members of the Board, with the Chairman of the Board being the Committee Chairman, which Executive Committee shall exercise such powers as may be delegated by the Board.

The Executive Committee, during the absence of the Board, shall act by a vote of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee except with respect to:

- a. Approval of any action for which shareholders' approvals also required;
 - b. Filling of vacancies on the Board or in the Executive Committee;
 - c. Amendment or repeal of By-Laws or the adoption of new By-Laws;
 - d. Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
 - e. Distribution of cash dividends; and
 - f. Exercise of powers delegated by the Board exclusively to other committees.
2. Governance Committee. The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of three (3) members of the Board, and chaired by the Chairman of the Board. The Committee shall be responsible for the following:
 - a. Oversee the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;
 - b. 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). Internal guidelines shall be adopted to address the competing time commitments that are faced when directors serve on multiple boards;
 - c. Ensure that the Board of Directors attend courses/programs/seminars/trainings that would foster professional growth;
 - d. Recommend to the Board the assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
 - e. Recommend the manner by which the Board's performance may be evaluated and proposing an objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value.

¹¹ Adopted Sec 16, Code of Corporate Governance for GOCCs

3. **Audit Committee.** The Audit Committee shall consist of at least three (3) Directors, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following:
 - a. Oversee, monitor and evaluate the adequacy and effectiveness of DFPC's internal control system, engage and provide oversight of DFPC's internal and external auditors, and coordinate with the Commission on Audit (COA);
 - b. Review and approve audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
 - c. Receive and review reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
 - d. Ensure that internal auditors have free and full access to all of DFPC's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;
 - e. Appointment and removal of the members of the Internal Audit; and
 - f. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout DFPC through a procedures and policies handbook that will be used by the entire organization.

4. **Nomination and Remunerations Committee.** The Nomination and Remunerations Committee shall consist of three (3) members of the Board. The Committee shall be responsible for the following:
 - a. Install and maintain a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
 - b. Review and evaluate the qualifications of all persons nominated to positions in DFPC which require appointment by the Board;
 - c. Recommend to the GCG nominees for the shortlist in line with DFPC's Board composition and succession plan; and
 - d. Develop recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with DFPC's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

5. **Risk Management Committee.** The Risk Management Committee shall consist of three (3) members, with at least one member having a background in finance and investments. The Risk Management Committee shall be responsible for the following:
 - a. Perform oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of DFPC and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;

- b. Develop the Risk Management Policy of DFPC, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of DFPC, especially at the Board and Management level; and
- c. Provide quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.

Section 15. Combining Mandatory Committees. The Board is not precluded from formally combining the functions of the committees into such combinations that will best serve the interest of DFPC.

Section 16. Annual Performance Evaluation of the Board. A systematic evaluation process for the Members of the Board as may be formulated by the GCG shall be adhered to as a necessary tool in enhancing its professionalism and as a useful incentive for Board Members to devote sufficient time and effort to their duties.

For this purpose, DFPC shall adhere to GCG MC No. 2014-03 on Performance Evaluation System for Directors in the GOCC Sector and other issuances of the GCG relative to the evaluation of the performance of the Members of the Board, and acknowledges that such shall be used as the basis for the determination of whether appointive directors shall be recommended for reappointment, and Ex Officio directors or their alternates, for the purpose of reporting to the President their performance as such and to allow the GCG to evolve a good performance system for Ex Officio Directors in the GOCC sector.

Article IV. Management

Section 1. Role of Management¹². Management stands as the center of decision-making for the day-to-day affairs of DFPC. It determines the activities of DFPC by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets.

Management is responsible to the Board for implementing the infrastructure for the corporation's success through the following mechanisms in its organization as set by the Board: organizational structures that work effectively and efficiently in attaining the goals of DFPC; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; information systems, that are defined and aligned with an information technology strategy, and the business goals of DFPC; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in DFPC.

Section 2. Management Primarily Accountable to the Board¹³. Management is primarily accountable to the Board for the operations of DFPC. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of DFPC's performance, position and prospects on a monthly basis.

Section 3. Chief Operating Officer¹⁴. The COO is the highest-ranking officer provided in the Tourism Act of 2009 and shall be elected annually by the members of the Board from among its ranks. The COO shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause. He shall have the following functions:

¹² Adopted Sec. 18 of the Code of Corporate Governance for GOCCs

¹³ Adopted Sec 19 of the Code of Corporate Governance for GOCCs

¹⁴ Sec 102 IRR of RA 9593 and Sec. 20 of the Code of Corporate Governance for GOCCs

1. Sits as the Vice-Chairperson of the Board;
2. Exercise general supervision and authority over the regular course of business, affairs, and property of DFPC, and over its officers and employees;
3. Execute and/or administer the policies and measures approved by the Board of Directors;
4. Establish the internal organization of DFPC in a manner most efficient for the conduct of its operations under such conditions that the Board may prescribe, provided that any major reorganization shall be subject to the approval of the Board;
5. Direct, manage and supervise the day-to-day operations and internal administration of the DFPC in accordance with policies laid down by the Board;
6. Represent DFPC in all dealings with other offices, agencies and instrumentalities of the government and with all other persons and entities whether public or private, domestic, foreign or international;
7. Enter into, make, perform and carry out contracts of every class, kind and description which are necessary or incidental to the realization of its purposes with any person, firm or corporation, private or public, and with foreign entities as may be authorized by the Board;
8. Prepare and submit to the DFPC Board, for final approval, the annual corporate operating budget and other supplemental budgets to the Chairman of the Board pursuant to Section 32 of the IRR of the Tourism Act;
9. Prepare and submit to the Board the annual report including statement of finances covering the operations of DFPC, and the state of its affairs; and
10. Perform such other duties and responsibilities to implement the policies and programs of DFPC as the Board may authorize.

Section 4. Other Executive Officers. The Board shall appoint the Executive Officers as identified in the Organizational Structure and Staffing Pattern approved by GCG.

Section 5. Power of the Board to Discipline/Remove Officers. Subject to existing civil service laws, rules and regulations, and in ensuring compliance with the requirements of due process, the Board shall have the authority to discipline, or remove from office, the COO, or any other officer upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.¹⁵

Article V. Formal Charter of Expectations.

In the discharge of the functions, the Directors and Officers, in the pursuance of good corporate governance, hereby commit to the highest standard of integrity and accountability, professionalism, independence, and ethical behavior.

Section 1. Fiduciaries of the State¹⁶. Directors and Officers as fiduciaries of the State (a) have the legal obligation and duty to always act in the best interest of DFPC, with utmost good faith in all dealings with the properties, interests and monies of DFPC¹⁷ as the constituted as trustees in relation to the properties, interests and monies of DFPC.¹⁸ For this purpose, the Board shall cause the formulation of a DFPC Code of Ethics, compliance of which shall be mandatory to all Directors, Officers and Employees of DFPC.

¹⁵ Sec 22 of RA 10149, Sec 22 of the Code of Corporate Governance for GOCCs

¹⁶ Sec 23, Code of Corporate Governance for GOCCs

¹⁷ Opening paragraph of Sec 19, RA No. 10149

¹⁸ Sec 20, RA No. 10149

Section 2. Directors and Officers as Public Officials. Directors and Officers adheres to the provisions of the Code of Conduct and Ethical Standards for Public Officials and Employees¹⁹ with its declared policies: a) to promote a high standard of ethics in the public service; and b) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.²⁰

Section 3. Respect for and Obedience to the Constitution and the Law²¹. Directors and Officers, as Public Officials, shall respect and obey the Constitution, and shall comply, and cause DFPC to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to DFPC in which they serve and to act within the bounds of their Charter.

Section 4. Duty of Diligence²². The fiduciary duty of diligence of Directors and Officers to always act in the best interest of DFPC, with utmost good faith in all its dealings with the property and monies of DFPC, including the obligation to:

1. Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of DFPC, using the utmost diligence of a very cautious person with due regard to all the circumstances;
2. Apply sound business principles to ensure the financial soundness of DFPC; and
3. Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Every Director or Officer by the act of accepting such position in DFPC, AFFIRMS AND COVENANTS: (1) to have a working knowledge of the statutory and regulatory requirements affecting DFPC, including the contents of its Charter, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; (2) to always keep himself informed of industry developments and business trends in order to safeguard DFPC's interests and preserve its competitiveness; and pursuant to GCG Memorandum Circular No. 2012-05 on the Fit and Proper Rule, shall attend within three (3) months from date of appointment a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.

Section 5. Duty of Loyalty²³. The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of DFPC, with utmost good faith in all its dealings with the property and monies of DFPC, including the obligation to (1) Act with utmost and undivided loyalty to DFPC; (2) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and (3) Avoid (a) taking for themselves opportunities related to the business of DFPC; (b) using DFPC's property, information or position for personal gain or (c) competing with DFPC's business opportunities:

1. Avoid Conflict of Interest. Directors and Officers shall at all times avoid any actual potential conflict of interest with the DFPC. Each shall also avoid any conduct, or situation, which could reasonably be construed as

¹⁹ RA No. 6713

²⁰ Sec 2, RA 6713

²¹ Sec 25, Code of Corporate Governance for GOCCs

²² Sec 26, Code of Corporate Governance for GOCCs

²³ Sec 27, Code of Corporate Governance for GOCCs

creating an appearance of a conflict of interest. Any question about a Director's or Officer's actual or potential conflict of interest with the DFPC shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.

2. Trustee relation to DFPC Properties, Interests and Monies. – Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by DFPC, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by DFPC, and any benefit from the performance of Directors, Officers acting for and in behalf of the DFPC in dealing with its properties, and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of the DFPC represented.
3. Taking of Corporate Opportunities. Where a Director or an Officer, by reason of his being a member of the Board or an Officer of DFPC, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to, the acquisition of shares in corporations where such DFPC has an interest, the use, the properties of DFPC for his/her own benefit, the receipt of commission(s) on contract(s) with DFPC or its assets, or the taking advantage of corporate opportunities of DFPC, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Act, without prejudice to any administrative, civil or criminal action against such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.²⁴
4. Restitution. Pursuant to Section 24 of RA No.10149, upon the determination and report of the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to DFPC are in the possession of a Director or Officer of a Director or Officer of DFPC without authority, or that profits are earned by the Director or Officer in violation of his/her fiduciary duty, or the aggregate expenses and incentives as authorized by the DFPC, any and diems, allowances and incentives received in a particular year are in excess of the limits provided under the Act, the Director or Officer receiving such properties or monies shall immediately return the same to DFPC.

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

Section 6. Duty of Confidentiality. Pursuant to their duties of diligence and loyalty, a member of the Board or an officer shall not use or divulge confidential or classified information officially made know to them and by reason of their office and not made available to the public, either: (a) to further their private interests, or give undue advantage to anyone, or (b) which may prejudice the public interest.

Article VI. Meetings of the DFPC Board.

²⁴ Last paragraph of Sec 19, RA No. 10149

The DFPC Board shall hold a regular meeting once every calendar quarter and one (1) meeting without the Chief Operating Officer once in a calendar year, at the principal place of business of DFPC unless the Board previously agrees in writing to meet in another location. The Chairperson may *motu proprio* or at the instance of a majority of the members of the Board call for a special meeting.²⁵

The presence of a majority of the members of the DFPC Board, including the Chairperson or the Vice-Chairperson, shall constitute a quorum for the transaction of the business of the Board.²⁶

Article VII. Compensation, Per Diems, Allowances and Incentives.

The compensation, per diems, allowances and incentives of the members of the Board shall be (a) determined by GCG using as a reference, among others, Executive Order No. 24 dated February 10, 2011; (b) Directors shall not be entitled to retirement benefits as such directors/trustees, and (c) the total yearly per diems and incentives in the aggregate which the directors may receive shall be determined by the President upon recommendation of the GCG based on the achievement by DFPC of its performance targets.

Article VIII. Obligations of DFPC to Directors and Officers.²⁷

Section 1. Providing for Staff Support to Directors. – DFPC shall provide the Board with support staff and office facilities to allow them to properly discharge their duties and responsibilities.

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

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

Article IX. Corporate Social Responsibility and Relations with Stakeholders.

²⁵ Sec 96, IRR of RA No. 9593

²⁶ Sec 97, IRR of RA No. 9593

²⁷ Adopted from Section 31 and 32, Code of Corporate Governance for GOCCs

Section 1. Duty to be Responsive to Stakeholders²⁸. Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to DFPC but also with different constituencies or Stakeholders, who have the right to expect that DFPC is being run in a prudent manner and with due regard to the interests of all Stakeholders. Consequently, members of the Board and Officers shall deal fairly with its employees, customers, suppliers and other Stakeholders. No member of the Board or officer may take unfair advantage of its employees, customers, suppliers and other Stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

Section 2. CSR Principles. As an integral part of the National Government, DFPC is mandated to be socially responsible, to act and operate as good corporate citizens. The Board recognizes and undertakes to perform the obligations DFPC has towards the National Government, particularly to the Department of Tourism, its employees, customers, both arriving and departing international travelers, which includes *balikbayans* and overseas Filipino contract workers, suppliers, both foreign and local, and other Stakeholders, and the communities in which it operates.

The Directors, Officers and all its employees shall abide by the ethical policies as mandated by the GCG. The protection of the reputation and goodwill of DFPC is of fundamental importance, and Directors, Officers and employees should be aware of the disciplinary implications of breaches of policy.

Every member of DFPC is encouraged to promptly report any potentially illegal, improper and/or unethical conduct that they become aware of at their workplace or in connection with their work. DFPC shall have an environment that enables its people to raise genuine and legitimate concerns internally. However, in the event that employees of DFPC believe their reporting to management may result in harassment, or undue distress, they may contact the GCG Support to report such matters.

Section 3. Formal Recognition of the Stakeholders.

1. DFPC hereby identifies and formally recognizes the stakeholders and the nature of their interests, as follows:
 - a. Government– As a GOCC attached to the DOT, DFPC contributes in the development and promotion of tourism projects and programs. DFPC is mandated to provide the facility for the generation of foreign exchange and revenue through the operation of tax and duty free merchandising system;
 - b. Customers – pursuant to the Balikbayan Law and the Tourism Act of 2009, DFPC is mandated to provide a tax and duty free merchandising system for the availment of the tax and duty free shopping and kabuhayan shopping privileges of our customers, particularly:
 - i. Overseas Filipino Workers (OFWs)
 - ii. Balikbayans
 - iii. Foreign Tourists
 - iv. Filipino international travelers;
 - c. Suppliers of merchandise, both local and foreign – DFPC recognizes the rights of its suppliers, as established by agreements, and encourages active cooperation in augmenting the service facilities for tourists. DFPC aims to provide premier duty and tax free retail shops in all of the country’s international ports of entry and major tourist destinations where suppliers can make available their products to our customers;

²⁸ Sec 33, Code of Corporate Governance for GOCCs
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- d. Members of the tourism and travel industry – DFPC shares in the common objective to promote Philippine tourism. DFPC commits to provide tax and duty free retail facilities for tourists and international travelers; and
 - e. Employees – As a GOCC, DFPC recognizes the value of its workforce as its biggest asset and commits to enhance the quality of life of its employees by providing a compensation package consistent with the CPCS for GOCCs and opportunities for trainings and values formation to assist them in their career path.
2. Hierarchy of System in resolving conflicting interests. DFPC, in its dealings with its stakeholders shall observe the hierarchy system as listed in the immediately preceding paragraph when resolving their conflicting interests.
 3. Communication with Stakeholders. Guided by the policy on transparency and accountability, DFPC shall make available information that may affect the interest of stakeholders through its website or other platforms for communication, and provide a mechanism for feedback.

Section 4. Employees²⁹. Every employee in DFPC is encouraged to –

1. Remember that the biggest stakeholder is the Government;
2. Share the visions of DFPC;
3. Be accountable to the public;
4. Listen and learn from his/her co-employees;
5. Think and act as a team;
6. Focus on the customers and strive for customer satisfaction;
7. Respect others;
8. Communicate with stockholders and customers;
9. Deliver results and celebrate success; and
10. Protect the reputation of DFPC

The Board shall foster employee development discussions and structured training programs for continuing personal and professional development for all employees.

Section 5. Customers³⁰. DFPC shall observe integrity and honesty in its dealings with customers for a successful and sustained business relationship. It shall operate in an effective and efficient manner, focused on meeting customer requirements with the aim of providing efficient and quality services. DFPC shall operate policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances in all aspect of society in order to ensure that it continues to add value to its customers' businesses.

DFPC shall maintain clear and strong lines of communication to allow quick and efficient response to customer and market requirements, as well as the public needs, and for the customers to receive consistent service in line with the mandate of DFPC.

²⁹ Sec 36, Code of Corporate Governance for GOCCs

³⁰ Sec 37, Code of Corporate Governance for GOCCs

Section 6. Suppliers³¹. DFPC shall develop relationships and improve networking with business partners and suppliers based on mutual trust. DFPC shall offer, through partnership with its suppliers, the best combination of state-of-the-art technology and world class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.

Section 7. Health and Safety³². It is the trust of DFPC to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. DFPC shall comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities, and ensure that all employees are observing policies and practices aimed to maintain a healthy, safe and enjoyable environment.

Section 8. Environment³³. DFPC shall consider inevitable environmental impacts associated with daily operations. It shall be the goal of DFPC to minimize the harmful effects of these environmental impacts and consider the development and implementation of environmental standards to achieve a balance between environmental issues and economic priorities. As such, DFPC shall adopt the 3R's: "Reduce, Re-use and Recycle".

DFPC shall, in the course of its operations, identify opportunities to reduce consumption of energy, water and other natural resources, as well as strive to re-use and recycle, where possible and dispose of non-recyclable items responsibly, thereby minimizing the impact on the environment. DFPC shall adopt simple, environmentally friendly initiatives to raise awareness among the members of the communities it affects.

Article X. Disclosure and Transparency Requirements

Section 1. Disclosure and Transparency. DFPC shall continue to enhance disclosure and transparency, and instill a sense of loyalty in its Board members and executive officers, as well as protect the interests of stakeholders. Timely and accurate disclosure shall be made on all material matters regarding the DFPC, including its financial condition, performance, ownership, and governance.

Section 2. DFPC website. DFPC shall maintain a website and post therein for unrestricted public access the following, as applicable³⁴:

1. On Institutional Matters:
 - a. Latest version of the DFPC Charter; and
 - b. Government Corporate Information Sheet

2. On the Board and Officers:
 - a. Complete listing of the members of the Board and executive officers with attached resume, and their membership in Board Committees;
 - b. Complete compensation package of all the Board members and executive officers, including travel, representation, transportation and any other form of expenses or allowances;

³¹ Sec 38, Code of Corporate Governance for GOCCs

³² Sec 39, Code of Corporate Governance for GOCCs

³³ Sec 40, Code of Corporate Governance for GOCCs

³⁴ Sec 43, Code of Corporate Governance for GOCCs

- c. Information on board committees and their activities; and
 - d. Attendance record of Board members in Board and Committee meetings
3. On Financial and Operational Matters:
 - a. Latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;
 - b. Audited Financial Statements in the immediate past five (5) years;
 - c. Quarterly and Annual Reports and Short Version of the Trial Balance;
 - d. Current Corporate Operating Budget;
 - e. Local and Foreign borrowings;
 - f. Government subsidiaries and net lending;
 - g. All borrowings guaranteed by the government;
 - h. Any material risk factors and measures taken to manage such risks as stated above; and
 - i. Performance Evaluation System (PES)
 4. On Governance Matters;
 - a. Charter Statement/Mission-Vision Statements;
 - b. Performance Scorecards and Strategy Map;
 - c. Organizational Chart;
 - d. Manual of Corporate Governance;
 - e. Corporate Social responsibility (CSR) Statement; and
 - f. Balanced Scorecard
 5. Such other information or report that the GCG may require³⁵

Section 3. Mandatory Reports. – The Board shall regularly submit, as may be required by GCG and other Government Agencies, the following:³⁶

1. Performance Scorecards;
2. Implementation of the audit recommendations of COA; and
3. Compliance with commitments on servicing loans to, and borrowings guaranteed by, the National Government.

Section 4. Other Reportorial Requirements. – DFPC shall also submit, in the form and schedule as provided by GCG, the following:³⁷

1. Common form financial statements based on annual audited financial statements within thirty (30) days from receipt of the report;
2. Cash and investment balances;
3. Capital expenditure program;
4. Statement of Financial Operations;

³⁵ Sec 25 (j), RA 10149

³⁶ Sec 45 of the Code of Corporate Governance for the GOCCs (GCG MC No. 2012-07)

³⁷ Sec 46 of the Code of Corporate Governance for the GOCCs (GCG MC No. 2012-07)

5. Acquisition or disposition of assets; and
6. Reports for the annual corporate budget call such as but not limited to the following:
 - a. Physical and Financial Performance reports for the immediately preceding year;
 - b. Sources and Uses of Funds (for the immediately preceding three (3) years) and the proposal for the coming year.

Section 5. The format and schedule of submission for the various reports shall be provided by GCG in consultation with the Department of Finance, Department of Budget and Management, Commission on Audit, and other government agencies as may be proper.

Article XI. Highest Standard Principle³⁸

Public service being a public trust, nothing in this Manual shall be construed as:

1. Corporate Government Standards: Relieving or excusing DFPC, the Directors and Officers, from complying with more rigorous standards of corporate governance as those required by regulatory agencies having jurisdiction over their business enterprises or the industry in which they operate.
2. Reportorial Requirements: A waiver of the separate reportorial requirements mandated by the regulatory agencies that have jurisdiction over the DFPC and its business operations; and
3. Administrative and Criminal Liabilities: A waiver of the administrative or criminal liabilities imposed by existing laws, rules and regulations, such as the Anti-Graft and Corrupt Practices Act, and the Code of Conduct and Ethical Standards for Public Officials and Employees for Government Officials, for offenses or breach of ethical standards committed by Directors, Officers and employees of DFPC.

Article XII. Statement by the Directors Confirming the Truth and Fairness of the Financial Statements

The Board hereby confirms that financial statements of DFPC are prepared in conformity to government accounting rules and regulations and generally accepted principles.

The Board shall oversee the maintenance of a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are secured.

Article XIII. List of Fines, and other Consequences for Violation of Duties.

In the event that Directors, Officers or Employees violate or omit to carry out their duties under applicable laws, the penalties as provided for under said laws shall be imposed after due notice and hearing.

In case of violations or omissions arising from the provisions of this manual, the following penalties may be imposed: for the first violation, written reprimand; second violation, suspension depending on the gravity of the offense; and for third violation, the maximum penalty of removal from office.

³⁸ Sec 48 of the Code of Corporate Governance for the GOCCs (GCG MC No. 2012-07)