

PHILIPPINE AMUSEMENT AND GAMING CORPORATION (PAGCOR) MANUAL ON CORPORATE GOVERNANCE

GENERAL PROVISIONS

Purpose

The Board of Directors, officers, executives and employees of PAGCOR hereby commit themselves to the principles and best practices of sound corporate governance provided in this Manual and acknowledge that the same shall serve as a guide in achieving PAGCOR's goals and objectives.

This Manual on Corporate Governance is adopted pursuant to GCG Memorandum Circular 2012-07, also known as "Code of Corporate Governance."

Penalties for Non-Compliance with the Manual

To strictly encourage observance and implementation of the provisions of this Manual, the penalties provided in the PAGCOR Revised Rules on Administrative Cases shall be imposed, after notice and hearing, on PAGCOR's Officers, Executives and Employees in case of violation of any of the provisions of this Manual. Applicable procedures consistent with the law and jurisprudence shall be followed in the case of PAGCOR Directors' non-compliance with the Manual.

Revisions and Periodic Review

The provisions of this Manual shall be subject to annual review or such other frequency as may be determined by the Board and shall be amended accordingly taking into account the Corporation's changing needs, and factual conditions prevailing in the environment and regulatory requirements.

All business processes and practices of the Corporation that are not consistent with the corporate governance policies set out in this Manual shall be revoked, revised or upgraded to make them compliant with such policies.

I. DEFINITION OF TERMS

Section 1. For purposes of this Manual, the following terms shall have the following meanings:

"Act" refers to Republic Act No. 10149, also known as the "GOCC Governance Act of 2011."

"Appointive Directors" refer to all members of the Board of Directors.

"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, the Corporate Secretary and the Compliance Officer.

“Board of Directors” or *“Board”* or *“Governing Board”* refers to the collegial body that exercises the corporate powers, conducts all business and controls or holds all properties of PAGCOR.

“Chairman” refers to the Chairman of the Board who in PAGCOR is also Chief Executive Officer.

“Charter” refers to Presidential Decree 1869 as amended by Republic Act 9487.

“Charter Statement” refers to a statement of PAGCOR’s vision, mission and core values.

“Chief Executive Officer” (CEO) refers to the highest ranking corporate executive of PAGCOR, who is also the Chairman of the Board of Directors.

“Corporation” refers to the Philippine Amusement and Gaming Corporation or PAGCOR.

“Director” refers to any member of the Board.

“Executive Officer” (Officer) refers to the Chief Executive Officer (CEO), who is also the Chairman of the Board, and other duly appointed corporate officers of PAGCOR, such as, but not limited to, the President and Chief Operating Officer (COO), Vice-Presidents, Assistant Vice Presidents acting as Department Heads and General Managers. As distinguished from Board Officers, Executive Officers primarily form part of the management of PAGCOR.

“Extraordinary Diligence” refers to the measure of care and diligence that must be exercised by Directors and Officers in discharging their functions, in conducting the business, and in dealing with the properties and monies of PAGCOR. This standard is deemed met when Directors and Officers act using the utmost diligence of a very cautious person taking into serious consideration all the prevailing circumstances and material facts, and giving due regard to the legitimate interests of all affected stakeholders.

“Fit and Proper Rule” refers to a set of standards to determine the qualifications of the members of the Board of Directors, the CEO, and other officer of PAGCOR which shall include, but not be limited to, standards on integrity, experience, education, training and competence, and such standards that are set forth under GCG Memorandum Circular No. 2012-05.

“Management” refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of PAGCOR.

“Manual” refers to this Manual on Corporate Governance, as may be amended from time to time.

“Officers” refer to both Board Officers and Executive Officers.

“Per Diems” refer to the compensation granted to the members of the Governing Board for actual attendance in meetings.

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

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

"Public Officials" or *"Public Officers"* refer to elective and appointive officials and employees, whether permanent or temporary, whether in the career or non-career service, whether or not they receive compensation, regardless of amount, who are in the National Government, and all other instrumentalities, agencies or branches of the Republic of the Philippines, including government-owned-or-controlled corporations, and their subsidiaries.

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

"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 the GOCC's vision in relation to its mission or purpose for having been created.

"Supervising Agency" refers to the Office of the President of the Philippines.

Section 2. Rules of Interpretation.

- a. Any reference to the masculine gender shall likewise cover the feminine gender.
- b. Unless otherwise indicated in this Manual, any reference made in the singular form shall also include the plural form, and vice versa.

II. GOVERNING BOARD

The Corporation shall be governed and its activities be directed, controlled and managed by the Board of Directors.

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

It is the Board and not Management that is primarily accountable to the State, as its fiduciary, for the operations and performance of PAGCOR.

Section 3. *Mandate and Responsibility for the GOCC's Performance.* - Although the day-to-day management of the affairs of PAGCOR may be with Management, the Board is responsible for providing policy directions, monitoring and overseeing Management actions, as articulated in its Charter and other relevant legislation, rules and regulations.

These mandated functions and responsibilities include the following:

(a) Provide the corporate leadership of PAGCOR, subject to the rule of law, and the objectives set by the National Government through the Supervising Agencies and the GCG;

(b) Establish PAGCOR's vision and mission, strategic objectives, policies and procedures, as well as defining PAGCOR's values and standards through:

- Charter Statements;
- Strategy Maps; and
- Other control mechanism mandated by best business practices;

(c) Determine important policies that bear on the character of PAGCOR to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;

(d) Determine the organizational structure of PAGCOR, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme that is consistent with the GOCC Compensation and Position Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines;

(e) 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;

(f) Provide sound written policies and strategic guidelines on PAGCOR's operating budget and major capital expenditures, and prepare the annual and supplemental budgets of the corporation;

(g) Comply with all reportorial requirements, as required in the Charter as well as applicable laws, rules and regulations;

(h) Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurate report the results to the GCG; and,

(i) Ensure the fair and equitable treatment of all Stakeholders and enhancing PAGCOR's relations with its Stakeholders.

Section 4. *Specific Functions of the Board.* - In addition to the powers, functions and duties of the Board as provided in the Charter, the Board shall:

(a) Meet regularly, at least once every month, 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;

(b) Determine PAGCOR's purpose and value, as well as adopt strategies and policies, including risk management policies and programs, in order to ensure that PAGCOR survives and thrives despite financial crises and that its assets and reputation are adequately protected;

(c) 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;

(d) Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan to ensure that the Officers of PAGCOR have the necessary motivation, integrity, competence and professionalism;

(e) Monitor and manage potential conflicts of interest of Directors, Management, and stakeholders, including misuse of corporate assets and abuse in related party transactions;

(f) 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;

(g) Ensure the integrity of PAGCOR'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;

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

(i) Adopt, implement and oversee the process of disclosure and communications;

(j) Constitute an Audit Committee, Governance Committee, Nominations and Remunerations Committee, Risk Management Committee, and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions;

(k) Conduct and maintain the affairs of PAGCOR within the scope of its authority, as prescribed in its Charter and applicable laws, rules and regulation;

(l) Subject to existing civil service laws, rules and regulations, the Board shall have the authority to discipline the Chairman/CEO and President/COO, or order the removal from office, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation.

Section 5. Composition of the Governing Board. - The Board shall be composed of five (5) members who shall all have the qualifications and none of the disqualifications provided for under the Charter and other relevant laws, and appointed by the President of the Republic of the Philippines, from a shortlist prepared by the GCG.

Section 6. *Fit and Proper Rule.* - All members of the Board, the CEO, COO and other Officers shall be qualified by the Fit and Proper Rule adopted by the GCG in consultation and coordination with the relevant government agencies to which PAGCOR is attached, and approved by the President, and shall include by reference the qualifications expressly provided for in the Charter.

In determining whether an individual is fit and proper to hold the position of an Appointive Director, CEO, COO or Officer of the Corporation, due regard shall be given to one's integrity, experience, education, training and competence.

Section 7. *Term of Office of Appointive Directors.* -

(a) Pursuant to Section 17 of the Act, any provision in the Charter to the contrary notwithstanding, the term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause: *Provided, however,* that each Appointive Director shall continue to hold office until the successor is appointed and qualified.

(b) The one (1) year term of office of all Appointive Directors in PAGCOR covered by the Act shall begin on 01 July of the year of appointment and ending on 30 June of the following year.

(c) An Appointive Director may be nominated by the GCG for reappointment by the President only if he 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 adopted for PAGCOR.

(d) Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a Director to fill such vacancy shall be in accordance with the manner provided for regular nomination, short listing and appointment of Appointive Directors, as provided under Section 15 of the "GOCC Governance Act of 2011" (R.A. 10149).

Section 8. *Board Officers.* - The Board Officers are the Chairman of the Board (who is the highest ranking of the Board Officers), the Corporate Secretary, and the Compliance Officer, who must all be Filipino citizens.

8.1. Chairman of the Board. - PAGCOR Chairman of the Board shall also be the Chief Executive Officer, and shall be designated as such upon nomination and election by the members of the Governing Board from among its rank. The Chairman shall be one of the Appointive Directors of PAGCOR to be appointed by the President of the Philippines from the shortlist prepared by the GCG.

It is ideal that the roles of the Chairman and the CEO should be with different individuals 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. In PAGCOR, however, since both positions of Chairman and CEO are unified in the same individual, checks and balances shall be provided by the Governing Board to help ensure that independent, outside views, perspectives, and judgments are given proper hearing in the Board.

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 Corporate Secretary;
- c. Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- d. Ensuring compliance with the GOCC's guidelines on corporate governance.

The responsibilities set out above, may pertain only to the Chairman's role in respect to the Board proceedings, and shall not be taken as a comprehensive list of all the duties and responsibilities of a Chairman.

For legal purposes, the Chairman of the Governing Board shall be considered as the "Head of Agency".

8.2. Corporate Secretary. - The Corporate Secretary, preferably a lawyer, need not be a member of the Governing Board. Ideally, 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 shareholders, 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 CEO, COO and other members of the Board as appropriate;
- c. Keep in safe custody the PAGCOR seal and affix it to any instrument requiring the same;
- d. Attend to the giving and serving of notices of Board and shareholder meetings, if applicable;
- 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 fulfilment 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.

8.3. Compliance Officer. - The Board shall appoint a Compliance Officer who shall report directly to the Chairman, and shall perform the following duties:

a. Monitor compliance by PAGCOR of the requirements under the Act, the GCG Code of Corporate Governance, 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;

b. Appear before the GCG when summoned in relation to compliance with this Code or other compliance issues; and

c. Issue a certification every 30 May of the year on the extent of PAGCOR'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 PAGCOR has complied with all its reportorial, monitoring and compliance obligations.

Section 9. Board Committees. - The Governing Board shall constitute the proper committees to assist them in performing their duties and responsibilities, providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. 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.

9.1. As a minimum, the Board shall be supported by the following specialized committees:

9.1.1. Executive Committee. - The Governing Board may constitute an Executive Committee composed of not less than three (3) members of the Board, with the Chairman of the Board as the Committee Chairman, and shall exercise such powers as may be delegated by the Board.

9.1.2. Audit Committee. - The Audit Committee shall consist of at least three (3) members of the Board of Directors, whose Chairman should have audit, accounting or finance background. The Committee shall be responsible for the following:

a. Overseeing, monitoring and evaluating the adequacy and effectiveness of the PAGCOR's internal control system, engage and provide oversight of the PAGCOR's internal and external auditors, and coordinate with the Commission on Audit (COA);

b. Reviewing and approving 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. Receiving and reviewing 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. Ensuring that internal auditors have free and full access to all of PAGCOR'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; and

e. Developing a transparent financial management system that will ensure the integrity of internal control activities throughout PAGCOR through a procedures and policies handbook that will be used by the entire organization.

9.1.3. Governance Committee. - The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) members of Board, and chaired by the Chairman of the Board. The Committee shall be responsible for the following:

a. Overseeing the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;

b. Deciding 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 that address the competing time commitments that are faced when directors serve on multiple boards;

c. Recommending to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and

d. Recommending the manner by which the Board's performance may be evaluated and proposing objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value.

9.1.4. Nomination and Remunerations Committee. - The Nomination and Remunerations Committee shall consist of at least three (3) members of the Board of Directors. The Committee shall be responsible for the following:

- a. Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
- b. Reviewing and evaluating the qualifications of all persons nominated to officer positions in PAGCOR which require appointment by the Board;
- c. Recommending to the GCG nominees for the shortlist in line with the PAGCOR's Board composition and succession plan; and
- d. Developing recommendations to the GCG for updating the CPCS and ensuring that the same continues to be consistent with the PAGCOR's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

9.1.5. Risk Management Committee. - The Risk Management Committee shall consist of at least three (3) members of the Board of Directors, with at least one member having a background in finance and investments. The Risk Management Committee shall be responsible for the following:

- a. Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of PAGCOR, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
- b. Developing the Risk Management Policy of PAGCOR, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of PAGCOR, especially at the Board and Management level: and
- c. Providing quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on business proposals.

9.2. Combining the Mandatory Committees. - Nothing herein shall preclude the Governing Board from formally combining the functions of the committees into such combinations that will best serve the interest of PAGCOR.

Section 10. Annual Performance Evaluation of the Board. - A systematic evaluation process of the Board pursuant to GCG Memorandum Circular No. 2014-03 (Performance Evaluation for Directors (PED)) shall be observed 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.

As directed by the GCG, the Board hereby also undertakes to retain the services of an external adviser in the Fiscal Year ("FY") 2014, which shall assist the Board to develop a systematic process of Board Evaluation appropriate under PAGCOR's mandate. The systematic board evaluation process that shall be developed as a result thereof will be implemented starting FY 2015, but is subject to a periodic review process every 2 years thereafter.

Section 11. *Formal Charter of Expectations*

In pursuit of good corporate governance in PAGCOR, each member of the Board is expected to fulfill a director's duties and obligations stated in this Manual and shall:

1. Perform his functions within the scope of power and authority of the Board as prescribed by the PAGCOR Charter and by existing laws, rules and regulations;
2. Exercise fairness, skill, judgment, and utmost good faith in the conduct and management of the business and affairs of PAGCOR;
3. Act in the best interest of PAGCOR and for the common benefit of PAGCOR and its stakeholders;
4. Observe transparency and accountability;
5. Observe confidentiality as needed;
6. Abide by PAGCOR's No Gift Policy; and
7. Devote time and attention necessary to the proper discharge of his duties and responsibilities.

Section 12. *List of Disclosures to be made by Directors*

1. Resume and membership in Board Committees
2. Complete compensation package, including travel, representation, transportation and any other form of expenses or allowances; and
3. Attendance record in Board and Committee meetings.

Section 13. *Statement of Responsibility for Financial Statements*

The Board of Directors is responsible for all information and representation s contained in PAGCOR's financial statements. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of the Board with an appropriate consideration to materiality.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stakeholders of the company.

Section 14. *Penalties for Non-Compliance with the Manual apply to Directors*

Each member of the Board of Directors herein acknowledges his responsibility to strictly observe and implement the provisions of this Manual and the imposition of the penalties provided in the PAGCOR Revised Rules on Administrative Cases, existing laws, rules and regulations, in case of violation of any of the provisions of this Manual. Applicable procedures consistent with the law and jurisprudence shall be followed in the case of PAGCOR Directors' non-compliance with the Manual.

III. MANAGEMENT

Section 15. *Role of Management.* - The Management stands as the center of decision-making for the day-to-day affairs of PAGCOR. It determines PAGCOR's activities 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 PAGCOR'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 PAGCOR; 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 the GOCC; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in PAGCOR.

Section 16. *Management Primarily Accountable to the Board.* - Management is primarily accountable to the Board for the operations of PAGCOR. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of PAGCOR's performance on a monthly basis.

Section 17. *Chief Executive Officer (CEO).* - The CEO or the highest-ranking Executive Officer, who is also the Chairman of the Board, shall be designated as such upon nomination and election by the members of the Governing Board from among its ranks. The CEO shall be one of the Appointive Directors of PAGCOR to be appointed by the President of the Philippines from the shortlist prepared by the GCG. In addition to the duties imposed on him by the Board, the CEO shall:

- a. Exercise general supervision and authority over the regular course of business, affairs, operations, and property of the GOCC, and over its employees and officers;
- b. See to it that all orders and resolutions of the Board are carried into effect;
- c. Submit to the Board as soon as possible after the close of each fiscal year, if applicable, a complete report of the operations of PAGCOR for the preceding year, and the state of its affairs;
- d. Report to the Board from time to time all matters which the interest of PAGCOR may require to be brought to its notice;
- e. Perform such other duties and responsibilities as the Board may impose upon him.

Section 18. *Chief Operating Officer (COO).* - The COO who is also the President of PAGCOR, shall be designated as such upon nomination and election by the members of the Governing Board from among its ranks. The COO shall be one of the Appointive Directors of PAGCOR to be appointed by the President of the Philippines from the shortlist prepared by the GCG. In addition to the duties imposed on him by the Board, the COO shall:

- a. Assist the Chairman/CEO in the planning, leading, organizing and controlling of the organization's activities toward the achievement of its missions and objectives;
- b. Supervise the gaming operations of all PAGCOR branches and reports to the CEO in the exercise of the same;
- c. Act as Officer-In-Charge in the absence of the Chairman and CEO;
- d. Act as Chairman of the Provident Fund Board of Trustees;
- e. Represent the company during official functions in the absence of the Chairman and CEO;
- f. Head various committees such as Retirement Committee and the like, as may be assigned by the Chairman/CEO and/or the Board of Directors;
- g. Act as the signatory of all permits, certificates, authorities, and similar documents, issued by PAGCOR in the exercise of its regulatory powers; and
- h. Perform such other duties and responsibilities as the Board and/or the Chairman may assign to him.

Section 19. *Other Executive Officers.* - Subject to the provisions of its Charter, the Executive Officers shall be appointed by the Board.

Section 20. *Power of the Governing 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, any Officer of the Corporation, upon a majority vote of the members of the Board who actually took part in the investigation and deliberation. The Chairman/CEO, President/COO and the Members of the Board shall be under the disciplinary authority of the President of the Philippines.

IV. DUTIES AND OBLIGATIONS OF DIRECTORS AND OFFICERS

Section 21. *Fiduciaries of the State.* - Directors and Officers are fiduciaries of the State in that: (a) they have the legal obligation and duty to always act in the best interest of PAGCOR, with utmost good faith in all dealings with the properties, interests and monies of PAGCOR; and (b) they are constituted as trustees in relation to the properties, interests and monies of the PAGCOR.

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

Section 23. *Respect for and Obedience to the Constitution and the Law.* - As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause PAGCOR to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to PAGCOR in which they serve, and to act within the bounds of the Charter.

Section 24. *Duty of Diligence.* - The fiduciary duty of diligence of Directors and Officers to always act in the best interest of PAGCOR , with utmost good faith in all its dealings with the property and monies of PAGCOR, includes the obligation to:

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

b. Apply sound business principles to ensure the financial soundness of PAGCOR; and

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

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

Section 25. *Duty of Loyalty.* - The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of PAGCOR, with utmost good faith in all its dealings with the property and monies of PAGCOR, includes the obligation to:

a. Act with utmost and undivided loyalty to the PAGCOR;

b. Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and

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

25.1. *Avoid Conflict of Interest.* - Directors and Officers shall at all times avoid any actual or potential conflict of interest with PAGCOR. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

Any question about a Director's or Officer's actual or potential conflict of interest with PAGCOR 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.

25.2. *Trustee Relation to PAGCOR Properties, Interests, and Monies.* - Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all

realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of that authorized by the GCG, and any benefit from the performance of Directors or Officers acting for and in behalf of PAGCOR in dealing with its properties, investments in other corporations, and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of PAGCOR.

25.3. Taking of Corporate Opportunities. - Where a Director or an Officer, by reason of his being a member of the Board or an Officer of PAGCOR, 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 PAGCOR has an interest, the use of the properties of PAGCOR for his/her own benefit, the receipt of commission(s) on contract(s) with PAGCOR or its assets, or the taking advantage of corporate opportunities of PAGCOR, all such profits or benefits shall be subject to restitution pursuant to Section 24 of the Act, without prejudice to any administrative, civil or criminal action against members of the Board of 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.

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

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 26. Limits to Compensation, Per Diems, Allowances and Incentives. - Pursuant to Section 23 of the Act

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

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

Section 27. No Gift Policy. - A Director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person where such Gift:

a. Would be illegal or in violation of law;

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

c. Has a value beyond what is normal and customary in the PAGCOR's business;

- d. Is being made to influence the member of Board's, or Officer's actions as such; or
- e. Could create the appearance of a conflict of interest.

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

Section 28. *Duty of Confidentiality.* - Pursuant to their duties of diligence and loyalty, a member of the Board or an Officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) to further their private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.

V. OBLIGATIONS OF PAGCOR TO DIRECTORS AND OFFICERS

Section 29. *Providing for Staff Support to Directors.* - PAGCOR shall provide the members of its Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.

Section 30. *Obtaining of Directors and Officers Liability Insurance (DOLI).* - Having imposed the highest level of responsibility and accountability on the members of the Board and Officers, *i.e.*, that of extraordinary diligence, it is equitable that when PAGCOR itself and/or the members of the Board and Management are hailed before the tribunals on matters that are within the official functions and capacity, and on matters where business judgment has been exercised in good faith, that there be proper recovery of the costs of litigation and the judgment liability imposed. It is prudent measure therefore for every GOCC to obtain "Directors and Officers Liability Insurance" (DOLI) coverage for itself and the members of the Governing Board and Officers against contingent claims and liabilities that may arise from, as well as the expenses that may be incurred in prosecution, the actions that may be filed against the GOCC arising from the actions of the Governing Board and/or Management that may cause loss or damage to third parties.

Nothing in this section shall be construed as to authorize the reimbursement or the incurring of costs, such as the payment of premiums on DOLI coverage, by the GOCC 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 the GOCC and/or its stakeholders.

VI. CSR AND RELATIONS WITH STAKEHOLDERS

Section 31. *Duty to Be Responsive to Stakeholders.* - Every Director and Officer accepts the position fully aware that he assumes certain responsibilities not only to PAGCOR, but also with its different constituencies or Stakeholders, who have the right to expect that PAGCOR 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 PAGCOR's employees, customers, suppliers and other Stakeholders. No member of the Board or Officer may take unfair advantage of the PAGCOR's employees, customers, suppliers and other Stakeholders through manipulation, concealment, abuse of confidential

or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

Section 32. CSR Principles. - PAGCOR, as an integral part of the National Government, is mandated to be socially responsible, and shall therefore act and operate as a good corporate citizen. The Governing Board shall recognize and perform the obligations PAGCOR has towards the National Government, together with the employees, suppliers, customers and other Stakeholders, and the communities in which it operates.

In addition to the Charter mandated projects, PAGCOR's Corporate Social Responsibility (CSR) programs are primarily anchored on its mission as a partner of the Philippine government in nation-building. At present, PAGCOR supports far-reaching CSR programs that give emphasis and priority to education and, at the same time, help build the lives of the country's future generation – the Filipino youth. These projects include, among others, the following:

- a. Construction of thousands of classrooms for public school students nationwide;
- b. Production of thousands of school desks and armchairs using confiscated illegal logs;
- c. Fabrication of armchairs out of old slot machine stands;
- d. Development of football at the grassroots level to discover young *Pinoy* talents who will compete in major international football competitions;
- e. A nationwide feeding program that aims to provide the nutritional needs of malnourished students enrolled in public schools; and
- f. Disaster relief operations and medical missions to help calamity victims

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

Every member of PAGCOR 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. PAGCOR should have an environment that enables its officers and employees to raise genuine and legitimate concerns internally. However, in the event that the officers and employees of PAGCOR, and/or the stockholders believe their reporting to management may result in harassment, or undue distress, they may contact the GCG support to report such matters. The GCG provides for an opportunity for concerns to be investigated and ensures appropriate action is taken to resolve the matter effectively.

Section 33. Formal Recognition of PAGCOR's Stakeholders. - PAGCOR recognizes its stakeholders and their respective interests. The stakeholders are listed from the most priority as stated in No.1 to least priority, which is in a hierarchy that reflects the order of interests that the PAGCOR shall consider and prioritize should a conflict arise involving these various interests:

1. *National Government.* PAGCOR's primary stakeholder is the National Government. The Charter mandates PAGCOR to remit 50% of its gross gaming revenue to the National Treasury after deducting the 5% Franchise Tax remitted to the Bureau of Internal Revenue. It is also mandated under R.A. 7656 to declare and remit at least 50% of its annual net earnings as dividends to the National Government.
2. *Agencies Mandated by Law to Receive a Share of PAGCOR's Income.* By virtue of various laws passed by Congress, PAGCOR also provides funding support to various institutions for i.e., Philippine Sports Commission, Board of Claims, National Commission for Culture and the Arts, among others.
3. *PAGCOR Employees.* PAGCOR recognizes its employees as its best asset. PAGCOR shall develop and implement human resource development programs aimed at continuing the personal and professional improvement of its officers and employees.

Every PAGCOR employee is encouraged to –

- a. Remember that the biggest stakeholder is the Government;
 - b. Share the vision of PAGCOR;
 - c. Be accountable to the public;
 - d. Listen and learn from his/her co-employees;
 - e. Think and act as a team;
 - f. Focus on the customers and strive for customer satisfaction;
 - g. Respect others;
 - h. Communicate with the Government, as the only stockholder, and customers;
 - i. Deliver results and celebrate success; and
 - j. Protect the reputation of PAGCOR.
4. *Industry Players.* Pursuant to its mandate as gaming regulator, PAGCOR's stakeholders also include the various players in the gaming industry. To this end, PAGCOR is responsible for the formulation of policies, procedures and guidelines that will govern the conduct of operations in the gaming industry.
 5. *Customers.* Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. PAGCOR should operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent

quality, reliability and safety in return for the price paid for the same. PAGCOR should implement 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.

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

6. *Suppliers.* As with other relationships with the Stakeholders, PAGCOR should aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. PAGCOR should aim to offer, through partnership with its suppliers, the best combination of state-of-the-art technology and world class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.
7. *Oversight agencies.* PAGCOR shall endeavour to comply with the reportorial requirements of such agencies as the Office of the President, Governance Commission for GOCC's, Department of Budget and Management, Commission on Audit, etc.

Section 34. Communication Plan. – To promote transparency and accountability, PAGCOR shall maintain a Transparency Seal on its official website consistent with DBM National Budget Circular 542 and Section 93 of the General Appropriations Act of 2012.

To inform its stakeholders of relevant information about the agency, PAGCOR shall likewise post on its official website the disclosure requirements provided in Section 25 of RA 10149 and in Section 43 Mandatory Website of GCG Memorandum Circular No. 2012-07 (Code of Corporate Governance).

PAGCOR will sustain its information dissemination campaign on how PAGCOR responds to its mandate and other relevant data that may be of interest to the corporation's various stakeholders:

- i. Press/Media Releases, Announcements on Board in radio, advertorials on the corporation's income updates, results of operations, Corporate Social Responsibility (CSR) projects, and other accomplishments.
- ii. As the need arises, PAGCOR also releases statements to let the general public know about its side on issues affecting the corporation.
- iii. The Corporation produces a quarterly newsletter called "The PAGCOR Insider" where accomplishments and various news updates about the state-owned gaming firm, its corporate departments and branches, are published.
- iv. PAGCOR also publishes its Annual Report in magazine format where all of the agency's yearly accomplishments, financial statements and plans for the following year are discussed for the appreciation of PAGCOR's various stakeholders.

- v. Relevant company information such as annual reports, financial statements, The PAGCOR Insider, items for bidding, CSR projects, institutional/corporate/casino events etc. are made available to the public through the official websites www.pagcor.ph and www.casinofilipino.ph
- vi. PAGCOR utilizes various social media platforms such as Facebook, Twitter and YouTube in disseminating information on the corporation's latest events, CSR activities, and institutional events or nationwide programs. PAGCOR's social media accounts are also linked to the corporation's official website for easy access for the public and to ensure transparency. These accounts are properly maintained. Comments, suggestions and complaints received from Internet users are carefully noted and answered, if necessary.
- vii. PAGCOR also maintains an internal portal for its employees where important news, information and services are made available online. The PAGCOR portal provides general company information such as important messages from management, special events and announcements, company directory and internal vacancies. It is also an online tool where employees can express their sentiments on matters affecting the corporation. More importantly, the portal serves as an online hub for employee services like payslip inquiries, healthcare matters, and HR-related concerns.
- viii. PAGCOR also complies with the requirements of the Government Procurement Policy Board (GPPB). The agency posts items for bidding in the Philippine Government Electronic Procurement System (PhilGEPS) and in PAGCOR's official website. The corporation also publishes Invitation to Bid (ITB) in various newspapers.
- ix. In compliance with the Anti-Red Tape Act of 2007 and as required by the Governance Commission for GOCCs (GCG), a Citizen's Charter link can be accessed from www.pagcor.ph. This link provides information on the various processes involved related to applications for business opportunities in PAGCOR.

Section 35. Health and Safety. - PAGCOR should aim to ensure a safe and healthy working environment for all its employees, outside contractors and visitors. PAGCOR should comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. The staff should be informed regarding the policies and practices of the GOCC in order to maintain a healthy, safe and enjoyable environment.

Section 36. Environment. - PAGCOR should consider that there are inevitable environmental impacts associated with daily operations. It shall be the goal of PAGCOR to minimize harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, PAGCOR should strongly encourage 3 R's: "Reduce", "Reuse", and "Recycle".

In the course of PAGCOR operations, it should identify opportunities to reduce consumption of energy, water and other natural resources. PAGCOR should also strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our impact on the environment. In doing so, by adopting simple, environmentally

friendly initiatives, PAGCOR shall raise awareness among the members of the communities it affects.

VII. DISCLOSURE AND TRANSPARENCY REQUIREMENTS

Section 37. *Transparency as the Essence of Corporate Governance.* - The essence of corporate governance is transparency; the more transparent the internal workings of the PAGCOR are, the more difficult it will be for the Board and/or Management to mismanage PAGCOR or to misappropriate its assets. It is therefore imperative that PAGCOR discloses all material information to the National Government and the public, its ultimate stakeholder, in a timely and accurate manner at all times.

VIII. HIGHEST STANDARDS PRINCIPLE

Section 38. Public service being a public trust, nothing in this Manual shall be construed as:

38.1. *Corporate Government Standards:* Relieving or excusing PAGCOR, its Directors and Officers, from complying with more rigorous standards of corporate governance as those required by supervising agencies having jurisdiction over PAGCOR.

38.2. *Reportorial Requirements:* A waiver of the separate reportorial requirements mandated by the supervising agencies that have jurisdiction over PAGCOR and its business operations.

38.3. *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 PAGCOR.

IX. EFFECTIVITY

This Manual shall take effect on _____.