



Philippine Realty and Holdings Corporation

# **BOARD COMMITTEE CHARTERS**

**20 November 2018**

## AUDIT COMMITTEE

### (1) Overview on the Audit Committee

The Audit Committee shall be composed of at least three (3) members of the board of directors, wherein two (2) of whom shall be independent directors, including the chairperson, preferably with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Company.

To the greatest extent possible, the Audit Committee shall be composed of a sufficient number of independent and non-executive board members. Further, the Chief Executive Officer, Chief Financial Officer and Treasurer, or officers holding equivalent positions, shall not be appointed as members of the Audit Committee.

The Audit Committee provides oversight over the institution's financial reporting policies, practices and control and internal and external audit functions. It shall be responsible for the setting up of the Internal Audit Department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit Committee. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by independent and non-executive Audit Committee members. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.

The Audit Committee shall review and approve the audit scope and frequency. It shall receive key audit reports, and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.

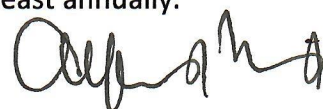
The Audit Committee shall have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions. The Audit Committee shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

The Audit Committee shall establish and maintain mechanisms by which offers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.



**(2) Specific Duties and Responsibilities of the Audit Committee**

1. The Audit Committee shall report to the board of directors.
2. The Audit Committee shall provide oversight of the institution's financial reporting and control and internal and external audit functions.
3. The Audit Committee shall check all financial reports against its compliance with both the internal financial management policies and pertinent accounting standards, including regulatory requirements.
4. It shall be responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit Committee.
5. The Audit Committee performs direct interface functions with the internal and external auditors.
6. The Audit Committee shall pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
7. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.
8. The Audit Committee shall have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.
9. Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard ("IAS") compliant.
  - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
10. The Audit Committee shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

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11. The Audit Committee shall establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

**(3) Membership in the Audit Committee**

The members of the Audit Committee shall be the following:

1. The Audit Committee shall be composed of at least three (3) members.
2. The members of the Audit Committee shall be composed of members of the board of directors, at least two (2) of whom shall be independent directors, including the chairman.
3. To the greatest extent possible, the Audit Committee shall be composed of a sufficient number of independent and non-executive board members. Further, the Chief Executive Officer, Chief Financial Officer and Treasurer, or officers holding equivalent positions, shall not be appointed as members of the Audit Committee.
4. Preferably, the members of the Audit Committee shall have accounting, auditing, or related financial management expertise or experience.
5. Each member shall have adequate understanding at least or competence at most of the Company's financial management systems and environment.
6. Each member shall possess a range of expertise as well as adequate knowledge of the Company's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

**(4) Frequency of Meetings of the Audit Committee**

The Audit Committee shall meet at least once every calendar quarter.

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## BOARD RISK OVERSIGHT COMMITTEE

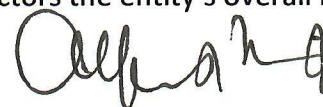
### **(1) Overview on the Board Risk Oversight Committee**

The Board Risk Oversight Committee shall be responsible for the development and oversight of the risk management program for the Company. The Committee shall be composed of at least three (3) members of the board of directors including at least one (1) independent director, and a chairperson who is a non-executive member. The members of the Board Risk Oversight Committee shall possess a range of expertise as well as adequate knowledge of the institution's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall oversee the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. The Board Risk Oversight Committee, shall, where appropriate, have access to external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.

### **(2) Specific Duties and Responsibilities of the Board Risk Oversight Committee**

The core responsibilities of the Board Risk Oversight Committee are to:

1. **Identify and evaluate exposures.** The Committee shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are the most likely to occur and are costly when they happen.
2. **Develop risk management strategies.** The Board Risk Oversight Committee shall develop a plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.
3. **Oversee the implementation of the risk management plan.** The Board Risk Oversight Committee shall conduct regular discussions on the institution's current risk exposure based on regular management reports and assess how the concerned units or offices reduced these risks.
4. **Review and revise the plan as needed.** The Committee shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. The Committee shall report regularly to the board of directors the entity's overall risk



exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

**(3) Membership in the Board Risk Oversight Committee**

The members of the Board Risk Oversight Committee shall be the following:

1. The Board Risk Oversight Committee shall be composed of at least three (3) members.
2. The members of the Board Risk Oversight Committee shall be composed of members of the board of directors, at least one (1) of whom shall be an independent director, including the chairman.
3. Preferably, the members of the Board Risk Oversight Committee shall have accounting or auditing background, or management expertise or business experience.

**(4) Frequency of Meetings of the Board Risk Oversight Committee**

The Board Risk Oversight Committee shall meet at least once every semester.

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## CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

### (1) Overview on the Corporate Governance and Nominations Committee

The Corporate Governance and Nominations Committee shall assist the board of directors in fulfilling its corporate governance responsibilities.

The Committee shall be responsible for ensuring the board's effectiveness and due observance of corporate governance principles and guidelines. **It shall oversee the periodic performance evaluation of the board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.**

The Committee may coordinate with external facilitators in carrying out board assessment within the frequency approved by the entire board. The Committee shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, 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.

The Committee shall make recommendations to the board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.

The Committee shall decide the manner by which the board's performance shall be evaluated and shall propose objective performance criteria approved by the board. Such performance indicators shall address how the board has enhanced long term shareholders' value.

The Committee shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the board of directors.

### (2) Duties and Responsibilities of the Corporate Governance and Nominations Committee

1. The Corporate Governance and Nominations Committee shall report to the board of directors.



2. The Committee shall assist the board of directors in fulfilling its corporate governance responsibilities.
3. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the board of directors.
4. The Corporate Governance and Nominations Committee shall be responsible for ensuring the board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.
5. The Committee shall also 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 that address the competing time commitments that are faced when directors serve on multiple boards.
6. The Committee shall make recommendations to the board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.
7. The Committee shall decide the manner by which the board's performance may be evaluated and propose objective performance criteria approved by the board. Such performance indicators shall address how the board has enhanced long term shareholders' value.
8. The Committee shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:
  - a. **Qualifications of a Director**
    - Holder of at least one (1) share of stock of the Corporation;
    - He shall be at least a college graduate or have sufficient experience in managing a business/es to substitute for such formal education;
    - He shall be at least twenty-one (21) years old;





- He shall have proven to possess integrity and probity; and
- He shall be attentive and diligent.

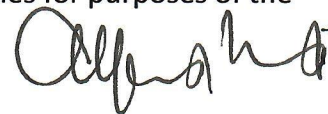
**b. Disqualifications**

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- Any person finally found by a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or The Philippine Stock Exchange Inc. (“PSE”), or any rule, regulation or order of the SEC or the PSE;
- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent regulatory authority, of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

**c. Temporary Disqualification**

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

- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;

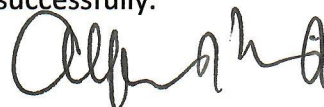


- Dismissal/termination from directorship in another listed Corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- Being under preventive suspension by the Corporation;
- If the independent director becomes an officer or employee of the Corporation, he shall be automatically disqualified from being an independent director;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

**d. Number of Directorships in the Board**

The Corporate Governance and Nominations Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- The nature of the business of the Corporations which he is a director;
  - Age of the director;
  - Number of directorships/active memberships and officerships in other Corporations or organizations; and
  - Possible conflict of interest.
  - The optimum number shall be related to the capacity of a director to perform his duties diligently in general. In any case, the capacity of directors to serve with diligence shall not be compromised.
  - The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other Corporations.
9. The Corporate Governance and Nominations Committee shall designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully.



10. The Committee shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.
11. The Committee shall develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
12. The Committee shall disallow any director to decide his or her own remuneration.
13. The Committee shall provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
14. The Corporate Governance and Nominations Committee shall review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

**(3) Membership in the Corporate Governance and Nominations Committee**

The members of the Corporate Governance and Nominations Committee shall be the following:

1. The Committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson.
2. Preferably, the members of the Corporate Governance Committee shall have management expertise or business experience.

**(4) Frequency of Meetings of the Corporate Governance Committee**

The Corporate Governance Committee shall meet at least once every semester or as and when necessary.

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## EXECUTIVE COMMITTEE

### **(1) Duties and Responsibilities of the Executive Committee**

1. The Executive Committee shall report to the board of directors.
2. The Executive Committee shall be composed of at least three (3) but not more than five (5) members of the board of directors, to be appointed by the board of directors.
3. The Executive Committee shall have the power to act on such specific matters within the competence of the board of directors as may be delegated to it by the board, except with respect to the following:
  - a. Approval of any action for which shareholders' approval is also required;
  - b. Filling up of vacancies in the board;
  - 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 expressed terms is not so amendable or repealable; and
  - e. Distribution of cash dividends to the shareholders.
4. The Executive Committee shall decide upon on all matters that are outside the duties and responsibilities of the Audit Committee, the Corporate Governance and Nomination Committee and the Board Risk Management Committee.

### **(2) Membership in the Executive Committee**

The members of the Executive Committee **shall be the following:**

1. The Executive Committee shall be composed of at least three (3) members, but not more than five (5) members.
2. The members of the Executive Committee shall be composed of members of the board of directors and may include the corporate secretary.



3. Preferably, the members of the Executive Committee shall have banking, economics, accounting or auditing background, or legal training, or management expertise or business experience.

**(3) Frequency of Meetings of the Executive Committee**

The Executive Committee shall meet as and when necessary, particularly on urgent matters requiring approval.

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## RELATED PARTY TRANSACTIONS COMMITTEE

### **(1) Overview on Related Party Transactions (“RPTs”)**

Related party transactions (“RPTs”) shall refer to transactions or dealings with related parties regardless of whether or not a price is charged. These shall include, but not limited to the following:

1. On- and off-balance sheet credit exposures and claims and write-offs;
2. Investments and/or subscriptions for debt/equity issuances;
3. Consulting, professional, agency and other service arrangements/contracts;
4. Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
5. Construction arrangements/contracts;
6. Lease arrangements/contracts;
7. Trading and derivative transactions;
8. Borrowings, commitments, fund transfers and guarantees;
9. Sale, purchase or supply of any goods, materials or services; and
10. Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

### **(2) Duties and Responsibilities of the Related Party Transactions Committee (“RPT Committee”)**

The RPT Committee shall:

1. Evaluate on an on-going basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the board.
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in



connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:

- a. The related party's relationship to the Company and interest in the transaction;
- b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- c. The benefits to the Company of the proposed RPT;
- d. The availability of other sources of comparable products or services; and
- e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

All RPTs that are considered material based on the Company's internal policies shall be endorsed by the RPT Committee to the board of directors for approval.

3. Ensure that appropriate disclosure is made, and/or information is provided to the board of directors relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties.
4. Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

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**(3) Membership in the RPT Committee**

1. The RPT Committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson.
2. The Committee shall be primarily composed of independent directors and non-executive directors, with independent directors comprising majority of the members.
3. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.
4. The Compliance Officer or Internal Auditor may sit as resource persons in said Committee.

**(4) Frequency of Meetings of the RPT Committee**

The RPT Committee shall meet as and when necessary, particularly on urgent matters requiring approval.

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## RETIREMENT PLAN COMMITTEE

### **(1) Duties and Responsibilities of the Retirement Plan Committee**

1. The Retirement Plan Committee shall report to the board of directors.
2. The Retirement Plan Committee shall be composed of at least two (2) members of the board of directors, and should include the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer/Treasurer.
3. The members of the Retirement Plan Committee shall also be known as the trustees of the Retirement Plan who shall be responsible for the general administration of the Plan and shall also be responsible for the management of the Retirement Trust Fund established under the Retirement Plan.

The Retirement Trust Fund shall consist of the Company's fund contributions, determined by way of periodic actuarial valuation, together with all income, gain and other additions thereto, less any losses, expenses and benefits payments.

4. The Retirement Plan Committee may appoint a Trustee, which is a highly qualified fund management entity that is typically a trust company or a trust department of a universal bank or commercial bank, to hold in trust and manage the funds and the assets of the Retirement Plan, to implement, carry out and accomplish the purposes of the Retirement Plan.

In such an instance, the Retirement Plan Committee shall be responsible for assessing the performance of its designated Trustee/fund manager to make sure that the Retirement Trust Fund is managed properly in terms of maximizing its yield subject to acceptable risk-return considerations and to the satisfaction of the Retirement Plan Committee.

### **(2) Membership in the Retirement Plan Committee**

The members of the Retirement Plan Committee shall be the following:

1. The Retirement Plan Committee shall be composed of at least three (3) members, but not more than five (5) members.
2. The members of the Retirement Plan Committee shall be composed of members of the board of directors and shall include the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer/Treasurer.



3. Preferably, the members of the Retirement Plan Committee shall have banking, economics, accounting or auditing background, or legal training, or management expertise or business experience.

**(3) Frequency of Meetings of the Retirement Plan Committee**

The Retirement Plan Committee shall meet as and when necessary, but should be at least once a year.

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## PROCUREMENT COMMITTEE

### **(1) Duties and Responsibilities of the Procurement Committee**

1. The Procurement Committee shall report to the board of directors.
2. The Procurement Committee is the board committee primarily responsible for approving, monitoring and verifying procurement actions recommended by management/management committee (typically either by the Management Committee or the Project Committee) and ensuring that approved procurement procedures have been applied properly.

The Procurement Committee is established to ensure consistent and correct application of procurement practices, and generally, to approve or pass upon contracts or for amounts delegated to it by the board of directors based on the board-approved approving and signing authorities.

### **(2) Membership in the Procurement Committee**

The members of the Procurement Committee shall be the following:

1. The Procurement Committee shall be composed of at least four (4) members, but not more than five (5) members.
2. The members of the Procurement Committee shall be composed of members of the board of directors and shall include at least one (1) independent director.
3. Preferably, the members of the Procurement Committee shall have engineering or technical background, or management expertise or relevant business experience.

### **(3) Frequency of Meetings of the Procurement Committee**

The Procurement Committee shall meet as and when necessary, when matters are brought before the Committee for approval, but should be at least once a year.

