MEMORANDUM No.2010-0574

The Philippine Stock Exchange, Inc.

______	Trading Rules	______	Computer Systems Update
______	Membership Rules	______	Administrative Matters
______	Listing Rules	X	Others: **Corporate Governance Guidelines**

To : **ALL LISTED COMPANIES**

Subject : **CORPORATE GOVERNANCE GUIDELINES**

Date : **November 26, 2010**

The Exchange is pleased to present the Corporate Governance Guidebook, "The Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange" and the disclosure template as a mechanism to guide companies in their operations and for shareholders to be informed of the good governance practices of the companies they are invested in.

The disclosure should be submitted annually starting 30 January 2011. It will be implemented under a "comply or explain" regime wherein listed companies are encouraged to comply with the guidelines or else they need to explain any variation or alternative they have chosen to adopt.

For full explanation, please see attached Corporate Governance Guidebook and disclosure template.

For your information and guidance.

(Original Signed)
FLOR L. OFILADA
Strategy Management Officer
Corporate Governance Office

THE PHILIPPINE STOCK EXCHANGE INC.

THE CORPORATE GOVERNANCE GUIDELINES FOR COMPANIES LISTED ON THE PHILIPPINE STOCK EXCHANGE

WHAT IS CORPORATE GOVERNANCE?

The Philippine Stock Exchange, Inc. (PSE) defines corporate governance (CG) as the framework of rules, systems and processes that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders, with due regard to the stakeholders.

Specifically, corporate governance is a system of directing and managing a corporation which involves the development and achievement of corporate goals; the function of the board and its relationship with management; control, risk and performance management systems; compliance with laws and best practices; and corporate self-restraint and ethics, among others.

It is also a means for sustained value creation as it should ultimately create long-term value for the corporation's shareholders while taking into consideration the rights and interests of its stakeholders.

BENEFITS OF CORPORATE GOVERNANCE

Good corporate governance has been widely recognized by corporations, investors, regulators, and other interest groups as contributing to corporate efficiencies which positively impacts on profitability and eventually, growth.

The World Bank's Global Corporate Governance Forum, citing various studies, has summarized the benefits of sound corporate governance as follows :

a. **Improves a firm's access to external financing.** This may lead to larger investments, and in turn, higher growth and job creation. Countries that strongly protect property, shareholder, and creditor rights have more-developed financial and capital markets.

b. **Lowers the cost of capital and raises the value of the firm.** Cost of capital is higher and the valuation of a firm is lower in countries where CG is weak. Capital providers tend to charge a premium if there is a higher perception of risk. Conversely, good CG should lead to better operational performance through better management, better allocation of resources, and higher efficiencies.

c. **Enhances relationships with stakeholders. Improved labor and community relations** as well as environment protection programs minimizes risks and ensures business continuity.

d. **Reduces risk of financial crises.** Facilitates proper functioning of the financial markets thereby preventing or controlling financial volatility.

From a broader perspective, good governance, as characterized by high standards of transparency, adequate investor protection, and strong enforcement, is likewise seen to promote growth and development in the capital market and consequently, the national economy.

CORPORATE GOVERNANCE IN THE PHILIPPINES

Since the 1997 Asian Financial Crisis, a number of key initiatives have been undertaken to improve governance practices in the Philippines. Through the active partnership of key regulators such as the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (BSP), and the Insurance Commission (IC) with governance advocacy groups like the Institute of Corporate Directors (ICD) and leading academic institutions, corporate directors and senior executives were mandated to take corporate governance orientation programs to increase their awareness on the subject matter. Corporate governance manuals, scorecards, and the creation of board audit and governance committees, have likewise been required of select corporations to facilitate and measure progress of governance practices at the enterprise level. Laws were passed and various regulations were issued to help create a legal and regulatory environment that is conducive and supportive of corporate governance practices that are in line with international standards.

As a result of the sustained corporate governance interventions in the past years, significant improvements have been observed in many corporate organizations.
A recent econometric study on corporate governance in the Philippines indicated that corporate governance practices in listed companies have improved over a four year period (2005-2008). More importantly, the study showed a positive relation between the companies' CG scores and their firm valuations, thereby strengthening the case for a growing number of companies to further improve their governance practices.

Despite the impressive improvements in the past years, the Philippines continues to be weighed down by its governance challenges.
As such, significant efforts would need to be undertaken to further strengthen the country's corporate governance system; to remain competitive with the rest of the region; and to improve investor confidence in the market.
In this regard, strategic and effective programs on improving the transparency, investor protection and strict enforcement of rules, would need to be intensified.

CORPORATE GOVERNANCE AND THE PHILIPPINE STOCK EXCHANGE

The PSE, recognizing its strategic role in the Philippine economy, is actively supporting various efforts that will lead to the adoption of world-class corporate governance practices by listed companies.
As such, it included corporate governance as a crucial component of its 5-year strategic program called "LEVEL UP." Corporate governance is embodied in letter "V," which means "value and enforce corporate governance standards."
The Corporate Governance Improvement Program (CGIP) underscores the implementation of the corporate governance program of the PSE. The CGIP involves the development and conduct of various CG-related initiatives in the PSE, as well as with other market participants.

One of the key CGIP initiatives is the development of the PSE Corporate Governance Guidelines (the "Guidelines") for Publicly Listed Companies. Designed to complement the Securities and Exchange Commission's (SEC) Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009), these Guidelines define, in a pragmatic, simple and straightforward manner, the concepts and best practices that characterize a well-governed listed corporation.

USING THE CORPORATE GOVERNANCE GUIDELINES

Understanding the Guidelines

The Guidelines aim to clarify and present the corporate governance standards to which the PSE believes all well-governed publicly-listed companies adopt. This was developed after a careful review and assessment of internationally recognized corporate governance codes and best practices as well as a rigorous local and regional stakeholder engagement process. The PSE believes that the standards reflected in the Guidelines do not only conform to international best practices, but are also relevant and responsive to the Philippine business environment and culture.

The Guidelines are designed to guide listed corporations as they endeavor to improve their corporate governance practices. It is a basis for the benchmarking of practices and the monitoring of progress. The Guidelines also serve as a basis for future rule development as well as policy and legislative reform inititiatves.

The Guidelines are recommendations and not prescriptions. The Guidelines present PSE's interpretation of the applicable corporate governance principles and requirements for the guidance and reference of concerned market participants. THE GUIDELINES ARE NOT INTENDED TO BE A SOURCE OF ENFORCEABLE LEGAL RIGHTS AS THE GUIDELINES DO NOT HAVE THE FORCE AND EFFECT OF A LAW, RULE OR REGULATION. Existing laws, policies, rules and regulations shall at all times, take precedence over the Guidelines. No penalties will be imposed on companies that do not adopt the recommendations in the guidelines. However, since the objective is to elevate listed companies' corporate governance practices, an "adopt or explain" system shall be implemented. As such, companies will be required to report whether they adopt the guidelines or explain why they could not do so.

The Guidelines continue to evolve. As corporate governance is a dynamic field, the recommendations are to be periodically updated and enhanced. The PSE will continue to engage in dialogues with its key stakeholders to ensure that the Guidelines remain to be responsive and relevant.

DISCLOSURE REQUIREMENTS

All listed companies are required to submit a compliance report for the previous year to the PSE's disclosure department on or before the 30th of January of the year. The report, which is to be submitted under oath by the company President, Chairman or duly authorized representative, and attested to by an independent director, shall indicate the company's assessment of its level of adoption of the recommendations stated in the Guidelines. Only recommendations that are not met or adopted, together with the explanations, shall be disclosed in detail. The assessment report shall be a regular disclosure requirement for all listed companies and will be uploaded in the PSE website.

Companies should make sure that a copy of the compliance report is available in their websites. Such report, or at least a summary of the deviations, should also be made available in a section in the company's annual report that is exclusively dedicated to corporate governance.

The disclosure period shall follow the reporting period adopted by the company in its annual report.

FROM THE CHAIRMAN

Hans B. Sicat

Good corporate governance is the battle cry across developed and emerging markets in Asia. The dynamic financial and economic landscape that drove innovation through most of the decade has been tested by the recent financial crises. The role of the board of directors to steer companies to sustainable growth has come into focus. Moreover, the execution of board committee responsibilities is crucial in attaining this goal.

The Philippine Stock Exchange ("Exchange") is presenting the Corporate Governance Guidelines to provide a framework for effective board governance and management for the benefit of shareholders.

The Guidelines embody the principles of transparency, efficiency and accountability that can also be used as a guide for the company's relationship with their various stakeholders.

As Chairman of the Board and Governance Committee of the Exchange, I encourage companies to adopt the Guidelines as guiding principles and take the recommendations as alternatives which they can adopt for the benefit of the company and its shareholders. The recommendations are flexible and companies may decide to use other mechanisms. The responsibility of the company is to explain fully to shareholders how these practices work. The same Guidelines will govern the operations of the Exchange.

The Exchange shares the goal of every company in maximizing shareholder value. With the adoption of these Guidelines, it is the firm hope of the Exchange that the listed community shares the same vision of good corporate governance.

FROM THE PRESIDENT AND C.E.O.

Val Antonio B. Suarez

The standards set by Corporate Governance Principles have been accepted as tools to unleash value in companies. Several studies worldwide and even in the Philippines have shown that companies which practice good governance are rewarded with enhanced share values. The Philippine Stock Exchange ("Exchange") is thus encouraging listed companies to adopt these Guidelines and reap the benefits offered by good governance.

The Exchange is presenting these Corporate Governance Guidelines and their concomitant requirements for disclosure as a mechanism to guide companies in their operations and for shareholders to be informed of the good governance practices of the companies they are invested in. The same information will likewise be available for investors looking for companies who adopt good corporate governance practices.

Listed companies are encouraged to adopt the recommendations prescribed by these Guidelines but are free to decide to implement other mechanisms they find more appropriate for the size, nature and complexity of their businesses, which may be justified and acceptable. The Exchange merely requires them to be disclosed and clearly explained to shareholders and investors as to their consistency with the Guidelines.

Shareholders looking at the disclosures should not view deviations from the recommendations as breaches but view and evaluate them within the context of the company's operations and surrounding circumstances. It is in the hope of further enhancing the value of listed companies and increasing returns for shareholders that these Guidelines are presented.

The Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange

A WELL-GOVERNED COMPANY

GUIDELINES

1 DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY
Shareholder return is optimized through a sound and well-executed strategy.

2 ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD
A well-functioning board creates value for the enterprise.

3 MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM
Internal audit and controls enhance operational effectiveness, deter fraud, safeguard company assets, and ensure compliance.

4 RECOGNIZES AND MANAGES ENTERPRISE RISKS
An Enterprise-wide Risk Management system should be in place and properly functioning in a transparent manner.

5 ENSURES THE INTEGRITY OF ITS FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION
Financial reports must represent a fair and true condition of the company.

6 RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-CONTROLLING GROUP
The exercise of shareholders' basic political, economic and governance rights should be facilitated in an equitable and timely manner.

7 ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME
Material information should be disclosed fully, fairly, timely, and accurately.

8 RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF ITS EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS
Corporations should manage the social, environmental and governance aspects of its operations.

9 DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING
Abusive related party transactions and insider trading undermine the trust and confidence on the company as well as prejudices non-controlling shareholders' interests.

10 DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE & ENFORCEMENT
Corporate and employee actions should be conducted according to the highest ethical and professional standards at all times.

1 DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY

Corporations are expected to generate sustainable value for their shareholders while giving due regard to their stakeholders. To do this, the board should set the strategic direction for the corporation, and monitor and control its implementation. The business strategy, developed in the context of the company's vision, mission, and values system, leads to sound key business decisions and sustainability.

Business strategies, to be of value, should be complemented with an execution process that allows the proper monitoring of its implementation. Companies should therefore have mechanisms to convert broad strategies into clear and specific measures, targets, initiatives and other performance management indicators.

Best practice recommendations:

1.1 Have a clearly defined vision, mission and core values.

1.2 Have a well developed business strategy.

1.3 Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture.

1.4 Have its board continually engaged in discussions of strategic business issues.

2 ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD

As the focal point of the company's corporate governance system, the board should be structured in a manner that it can perform its fundamental functions of establishing the strategic direction, setting policies, accountabilities and monitoring the performance of its company as it is ultimately accountable and responsible for the latter's affairs.

In order to perform such functions, the board should have clearly defined roles and responsibilities, and be organized in a manner that would make it effective in exercising its oversight over key functions such as audit, risk management, and governance.

Best practice recommendations:

2.1. Have a board composed of directors of proven competence and integrity.

2.2. Be led by a chairman who shall ensure that the board functions in an effective and collegial manner.

2.3 Have at least three (3) or thirty percent (30%), whichever is higher, of its directors as independent directors.

2.4 Have in place written manuals, guidelines and issuances that outline procedures and processes.

2.5 Have Audit, Risk, Governance and Nomination and Election Committees.

2.6 Have its Chairman and CEO positions held separately by individuals who are not related to each other.

2.7 Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.

2.8 Have in place a formal board and director development program.

2.9 Have a corporate secretary.

2.10 Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.

The Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange

3 MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM

Companies should have in place a robust and efficient internal audit and control system that assures the effectiveness and efficiency of operations, reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations.

The internal audit and control process should be carried out independently by trained, ethical and competent professionals who enjoy the trust, confidence and support of both the board and management.

The board, through the audit committee, shall be ultimately responsible for the selection, performance evaluation and removal of the chief audit executive or the service provider, in cases where the function is outsourced.

Best practice recommendations:

3.1 Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.

3.2 Have a comprehensive enterprise-wide compliance program that is annually reviewed.

3.3 Institutionalize quality service programs for the internal audit function.

3.4 Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.

3.5 Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.

4 RECOGNIZES AND MANAGES ENTERPRISE RISKS

Companies should have in place a robust and effective system of identifying, assessing, monitoring and managing, to the extent appropriate, all material and relevant risks of the enterprise.

The board determines the company's risk thresholds and mandates the implementation of risk management actions for the company's key risk areas. It ensures that a comprehensive and systemic approach in risk identification and management is adopted so that the company may respond to relevant and material risks as they arise and develop.

Best practice recommendations:

4.1 Have its board oversee the company's risk management function.

4.2 Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.

4.3 Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO (The Commttee of Sponsoring Organizations of the Treadway Commission) I and II.

4.4 Have a unit at the management level, headed by a Risk Management Officer (RMO).

4.5 Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.

4.6 Seek external technical support in risk management when such competence is not available internally.

The Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange

5 ENSURES THE INTEGRITY OF ITS FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION

It is imperative for corporations to provide an accurate report of its financial position, financial performance, as well as changes in both. Such reports should be understandable, relevant, reliable, comparable, and should be prepared according to internationally accepted accounting standards.

To ensure the reliability of the financial reports, they must be audited by an independent external audit firm also following internationally accepted auditing standards as required by the SEC. The selection of the audit firm should be proposed by the board and approved by the shareholders.

Best practice recommendations:

5.1 Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.

5.2 Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.

5.3 Ensure that the external auditor has adequate quality control procedures.

5.4 Disclose relevant information on the external auditors.

5.5 Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.

5.6 Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.

5.7 Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.

5.8 Have a policy of rotating the lead audit partner every five years.

6 RESPECTS AND PROTECTS THE RIGHTS OF SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-CONTROLLING GROUP

Companies should recognize and protect the rights of its shareholders particularly those that hold a minority or non-controlling stake in the company. A company should ensure that the exercise of shareholders' basic political, economic and governance rights are facilitated in an equitable, timely and transparent manner.

The use of technology should be optimized in order to inform and actively engage all shareholders in matters that, under existing policies and regulation, require or allow shareholder action.

Best practice recommendations:

6.1 Adopt the principle of "one share, one vote."

6.2 Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.

6.3 Have an effective, secure and efficient voting system.

6.4 Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.

6.5 Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.

6.6 Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.

6.7 Ensure that all relevant questions during the AGM are answered.

6.8 Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.

6.9 Avoid anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group.

6.10 Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.

6.11 Have a communications strategy to promote effective communication with shareholders.

6.12 Have at least thirty percent (30%) public float to increase liquidity in the market.

6.13 Have a transparent dividend policy.

7 ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME

Companies should be transparent and open about their affairs. A company should disclose its achievements, plans, challenges and other information that are relevant and material to its stakeholders, especially its shareholders. It should ensure full, fair, timely, and accurate disclosure of material information to allow its shareholders to make informed decisions on their shareholdings as well as their ownership rights and obligations.

Companies must adopt a disclosure and transparency regime that is based on international best practice and should be one of substance over form. This would involve disclosure on corporate information that would have an impact on the share price and the interest and rights of the shareholders.

Best practice recommendations:

7.1 Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.

7.2 Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.

7.3 Disclose its director and executive compensation policy.

7.4 Disclose names of groups or individuals who hold five percent (5%) or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.

7.5 Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within ninety (90) days from the end of the financial year, while interim reports shall be published within forty-five (45) days from the end of the reporting period.

7.6 Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.

7.7 Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.

7.8 Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).

7.9 Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.

8 RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS

For corporations to generate long-term sustainable value for its shareholders, it must be able to properly manage the social, environmental and governance aspects of its activities. As such, corporations should have clear programs and policies that guide its conduct and outline its responsibilities towards the community, the physical environment, the workplace and the market upon which it operates.

As responsible corporate citizens, companies should forge deeper and more effective relationships with its key stakeholders through interventions that provide long-term and sustainable development to the stakeholder group, leveraging on the company's reputational, economical, social, and human capital. Companies should make corporate citizenship an integral part of the business strategy and processes.

Companies should also disclose in a timely and accurate manner their corporate responsibility practices and activities.

Best practice recommendations:

8.1 Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers and customers, creditors, as well the community, environment and other key stakeholder groups.

8.2 Have in place a workplace development program.

8.3 Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.

8.4 Have in place a community involvement program.

8.5 Have in place an environment-related program.

8.6 Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.

9 DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS (RPT) AND INSIDER TRADING

The predominant ownership and control structure of Philippine corporations increases the propensity of such corporations to deal with related parties. While such practice can be beneficial to the parties concerned, it can also be used to the detriment of other stakeholders. In this regard, companies should ensure that all its transactions are fair and transparent, and do not benefit a particular group or individual at the expense of public investors or minority shareholders. An appropriate system of disclosure and approvals should be set in place so as to prevent or mitigate abusive transactions with related parties.

Corporations should also institutionalize a system that prevents and penalizes the use of material non-public information by company insiders. Rules and procedures regarding director or employee trading of the company's securities should be clear, practical, and more importantly effective, in safeguarding against insider trading.

Best practice recommendations:

9.1 Develop and disclose a policy governing the company's transactions with related parties.

9.2 Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.

9.3 Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.

9.4 Have its independent directors or audit committee play an important role in reviewing significant RPTs.

9.5 Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.

9.6 Have a clear policy in dealing with material non-public information by company insiders.

9.7 Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.

10 DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE AND ENFORCEMENT

Corporations should comply with the content and spirit of all applicable laws and regulations that govern their operations. Its employees should conduct themselves according to the highest ethical and professional standards at all times. They should not participate or benefit from any activity that is illegal, immoral or unethical.

Corporations should establish an organizational culture which ensures and promotes proper and ethical conduct. Such culture must be actively nurtured, sustained and lived by the board and senior management to "set the tone at the top" and send the signal to the entire organization that it is important and that it should be adopted by all.

A fair and effective enforcement system should complement a corporation's compliance initiative.

Best practice recommendations:

10.1 Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.

10.2 Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.

10.3 Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.

10.4 Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.

10.5 Have a designated officer responsible for ensuring compliance with all relevant laws, rules and regulations, as well as all regulatory requirements.

10.6 Respect intellectual property rights.

10.7 Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.

Acknowledgements

The PSE thanks the following organizations whose publications, experts and thought leadership have inspired and guided the development of these Guidelines. Intellectual debt is owed to the authors of the codes, principles, toolkits and other publications that have been heavily referred to in this document.

Asian Corporate Governance Association (ACGA)
Australian Stock Exchange Corporate Governance Council
California Public Employees' Retirement System (CalPERS)
Corporate Governance & Financial Reporting Centre (CGFRC)
CFA Institute Centre for Financial Market Integrity
Global Corporate Governance Forum (GCGF)
International Corporate Governance Network (ICGN)
International Finance Corporation (IFC)
Institute of Corporate Directors (ICD)
Organization for Economic Co-operation Development (OECD)

To ensure that the recommendations do not only conform to international corporate governance standards but also to local circumstances and culture, the PSE likewise reviewed rules, regulations and policies of local regulators as well as consulted with various Philippine-based institutions. Great appreciation is likewise expressed to the following:

Philippine Securities and Exchange Commission (SEC)
Institute of Corporate Directors (ICD)
Ateneo de Manila University College of Law
Fund Managers Association of the Philippines (FMAP)
Investment Houses Association of the Philippines (IHAP)

And finally, the PSE would like to express its deepest gratitude to the British Embassy in Manila for the funding grant it has provided to this project, as well as organizations and individuals who have directly and indirectly contributed to this work.

The Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange

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A Publication of the Corporate Governance Office (CGO)

THE PHILIPPINE STOCK EXCHANGE, INC.

Corporate Governance Guidelines for Listed Companies

Disclosure Template

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY
Company Name: ____________________________ Date: _______________

		COMPLY	EXPLAIN
Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY			
1.1	Have a clearly defined vision, mission and core values.		
1.2	Have a well developed business strategy.		
1.3	Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture.		
1.4	Have its board continually engaged in discussions of strategic business issues.		
Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD			
2.1.	Have a board composed of directors of proven competence and integrity.		
2.2.	Be lead by a chairman who shall ensure that the board functions in an effective and collegial manner.		
2.3	Have at least three (3) of thirty percent (30%) of its directors as independent directors.		
2.4	Have in place written manuals, guidelines and issuances that outline procedures and processes.		
2.5	Have Audit, Risk, Governance and Nomination & Election Committees of the board.		
2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.		
2.7	Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.		
2.8	Have in place a formal board and director development program.		
2.9	Have a corporate secretary.		
2.10	Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.		
Guideline No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM			
3.1	Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.		
3.2	Have a comprehensive enterprise-wide compliance program that is annually		

	reviewed.		
3.3	Institutionalize quality service programs for the internal audit function.		
3.4	Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.		
3.5	Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.		
Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS			
4.1	Have its board oversee the company's risk management function.		
4.2	Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.		
4.3	Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II.		
4.4	Have a unit at the management level, headed by a Risk Management Officer (RMO).		
4.5	Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.		
4.6	Seek external technical support in risk management when such competence is not available internally.		
Guideline No. 5: ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION			
5.1	Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.		
5.2	Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.		
5.3	Ensure that the external auditor has adequate quality control procedures.		
5.4	Disclose relevant information on the external auditors.		
5.5	Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.		
5.6	Have its audit committee conduct regular meetings and dialogues with the external		

audit team without anyone from management present.		
5.7 Have the financial reports attested to by the Chief Executive Oficer and Chief Financial Officer.		
5.8 Have a policy of rotating the lead audit partner every five years.		
Guideline No. 6: **RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-CONTROLLING GROUP**		
6.1 Adopt the principle of "one share, one vote."		
6.2 Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.		
6.3 Have an effective, secure and efficient voting system.		
6.4 Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.		
6.5 Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.		
6.6 Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.		
6.7 Ensure that all relevant questions during the AGM are answered.		
6.8 Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.		
6.9 Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.		
6.10 Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.		
6.11 Have a communications strategy to promote effective communication with shareholders.		
6.12 Have at least thirty percent (30%) public float to increase liquidity in the market.		
6.13 Have a transparent dividend policy.		
Guideline No. 7: **ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE**		

CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY
Company Name: ___________________________ Date: _______________

AND TRANSPARENCY REGIME			
7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.		
7.2	Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.		
7.3	Disclose its director and executive compensation policy.		
7.4	Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.		
7.5	Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.		
7.6	Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.		
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.		
7.8	Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).		
7.9	Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.		
Guideline No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS			
8.1	Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment and other key stakeholder groups.		

Company Name: ___________________________ Date: _______________

8.2	Have in place a workplace development program.		
8.3	Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.		
8.4	Have in place a community involvement program.		
8.5	Have in place an environment-related program.		
8.6	Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.		
Guideline No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING			
9.1	Develop and disclose a policy governing the company's transactions with related parties.		
9.2	Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.		
9.3	Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.		
9.4	Have its independent directors or audit committee play an important role in reviewing significant RPTs.		
9.5	Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.		
9.6	Have a clear policy in dealing with material non-public information by company insiders.		
9.7	Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.		
Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, & ENFORCEMENT			
10.1	Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.		

THE PHILIPPINE STOCK EXCHANGE INC.

Company Name: ___________________________ Date: _______________

10.2	Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.		
10.3	Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.		
10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.		
10.5	Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.		
10.6	Respect intellectual property rights.		
10.7	Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.		

This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this document is true, complete and correct.

Done this _______________________ in ____________.

_____________________________________ ____

Independent director President, CEO, or Authorized Representative