REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building EDSA, Greenhills, Mandaluyong City

SEC MEMORANDUM CIRCULAR NO. 5
SERIES OF 2003

IMPLEMENTATION OF THE SELF-RATING SYSTEM ON CORPORATE GOVERNANCE

In order to assess the level of compliance with the leading practices and principles on good corporate governance, the Commission hereby directs the following companies to submit their duly accomplished Corporate Governance Self-Rating Forms (CG-SRF) not later than July 31, 2003:

a.) Issuers of registered securities to the public whether or not listed in the Philippine Stock Exchange (PSE);

b.) Public companies or those with assets of at least Fifty Million Pesos (P50,000,000.00) or such other amount as the Commission shall prescribe, and having Two hundred (200) or more holders each holding at least One hundred (100) shares of a class of its equity securities;

c.) Finance companies;

d.) Investment houses;

e.) Brokers and dealers of securities;

f.) Investment companies;

g.) Pre-need companies;

h.) Subsidiaries or branches of foreign corporations which operate in the Philippines and are listed in the PSE;

i.) Stock and other securities exchange/s.

The duly accomplished CG-SRF shall be a one-time submission. Any change therein shall be disclosed in a current report (SEC Form 17-C) by companies covered under paragraphs (a) and (b) above. Companies under paragraphs (c) to (i) shall report said change in a formal letter addressed to the Commission.

Any company deviating or not complying with its Manual on Corporate Governance is hereby ordered to give its explanation thereto and/or reasons therefor.

Issued this 3RD day of April, 2003 at Mandaluyong City, Philippines.

LILIA R. BAUTISTA
Chairperson

CORPORATE GOVERNANCE SELF-RATING FORM (CG-SRF)

GENERAL INSTRUCTION

(1) Application of SRC Rule 72.1: Requirements for Filing Forms

SRC Rule 72.1 contains general rules and regulations which are applicable to reports on forms to be filed with the Commission and should be carefully read and observed in the preparation and filing of this form.

(2) Preparation of this Filing

(a) This document may be considered as a blank form to be filled in except if the responses would require more spaces in which case, separate pages with the proper captions shall be submitted with the form.

(b) This page containing general instructions is not to be filed with the form.

(3) Signature and Filing of Report

(a) Five (5) complete copies of this document shall be filed with the Commission. At least one complete copy, shall, where any class of securities of the issuer is listed on a Stock Exchange, simultaneously be filed with that Stock Exchange. At least one complete copy of the report filed with the Commission and one such copy filed with the Exchange shall be manually signed. Copies not manually signed shall bear typed or printed signatures.

(b) See also paragraphs 2 and 3 of SRC Rule 72.1 concerning copies, binding, signatures, paper, printing, language, and pagination.

(4) Period Covered

The assessment shall cover the period from January 1, 2003 to June 30, 2003.

(5) Self-Rating Criteria

The rating shall be from zero (0) to five (5), in accordance with the following criteria:

Rating	Description
Zero (0)	Leading practice or principle is not adopted in the company's Manual of Corporate Governance.
One (1)	Leading practice or principle is adopted in the Manual but compliance has not yet been made.
Two (2) to three (3)	Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness.
Four (4)	Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness.
Five (5)	Leading practice or principle is adopted in the Manual and full compliance with the same has been made.

SECURITIES AND EXCHANGE COMMISSION

CORPORATE GOVERNANCE SELF-RATING FORM (CG-SRF)

1. .....
   Date of Self-Assessment

2. SEC Identification Number ..... 3. BIR Tax Identification No. .....

4. .....
   Exact name of issuer as specified in its charter

5. ....
   Secondary License Date Granted

6. ..... 7. [ ] (SEC Use Only)
   Province, country or other jurisdiction of incorporation Industry Classification Code:

8. ....
   Address of principal office Postal Code

9. .....
   Company's telephone number, including area code

10. .....
    Former name or former address, if changed since last report

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the ratings and explanations set forth in the attached CG-SRF are true, complete and correct.

This report is signed in the City of ..... on ....., 2003.

By: _____
Compliance Officer

_____
President

_____
Chief Financial Officer

CORPORATE GOVERNANCE SELF-RATING FORM
(CG-SRF)

NAME OF COMPANY

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
A. BOARD OF DIRECTORS		
Board roles, responsibilities, and skills		
1. The Board has independent director/s. (In case of registered/listed company, at least two or 20% of the members of such Board, whichever is the lesser)		
2. The Board has a balance of executive and non-executive directors, including independent non-executives such that no individual or small group of individuals can dominate the Board's decision-making.		
3. The Board has guidelines for its directors on the number of memberships in other corporate Boards, which are being followed.		
4. The Board has, collectively, a mix of appropriate skills, knowledge and experience.		
5. The powers, roles, responsibilities and accountabilities between the Board, the Chief Executive Officer and management are clearly defined.		
6. The roles and responsibilities between the Board, the Chief Executive Officer and management are clearly segregated.		
7. The Board establishes the corporation's vision and mission, strategic objectives, policies and procedures that guide and direct the activities of the company and the means to attain the same as well as the mechanism for monitoring management's performance.		
8. There is a good understanding of management's responsibilities in relation to internal control.		
9. The decisions that are being made by the Board are clearly documented and understood.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Independence		
10. The majority of the Board are independent of the Chief Executive Officer, management team and commercial dealings with the organization.		
11. There are sufficient numbers on the Board to achieve independence, but not too many to become inefficient.		
Board Resources		
12. The Board members have access to independent professional advice to enable them to discharge their duties.		
13. The corporate secretary has the primary role of supporting the Board and chairperson.		
Board Performance		
14. There are mechanisms to monitor the performance of the Board and individual Board members.		
Board Committees		
15. The company has an audit committee.		
16. It has a nomination and election committee.		
17. It has a compensation committee that monitors compensation, benefits, and succession planning.		

B. MANAGEMENT

Code of Conduct		
18. There is a written Code of Conduct to be followed by the Board, Chief Executive Officer and staff.		
19. The Code of Conduct is communicated and understood by the Board, Chief Executive Officer and staff.		
20. There are appropriate policies and procedures necessary to identify any potential conflicts of interest.		
21. There are adequate policies and procedures, which deal with potential conflicts of interest, once identified.		
Strategy Setting and Planning		
22. The company has an overall organizational plan, which is supported by a business plan, budgets and marketing plan (if necessary).		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
23. It has clearly defined performance measures (operational and financial) that are incorporated into the plans.		
24. The Board approves the budget set by management and revisions thereto.		
Financial and Operational Reporting		
25. The reports contain performance measures, financial and non-financial, which enable the efficiency and effectiveness of the organization to be assessed.		
26. The reports are tailored to particular levels of responsibilities.		
27. The reports efficiently and effectively communicate key financial data.		
28. The financial reports show a comparison between year-to-date, budget, last year-to-date and full-year data.		
29. The financial reports are supported by explanations of significant variations.		
30. The financial reports are provided to the Board prior to Board meetings.		
31. The Chief Executive Officer receives periodic financial reports at least on a monthly basis.		
32. The financial reports are derived directly from the underlying accounting systems and have a quality assurance process over the compilation of the reports.		

C. ORGANIZATIONAL AND PROCEDURAL CONTROLS

33. The roles of the Chairman and CEO are not separate but there are adequate checks and balances to help ensure that independent, outside views, perspectives, and that judgment are given proper hearing in the Board.		
34. There is a process of selection to ensure a mix of competent directors as well as qualified CEO and senior officers.		
35. There is a professional development program for employees and officers and a succession plan for senior management.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
36. There is a sound system of procedural and financial delegations approved by the Board. It promotes efficiency as well as control.		
37. There are appropriate decision-making processes adopted by the Board. There is a clear distinction between what decisions should be made by the Board and those decisions that should be made by the organization's management.		
38. There is a process governing policy development, implementation and review, which ensures that Board approves new policy.		
39. There are written policies and strategic guidelines on major capital expenditures.		
40. There is a process to ensure that the corporation complies with all relevant laws, regulations, and codes of best business practices.		
41. There is a clear policy on relating with the corporation's major and other stakeholders to keep them fully informed of corporate activities in a regular and timely manner.		
42. The company has formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and of officers.		
43. There is a risk management process that ensures that company's risks are mitigated through risk management strategies.		
44. The company has a common language to communicate risks across in the organization.		
45. It has an effective oversight structure for risk management in the organization.		
46. There are procedure/s for the Board to review the risk management strategies and assess whether they are working effectively.		
47. There is a process which determines whether a director conducts fair business transactions, devotes necessary time and attention to discharge his duties, act judiciously, exercises independent judgment, has working legal knowledge affecting the company, observes confidentiality and ensures soundness, effectiveness and adequacy of company's control environment.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Nomination and Election Committee		
48. The Nomination Committee has at least three (3) voting (one of whom must be independent) and one (1) non-voting Director.		
49. It pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications: Qualifications o Holder of at least one (1) share of stock of the Corporation; o He is at least a college graduate or has sufficient experience in managing the business to substitute for such formal education; o He is at least twenty one (21) years old; o He has proven to possess integrity and probity; and o He is assiduous. Disqualifications o Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions; o Any person finally found by the Commission or 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 Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas; o Any person judicially declared to be insolvent; o Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and o 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. Any of the following is a ground for the temporary disqualification of a director: o 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 is in effect as long as his refusal persists; o 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; o Dismissal/termination from directorship in another listed corporation for cause. This disqualification is in effect until he has cleared himself of any involvement in the alleged irregularity; o Being under preventive suspension by the Corporation; o If the independent director becomes an officer or employee of the same corporation he is automatically disqualified from being an independent director; o Conviction that has not yet become final which is referred to in the grounds for the disqualification of directors.		
50. The Nomination Committee considers the following guidelines in the determination of the number of directorships for the Board: ▪ The nature of the business of the Corporations in 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 relates to the capacity of a director to perform his duties diligently in general.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Compensation and Remuneration Committee		
51. The Compensation or Remuneration Committee is composed of at least three (3) members, one of whom is an independent director.		
52. It has established a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy and control environment.		
53. It has developed 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.		
54. It disallows any director to decide his or her own remuneration.		
55. It provides 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.		
56. It reviews (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.		
57. In the absence of such Personnel Handbook, the Committee will develop such, covering the same parameters of governance stated above.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Corporate Secretary		
58. The Corporate Secretary is a Filipino citizen. He possesses administrative skills and some legal skills. He also has some financial and accounting skills.		
59. The Corporate Secretary's various duties include: ▪ Gathering and analyzing of all documents, records and other information essential to the conduct of his duties and responsibilities to the corporation. ▪ As to agenda, getting a complete schedule thereof at least for the current year and put the Board on notice before every meeting. ▪ Assisting the Board in making business judgment in good faith and in the performance of their responsibilities and obligations. ▪ Attendance in all Board meetings and maintenance of the records of the same.		

D. INDEPENDENT AUDIT MECHANISM

Audit Committee		
60. There is a charter for the audit committee covering such responsibilities as: • management and financial reporting; • compliance with laws and regulations; • maintenance of an effective audit function; • suitable risk management and internal control frameworks; • membership; • frequency of meetings; • committee authority; and • Board reporting obligations.		
61. The audit committee includes an independent director.		
62. The members of the audit committee have adequate financial and accounting expertise.		
63. The audit committee has unlimited access to internal and external auditors and to senior management.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
64. The audit committee has direct access to the Chief Executive Officer, Chief Financial Officer and external auditor and internal audit.		
65. The audit committee meets at least quarterly.		
66. Audit committee reviews the status of all internal audit and external audit recommendations and their implementation.		
67. The audit committee reviews and approves the audit scope and frequency, and the annual internal audit plan.		
68. The audit committee monitors and evaluates the adequacy and effectiveness of the corporation's internal control system.		
69. It develops a transparent financial management system that ensures the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that is used by the entire organization.		
70. The Audit Committee elevates to international standards the accounting and auditing processes, practices and methodologies, and develops 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 specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.		
71. It checks all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.		
72. It performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the corporation, and crisis management.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Internal Auditor		
73. The company has an independent internal audit function which is being performed by an Internal Auditor or Group of Internal Auditor, through which its Board, senior management, and stockholders are provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.		
74. The internal auditor reports to the Audit Committee.		
75. The minimum internal control mechanisms for management's operational responsibility centers on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.		
76. The scope and particulars of the company's organizational and procedural controls are based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.		
77. The internal audit examinations covers, at least: • the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems (including reliability and integrity of financial and operational information); • effectiveness and efficiency of operations; • safeguarding of assets; and • compliance with laws, rules, regulations and contracts.		
78. The internal audit activities are being conducted in accordance with the Standards for the Professional Practice of Internal Auditing.		
79. The status reports summarize recommendations, officers responsible and implementation dates.		
80. The Chief Audit Executive reports directly to the Audit Committee.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
81. The internal auditors have free and full access to all the company's records, properties, and personnel relevant to the internal audit activity.		
82. The Chief Audit Executive renders to the Audit Committee and senior management an annual report on the internal audit department's activities, purpose, authority, responsibility, and performance relative to audit plans and strategies approved by the Audit Committee.		
External Audit		
83. The handling audit partner or auditing firm is rotated every five years or earlier.		
84. There is a process that the reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor are reported in the company's annual and current reports. Said report includes a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.		
85. The external auditor of the company does not at the same time provide the services of an internal auditor to the same client. The corporation ensures that other non-audit work shall not be in conflict with the functions of the external auditor.		
86. The company allows that when its external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall present his views in said reports.		

E. DISCLOSURE AND TRANSPARENCY

87. There is a policy that requires the corporation to publicly discloses all material information, i.e., anything that could potentially affect share price as well as other information. Information that affect share price includes: • earning results; • acquisition or disposal of assets; • board changes; • related party transactions; • such material events or information as determined by the Commission.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Other information that should be disclosed includes: • shareholdings of directors, • changes of ownership, • remuneration of all directors and senior management, • corporate strategy, off balance sheet transactions.		

F. SHAREHOLDERS' BENEFITS

88. The company has an existing mechanism, which ensures that all stockholders' rights i.e. voting, pre-emptive, inspection, information, dividends and appraisal rights, are being exercised.		
89. It has an existing grievance procedure or system through which a stockholder may complain.		

G. COMPLIANCE SYSTEM AND OTHERS

Compliance Officer 90. The company has designated a compliance officer.		
91. He holds the position of a Vice President or its equivalent. He has a direct reporting responsibility to the Chairman of the Board.		
92. He performs the following duties: o Monitors compliance with the provisions and requirements of this Manual; o Appears before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same; o Determines violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board; o Issues a certification every January 30th of the year on the extent of the Corporation's compliance with its Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and o Identifies, monitors and controls compliance risks.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Evaluation Procedure		
93. There is an established evaluation procedure, which determines and measures compliance with the Manual.		
94. Any violation of the Manual is subject to a penalty as approved by the Board of Directors.		
Training		
95. Funds are allocated for the purpose of conducting workshop or seminar to operationalize the company's Manual.		
96. There is a requirement that directors, before assuming as such, are trained on corporate governance leading practices and principles by an institutional training provider accredited by the Securities and Exchange Commission.		
Communications		
97. The company's Manual is available for inspection by any of its stockholder at reasonable hours on business days.		
98. The contents of the Manual have been disseminated to all employees and related parties and such persons are enjoined to comply with the same.		
99. Adequate printed copies of the Manual are reproduced and distributed to each department of the company.		