

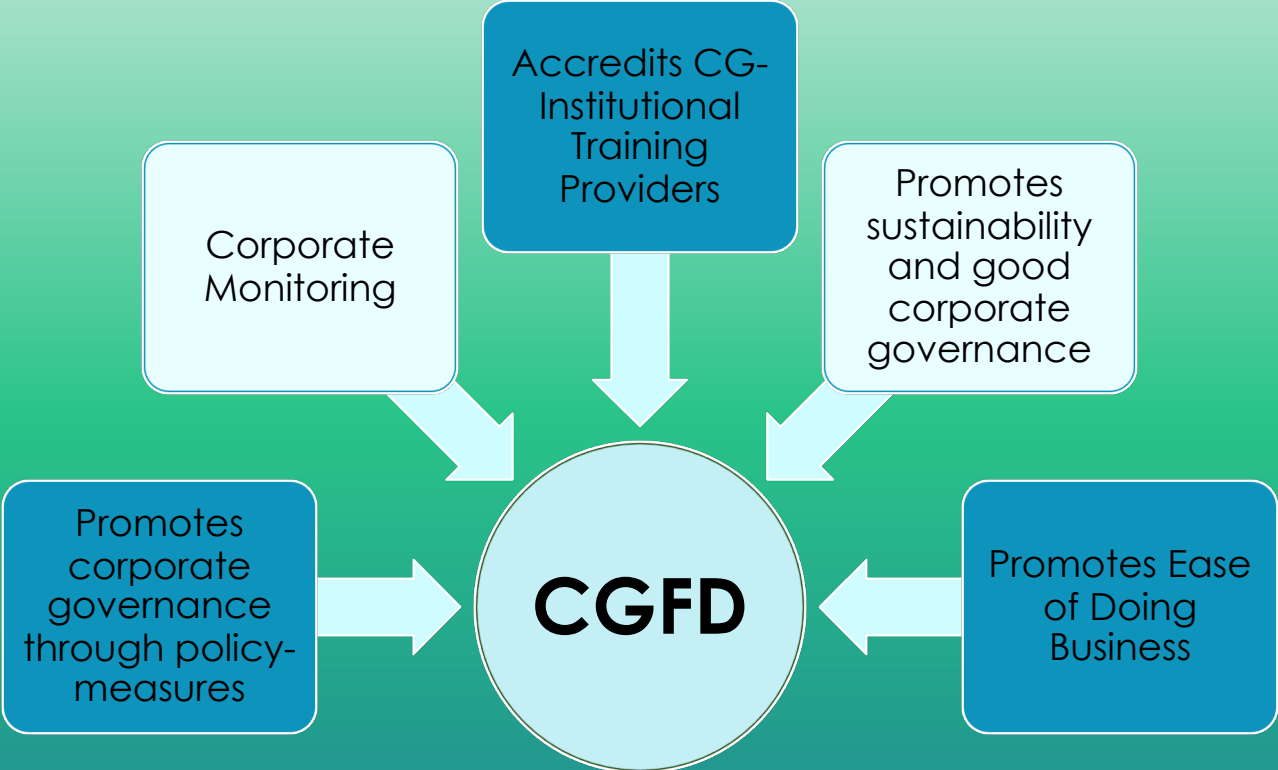


**Securities and  
Exchange  
Commission**  
PHILIPPINES

# **SECURITIES AND EXCHANGE COMMISSION: REGULATORY UPDATES**

**COMMISSIONER KELVIN LESTER K. LEE**  
**Securities and Exchange Commission**  
*19 November 2020*

# The Role of the Corporate Governance and Finance Department (CGFD)



# **RECENT MEMORANDUM CIRCULARS IN RELATION TO CORPORATE GOVERNANCE**

- ❑ **SEC Memorandum Circular No. 4, s. of 2019 – Sustainability Reporting Guidelines for Publicly-Listed Companies (15 February 2019)**
- ❑ **SEC Memorandum Circular No. 10, s. of 2019 – Rules on Material Related Party Transactions for Publicly-Listed Companies (25 April 2019)**
- ❑ **SEC Memorandum Circular No. 24, s. of 2019 – Code of Corporate Governance for Public Companies and Registered Issuers (19 December 2019)**
- ❑ **SEC Memorandum Circular No. 3, s. of 2020 – Notice of Regular Meeting of the Stockholders/Members (21 February 2020)**
- ❑ **SEC Memorandum Circular No. 12, s. of 2020 – Shareholders’ Approval on Sale of Corporate Assets (07 April 2020)**
- ❑ **SEC Memorandum Circular No. 14, s. of 2020 - Shareholders’ Right to Put Items on the Agenda for Regular/Special Stockholders’ Meeting (28 April 2020)**



SEC MEMORANDUM CIRCULAR NO. 4  
Series of 2019

TO : PUBLICLY-LISTED COMPANIES  
SUBJECT : SUSTAINABILITY REPORTING GUIDELINES FOR PUBLICLY-LISTED COMPANIES

To promote sustainability reporting and make it relevant for Philippine publicly-listed companies (PLCs), the Commission, in its *en banc* meeting on 12 February 2019, resolved to issue the Sustainability Reporting Guidelines for Publicly-Listed Companies attached to this Memorandum Circular.

The Guidelines is intended to help PLCs assess and manage non-financial performance across Economic, Environmental and Social aspects of their organization and enable PLCs to measure and monitor their contributions towards achieving universal targets of sustainability, such as the United Nations Sustainable Development Goals, as well as national policies and programs, such as *Ambisyon Natin 2040*.

**Submission with SEC Form 17-A**

The reporting template (Annex A of the Guidelines) shall be submitted together with the company's Annual Report (SEC Form 17-A).

The first report shall be attached to the 2019 Annual Report to be submitted in 2020.

For companies who already have sustainability reports in accordance with internationally recognized frameworks and standards, their reports shall already be considered as their compliance with the reporting template. Companies may choose to attach the whole sustainability report to their Annual Report or just include a statement providing a link to said report.

**Comply or Explain Approach**

The Guidelines shall be adopted on a "comply or explain" approach for the first three years upon implementation. By "comply or explain", it means that companies would be required to attach the template to their Annual Reports but they can provide explanations for items where they still have no available data on.

**Penalty for Non-attachment of the Sustainability Report to the Annual Report**

Non-attachment of the Sustainability Report to the Annual Report shall be subject to the penalty for **Incomplete Annual Report** provided under SEC Memorandum Circular No. 6, Series of 2005 (Consolidated Scale of Fines).

This Memorandum Circular shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation.

Pasay City, Philippines, 15 February 2019.

For the Commission:

EMILIO B. AQUINO  
Chairperson

# SEC Memorandum Circular No. 4, s. of 2019 (Sustainability Reporting Guidelines for Publicly-Listed Companies) 15 February 2019



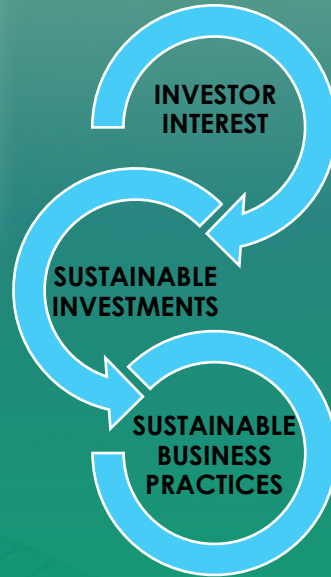
# SEC'S LONG-TERM VISION ON SUSTAINABILITY REPORTING



SEC Chairperson Emilio B. Aquino, along with Atty. Rachel Esther J. Guntang Remalante, officer in charge of the Corporate Governance and Finance Department and securities specialist Karen A. Rocha, received the ISAR Honours from the United Nations Conference on Trade and Development (UNCTAD), represented by Mr. Mark Abela, during the 36<sup>th</sup> meeting of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) on October 30 at the Palais des Nations in Geneva, Switzerland. UNCTAD recognized the Commission for promoting good corporate governance and sustainable business practices in the Philippines with the issuance of the Sustainability Reporting Guidelines for Publicly Listed Companies through SEC Memorandum Circular No. 4, Series of 2019.

## UNITED NATIONS BODY HONORS SEC FOR INITIATIVE ON SUSTAINABILITY REPORTING

### SUSTAINABILITY REPORTING



Adopt a mandatory approach to SR for PLCs

- **Status Quo: Comply or Explain Approach**
- SEC is looking to change the approach from “Comply or Explain” to “Mandatory”

Require all types of corporations to submit their SR on a “comply or explain” basis

- **Status Quo: Only PLCs are required to submit SR**
- To introduce the concept of SR to all types of corporations using the Comply or Explain approach

Adopt a mandatory approach to SR for all types of corporations

- **Status Quo: Only PLCs are required to submit SR; SR adopts a Comply or Explain approach**
- To require submission of SR for all types of corporation



SEC MEMORANDUM CIRCULAR NO. 10  
Series of 2019

TO : PUBLICLY-LISTED COMPANIES  
SUBJECT : RULES ON MATERIAL RELATED PARTY TRANSACTIONS FOR  
PUBLICLY-LISTED COMPANIES

To promote good corporate governance and the protection of minority investors, the Commission, pursuant to its regulatory power under Section 179(d) of the Revised Corporation Code of the Philippines (Republic Act no. 11232) resolved to issue the Rules on Material Related Party Transactions for Publicly-Listed Companies attached to this Memorandum Circular.

#### **Rules on Material Related Party Transactions**

The Rules on Material Related Party Transactions recognizes that transactions between and among related parties may create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. In this regard, related party transactions (RPTs) are generally allowed provided, that when RPTs amount to ten percent (10%) or higher of a company's total assets, it shall be considered as material related party transactions subject to these Rules.

The Rules focuses and regulates **only material RPTs or RPTs amounting to ten percent (10%) or higher of a company's total assets**. Compliance to these Rules shall be mandatory for **ALL** publicly-listed companies (PLCs).

#### **Disclosure/Reportorial Requirements**

1. All existing publicly-listed companies shall be required to submit to the Commission a policy on material related party transactions in accordance with these Rules within six (6) months from the effectivity of the Material RPT Rules. Companies listed after the effectivity of these Rules shall be required to submit their Material RPT Policy in accordance with these Rules within six (6) months from listing date. The policy shall be signed by the company's Chairman of the Board and Compliance Officer.
2. The Material RPT Policy with accessible link shall be posted on the company's website within five days (5) from submission to the Commission.
3. The Advice Report on Material RPTs (Annex A of the Rules) shall be filed within three (3) calendar days after the execution date of the transaction. The Advice Report shall be signed by the reporting PLC's Corporate Secretary or authorized representative.
4. A summary of material related party transactions entered into during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report (I-ACGR) submitted annually every May 30.

Published:  
Manila Bulletin, April 27, 2019  
Manila Standard, April 27, 2019

# SEC Memorandum Circular No. 10, s. of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies 25 April 2019





## Duties and Responsibilities of the Board of Directors

Overall responsibility over transactions with related parties



## Regulation of Material RPTs; Compliance mandatory for PLCs

Only Material RPTs or RPTs amounting to 10% or higher of a company's total assets.

### Adjusted Threshold

Set a threshold lower than that required provided under these Rules upon determination of the Board of the risk of the RPT.



## Approval required for Material RPTs

At least 2/3 vote of the Board of Directors, with at least a majority of the Independent Directors voting to approve the Material RPT.



## Disclosure/Regulatory Reporting

Summary of Material RPT to be disclosed in the company's I-ACGR.

Advisement Report (attached as Annex "A") of any Material RPT within 3 calendar days from the execution date of the transaction.





SEC MEMORANDUM CIRCULAR NO. 24  
Series of 2019

TO : PUBLIC COMPANIES AND REGISTERED ISSUERS  
SUBJECT : CODE OF CORPORATE GOVERNANCE FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

To promote the development of a strong corporate governance culture and keep abreast with recent developments in corporate governance best practices, the Commission, pursuant to its regulatory power under Section 179(d) of Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines, resolved to adopt the Code of Corporate Governance for Public Companies and Registered Issuers ("CG Code for PCs and RIs").

- (1) The CG Code for PCs and RIs supersedes the following SEC Memorandum Circulars:
- a) SEC Memorandum Circular No. 6, Series of 2009 (Revised Code of Corporate Governance);
  - b) SEC Memorandum Circular No. 9, Series of 2014 (Amendment to the Revised Code of Corporate Governance; and
  - c) SEC Memorandum Circular No. 4, Series of 2017 (Term Limits of Independent Directors).

The aforementioned Memorandum Circulars shall remain in effect for other covered companies, when applicable.

- (2) All other relevant Memorandum Circulars on corporate governance shall remain in force and effect until further notice.
- (3) All public companies and registered issuers shall submit a new Manual on Corporate Governance within six (6) months from the effectivity of this Memorandum Circular.
- (4) Notwithstanding the issuance of the CG Code for PCs and RIs, public companies and registered issuers shall submit a Compliance Officer Certification on the extent of the company's compliance with Revised Code of Corporate Governance and Corporate Secretary Certification on record of attendance in board meetings for the covered year 2019 on or before 30 January 2020.

This Memorandum Circular shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation in the Philippines.

Pasay City, Philippines, 19 December 2019.

For the Commission:

  
EMILIO P. AQUINO  
Chairperson

Published:  
Mindia Bulletin, December 26, 2019  
Mindia Standard, December 26, 2019

# SEC Memorandum Circular No. 24, s. of 2019 (Code of Corporate Governance for Public Companies and Registered Issuers (19 December 2019)





**G20/OECD Principles of Corporate Governance and other internationally recognized corporate governance principles**

Key reference materials in raising the corporate governance standards of Philippine corporations



**Adoption of the “Comply or Explain Approach”**

Combination of voluntary compliance with mandatory disclosure



**Non-Prescription of a “one size fits all framework”**

To allow boards flexibility in establishing their corporate governance arrangements.

# SEC Memorandum Circular No. 3, s. of 2020 (Notice of the Regular Meeting of the Stockholders/Members) – 21 February 2020



Written notice at least 21 calendar days prior to the date of the meeting.

Postponement of stockholders'/members' regular meetings at least two weeks prior to the date of the meeting, as originally scheduled.

Written notice with information and deadlines relevant to the shareholders'/members' participation in the meeting and exercise of the right to vote remotely.

# SEC Memorandum Circular No. 12, s. of 2020 (Shareholders' Approval on Sale of Corporate Assets) – 07 April 2020

Sale of all or substantially all of corporate property and assets: at least 51% of the corporation's total assets.

Stockholders vote representing at least 2/3 of the outstanding capital stock required prior to the execution of the sale transaction.

Aggregate sale transactions:  
Shareholder Approval required for the sale transaction that breaches the 51% corporate asset threshold.

BASIS: Total Assets shown in its latest audited financial statements; may also be based on the latest quarterly financial statement or a special purpose financial statement

## SEC Memorandum Circular No. 14, s. of 2020 (Shareholders' Right to Put Items on the Agenda for Regular/Special Stockholders' Meeting) – 28 April 2020



Shareholders who, **alone or together with other shareholders**, hold **at least five percent (5%) of the outstanding capital stock** of a **Publicly-Listed Company (PLC)** shall have the right to include items on the agenda prior to the regular/special stockholders' meeting.

# **COVID-19 RELATED ISSUANCES IN RELATION TO CORPORATE GOVERNANCE**



- ❑ **SEC Notice dated 31 March 2020 – Suspension of Cumulative Penalties for Covered Companies in view of the Covid-19)**
- ❑ **SEC Memorandum Circular No. 13, s. of 2020 – Extension of Deadline for the Submission of Sustainability Report (21 April 2020)**
- ❑ **SEC Notice dated 24 June 2020 (Options for the submission of Reports, Applications and other documents during the effectivity of all Community Quarantine imposed due to Covid-19)**
- ❑ **SEC Notice dated 20 July 2020 (Revised Guidelines on:**
  - 1. Issuance of Payment Assessment Form;**
  - 2. Payment of Annual Fees;**
  - 3. Request for Monitoring and Issuance of Monitoring Sheet/Clearance; and**
  - 4. Submission of hard/printed copies of documents)**
- ❑ **SEC Notice dated 22 July 2020 – Extension of the Deadline for the Submission of the Integrated Annual Corporate Governance Report**
- ❑ **SEC Memorandum Circular No. 19, s. of 2020 – Signatories of the Manual on Corporate Governance and Penalty for Non-Compliance with the Requirement (06 August 2020)**



**SEC Memorandum Circular No. 13, s. of 2020 (Extension of Deadline for the Submission of Sustainability Report) – 21 April 2020**

Extended until 30 June 2020, for PLCs whose fiscal year ends on 31 December 2019 (or 30 November 2019)



**SEC Memorandum Circular No. 19, s. of 2020 (Signatories of the Manual on Corporate Governance or and Penalty for Non-Compliance with the Requirement) – 06 August 2020**

Signatories: Chairman of the Board and Compliance Officer.

Penalty:  
Basic – P10,000.00  
Monthly – P1,000.00





**SEC Notice dated 31 March 2020 (Suspension of Cumulative Penalties for Covered Companies in view of the Covid-19)**

Applicable to investment companies, issuers of proprietary and non-proprietary shares/timeshares, public companies, lending companies, financing companies, foundations, accredited microfinance NGOs and PLCs under CGFD's supervision, from 13 March 2020, until the lifting of the ECQ by the President.



**SEC Notice dated 22 July 2020 (Extension of the Deadline for the Submission of the Integrated Annual Corporate Governance Report)**

From the original extension of the deadline until 30 July 2020 (SEC Notice dated 22 April 2020), it was further extended until 01 September 2020.



**SEC Notice dated 24 June 2020 (Options for the submission of Reports, Applications and other documents during the effectivity of all Community Quarantine imposed due to Covid-19)**

Options (Any of the following):

1. Via Courier Services;
2. Via Email; or
3. Via Courier Services and Email.



**SEC Notice dated 20 July 2020 (Revised Guidelines on:**

- 1. Issuance of Payment Assessment Form;**
- 2. Payment of Annual Fees;**
- 3. Request for Monitoring and Issuance of Monitoring Sheet/Clearance; and**
- 4. Submission of hard/printed copies of documents)**

Done through CGFD's email gateways

Submission of hard copies of reports, letters, requests and other documents of Foundations, Accredited Microfinance NGOs, Lending Companies and Financing Companies, shall be filed through courier service and email only.

# CONTACT US



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Link (Interim Online Registration System for OPCs and Corporations with 2-4 Incorporators:

<https://www.sec.gov.ph/opc-and-2-4-registration/>

Direct Link:

<https://apps004.sec.gov.ph:8001/application>



Trunk line: 8818-0921



[www.sec.gov.ph](http://www.sec.gov.ph)



Office of Commissioner Lee:  
[oclee@sec.gov.ph](mailto:oclee@sec.gov.ph)



Secretariat Bldg., PICC  
Complex, Roxas Boulevard,  
Pasay City, 1307





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