

Code of Corporate Governance for Publicly-Listed Companies


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**Securities and
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Commission**
PHILIPPINES

- Released last November 22, 2016 during the 3rd Annual SEC-PSE Corporate Governance Forum
- The first of a series of CG Codes for different types of Philippine corporations under SEC supervision.
- It is intended to raise the corporate governance standards of Philippine corporations to a level at par with its regional and global counterparts.



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- The latest G20/OECD Principles of Corporate Governance and the ASEAN Corporate Governance Scorecard were used as key reference materials in the drafting of this Code.
 - A new feature of this Code is the adoption of the “comply or explain” approach.
 - The Code does not in any way prescribe a “one size fits all” framework”. The Principle of Proportionality will be considered in the application of its provisions.



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- The Code is arranged as follows: **Principle, Recommendations and Explanations.**

Principles - can be considered to be high-level statements of corporate governance good practices, and are applicable to all companies.

Recommendations - objective criteria that are intended to identify the specific features of corporate governance good practice that are recommended for companies operating according to the Code. Alternatives to a Recommendation may be justified in particular circumstances if good governance can be achieved by other means.

Explanations - strive to provide companies with additional information on the recommended best practice.



Definition of Corporate Governance

Corporate Governance – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.



There are sixteen (16) principles that are distributed among five (5) main sections, namely:

- Board's Governance Responsibilities – Principles 1 – 7
- Disclosure and Transparency – Principles 8 – 11
- Internal Control and Risk Management Framework – Principle 12
- Cultivating a Synergic Relationship with Shareholders – Principle 13
- Duties of Stakeholders – Principles 14 -16



Board's Governance Responsibilities





1. Establishing a Competent Board

Principle

The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.





2. Establishing Clear Roles and Responsibilities of The Board

Principle

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders and other stakeholders.





3. Establishing Board Committees

Principle

Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.





4. Fostering Commitment

Principle

To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.





5. Reinforcing Board Independence

Principle

The board should endeavor to exercise an objective and independent judgment on all corporate affairs.





6. Assessing Board Performance

Principle

The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.





7. Strengthening Board Ethics

Principle

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.



Disclosure and Transparency





8. Enhancing Company Disclosure Policies and Procedures

Principle

The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.





9. Strengthening The External Auditor's Independence and Improving Audit Quality

Principle

The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.






10. Increasing Focus on Non-financial and Sustainability Reporting

Principle

The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.





11. Promoting a Comprehensive and Cost-efficient Access to Relevant Information


Principle

The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.



Internal Control System and Risk Management Framework





12. Strengthening the Internal Control System and Enterprise Risk Management Framework

Principle

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.



Cultivating a Synergic Relationship with Shareholders





13. Promoting Shareholder Rights

Principle

The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.



Duties to Stakeholders





14. Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights

Principle

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.





15. Encouraging Employees' Participation

Principle

A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.



16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Principle

The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.



In general, the New CG Code aims to -

- ❖ Increase the responsibilities of the board;
- ❖ Ensure the competence and commitment of the directors;
- ❖ Strengthen the protection of shareholders and other stakeholders; and
- ❖ Promote full disclosure and transparency in both financial and non-financial reporting



Thank You!



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