

2009 CORPORATE GOVERNANCE TRENDS IN THE 100 LARGEST PUBLICLY LISTED COMPANIES IN THE PHILIPPINES

The Hills Program on Governance
Ramon V. del Rosario, Sr. - C.V. Starr
Center for Corporate Governance



ASIAN INSTITUTE OF MANAGEMENT

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Introduction

In our third annual study, we found that the 100 largest publicly listed companies in the Philippines (“Top 100 Companies”) continued to make significant strides in improving their corporate governance practices. Picking up from last year’s study, which covered 2008, we reviewed the 2009 annual reports of the Top 100 Companies to identify developments in their corporate governance practices from the previous year.

We expanded this year’s study to include more data about independent directors, including their age and citizenship, the proportion of women, and the number of companies with a board chaired by an independent director. We also included information regarding the largest shareholder and gross revenues of the Top 100 Companies.

We again commissioned the Social Weather Stations to conduct an online survey to determine perceptions regarding the ethical and corporate governance culture of the Top 100 Companies. But unlike the online surveys of the previous two years, which were directed at all directors and top officers of the Top 100 Companies, this year’s online survey covered only independent directors of the Top 100 Companies. By limiting the online survey to

independent directors, we sought to minimize any potential bias and obtain more objective responses.

As with the previous two studies, the objective of this year’s study is to allow for the assessment of corporate governance practices in the Philippines, as well as provide useful benchmarks for companies wishing to continually improve their governance practices. It can also provide a basis for re-evaluating the rules, regulations, and guidelines relating to corporate governance. We believe that studies such as this help prompt companies to pay more attention to the systems and controls by which they are directed and controlled, and thereby help bring corporate governance in the country to a higher level.

We wish to thank the Jollibee Foundation and the Villaraza Cruz Marcelo & Angangco law firm for their generous grants that made this study possible.

Revised Code of Corporate Governance

2009 saw the issuance by the Securities and Exchange Commission of the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009), which amends the original code issued in 2002. As with the original, the revised code is a mix of recommendations and compulsory provisions.

Perhaps the most significant change from the original version is the elimination of any reference to “other stakeholders” in the definition of “corporate governance.” In the amended code, only stockholders are specifically mentioned as being beneficiaries of corporate governance: “Corporate Governance [is] the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders.”

Moreover, the Revised Code of Corporate Governance does not include the provision in the original code which specifically tasked the chairman of the board with “the responsibility of ensuring adherence to the corporate governance code and practices.” Instead, the revised code provides for the appointment of a compliance officer who will report directly to

the chairman. The compliance officer is given the responsibility of monitoring the company’s corporate governance practices and of issuing a certificate every year on the extent of the company’s compliance with the code and the reasons for any deviations.

Highlights

The average size of boards among the Top 100 Companies has remained relatively constant. In both 2008 and 2009, 65 of the Top 100 Companies constituted boards with eight to 11 members. In accordance with SEC rules, no company had fewer than five or more than 15 directors.

Women continue to be underrepresented in the boards of Top 100 Companies. Between 2008 and 2009, the percentage of women directors on Top 100 boards increased from 10 percent to 12 percent, the same level it was in 2007.

In terms of percentages, the number of companies with boards composed of 41 to 50 percent women increased to six in 2009 from two in 2008. In 2009, however, no company had more than 50 percent women on its board, compared to one company in 2008. Although still in the minority, more Top 100

Companies are appointing more than one woman director. From 2008 to 2009, the number of companies with two to three women directors increased from 24 to 32. Notably, in 2009, one company had seven women directors on its board, whereas in 2008, the maximum number of women directors in a Top 100 Company was five.

While the number of Top 100 Companies complying with the SEC requirement of at least two independent directors continues to increase, not many are going much beyond this minimum requirement. Between 2008 and 2009, the number of Top 100 Companies with two independent directors increased from 65 to 70, and the number of companies with three independent directors increased from 16 to 18. Only six companies, on the other hand, had four or more independent directors, compared to ten companies in 2008. Moreover, in 2009, only one company had 50 to 60 percent independent directors, compared to three companies in 2008.

There appears to be a trend among independent directors towards holding more board seats concurrently. Between 2008 and 2009, the number of independent directors holding eight to 10 board seats in for-profit

companies increased to 24 from nine, and the number of directors holding 17 or more board seats increased to 14 from five.

In 2009, the Top 100 Companies together had 226 independent board seats that were occupied by 173 individuals. Whereas in 2008 the maximum number of independent directorships held by an individual in a Top 100 Company was five, in 2009, one individual served as an independent director in six Top 100 Corporations. In both 2008 and 2009, six individuals held four to five independent board seats.

Independent directorships continue to be dominated by men. Of the 173 independent board seats among the Top 100 Companies in 2009, only 11 – or six percent – were occupied by women. No Top 100 Company had more than one woman independent director.

More companies are disclosing information regarding the length of service of their independent directors. In 2008, this information was not disclosed with respect to 95 independent directors. In 2009, the number of independent directors for which no information on length of service was disclosed dropped to 67. The disclosed information shows remarkable longevity among a large number of independent directors.

In 2009, out of 226 total independent board seats among the Top 100 Companies, 42 have been held by the same individual for six to ten years, 20 have been occupied by the same individual for 11 to 20 years, and seven have been held by the same individual for over 20 years.

Independent directorships appear to be held predominantly by older individuals. Of the 173 independent directors in the Top 100 Companies in 2009, 118 – or 68 percent --were over 60 years old. The youngest age of the independent directors was 41. One hundred fifty-three independent directors – or 88 percent – held Filipino citizenships.

Almost 25 percent of all independent directors in the Top 100 Companies were previously directors or officers of the same company in which they were serving as independent directors. Another 32 percent of the independent directors were concurrently CEOs of other companies.

The number of Top 100 Companies with different individuals serving as chairman and CEO in 2009 was 68, two less than in 2008. Of these 68 companies, there was no known family relationship between the chairman

and the CEO in 51 companies, the same number as in 2008. In 2009, only six of the Top 100 Companies had a board that was chaired by an independent director.

In 2009, 74 of the Top 100 companies had a private company as their largest shareholder, while an institutional investor was the largest shareholder in 23 of the companies. In 2009, 17 of the Top 100 Companies had chief executives who were concurrently also the chief executives of their largest shareholder. Twenty-six companies had chairmen who were either board members or executive officers of their largest shareholder, and 14 companies had chairmen who were also chairmen of their largest shareholders.

A significant development in 2009 was that more of the Top 100 Companies disclosed the frequency of their board meetings. In 2008, 76 of the Top 100 Companies disclosed no information regarding the frequency of their meetings. In 2009, the number of companies not disclosing this information dropped to 49 companies. Of the 51 companies that disclosed this information, the number that reported meeting four to nine times during the year increased to 34 from 14 in 2008. From only three companies in 2008, the number of companies that reported meeting more than 12 times during the year increased to eight in 2009.

In both 2008 and 2009, all but one of the Top 100 Companies disclosed the compensation received by their chief executives and four most highly compensated officers. In 2009, however, only two companies disclosed executive compensation individually, compared to three in 2008.

In 2009, 96 companies disclosed whether they engaged in related party transactions during the year, compared to 100 companies in 2008. Of the companies that disclosed the information, 90 identified certain related-party transactions they engaged in, up from 84 companies in 2008.

The number of Top 100 Companies with audit committees continued with its upward trend. In 2009, 93 reported having an audit committee, up from 84 in 2008. The number of companies that reported having an independent director as chair of the audit committee also increased, from 46 in 2008 to 54 in 2009.

There was a slight shift in the ownership concentration of the Top 100 Companies. Between 2008 and 2009, the number of companies with one individual or family owning or controlling more than 80 percent of the shares decreased to 20 from 24 companies, but the number of companies with one individual or

family owning or controlling 65.1 to 80 percent of the shares increased to 21 from 17. In 2009, the largest shareholder owned or controlled less than 25 percent of the shares in seven companies, compared to one company in 2008.

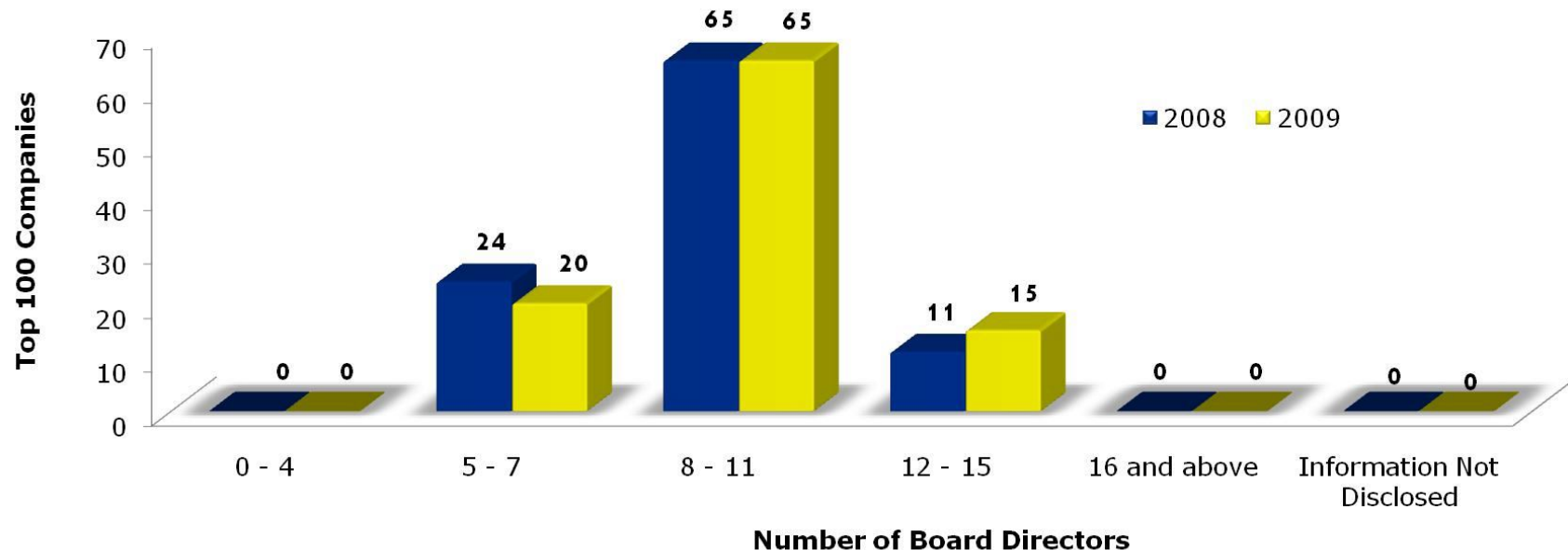
There was also a similar shift with respect to the holdings of the five largest shareholders of the Top 100 Companies. In 2009, the five largest shareholders together owned more than 80 percent of the shares in 76 of the Top 100 Companies, down from 85 companies in 2008. The number of companies in which they owned or controlled 65.1 to 80 percent of the shares, however, increased to 14 from nine in 2008.

In 2009, the ten largest conglomerates controlled 39 of the Top 100 Companies, accounting for almost 78 percent of the total gross revenues of the Top 100 Companies. These figures decreased slightly from 2008 when the ten largest conglomerates controlled 41 of the Top 100 companies, accounting for 80 percent of the total gross revenues of the Top 100 Companies.

Findings

Number of Board Directors per Company

Both the original and the Revised Code of Corporate Governance provide that all corporate boards shall be composed of at least five but not more than 15 members elected by the shareholders. In 2009, as in 2008, all the Top 100 Companies complied with this requirement. In both years, the number of companies with eight to 11 board members was 65. Between 2008 and 2009, the number of companies with 12 to 15 board members increased to 15 from 11, and the number of companies with five to seven directors decreased to 20 from 24.



Women Directors on the Board

Male/Female Ratio

The number of women directors in Top 100 Companies remains low. In 2009, the percentage of women on the boards of the Top 100 increased to 12 percent from 10 percent the year before. In the past five years, the percentage of women serving on the board has remained in the range of ten to 12 percent.

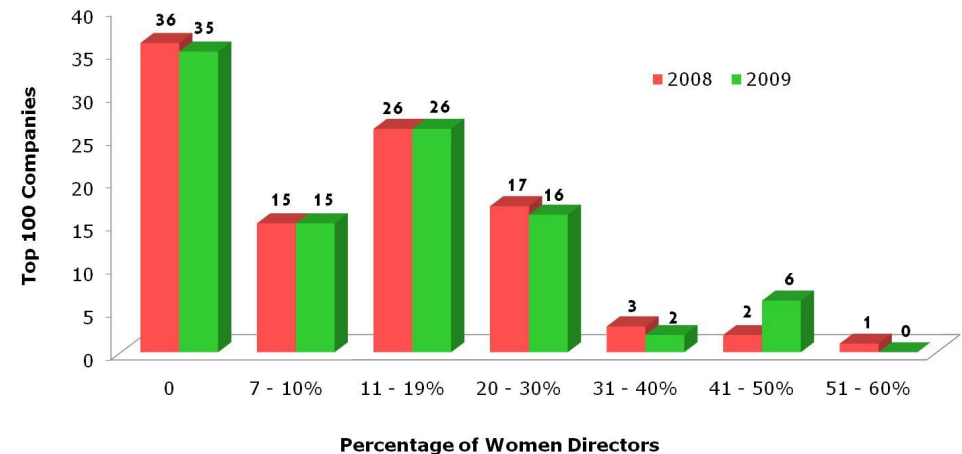
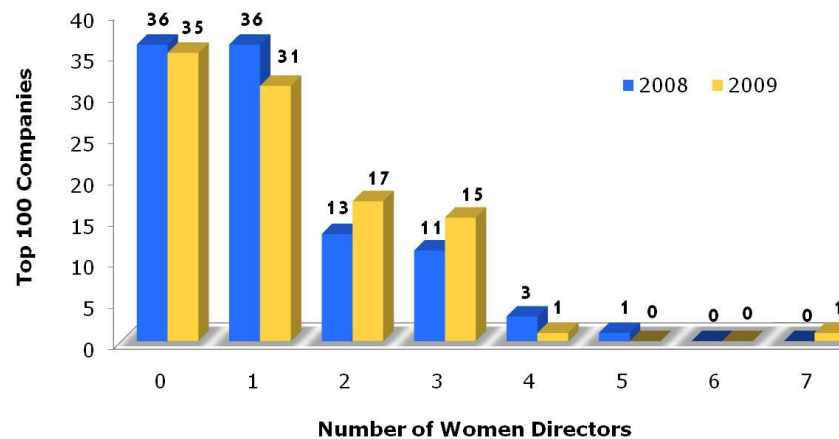


The percentage of women directors in the Top 100 Companies, albeit low, is not too far behind that of the Fortune 500 Companies in the United States, where the proportion of women directors in 2009 was roughly 15 percent. The country with the highest proportion of women corporate directors in the world is Norway, which in 2003 enacted legislation requiring a certain percentage of women on corporate boards. By 2009, roughly 44 percent of directors in Norway's public companies were women.

Numbers and Percentages of Women Directors per Company

Over a third of all Top 100 Companies still do not have women directors on their boards, although more companies are appointing more than one woman director. Between 2008 and 2009, the number of Top 100 Companies with one women director dropped from 36 to 31, while the number with two to three women directors increased from 24 to 32. Notably, in 2009, one company had seven women directors on its board, whereas in 2008, the maximum number of women directors in a Top 100 Company was five. The number of companies with four to five women directors, however, decreased to one in 2009 from four in 2008.

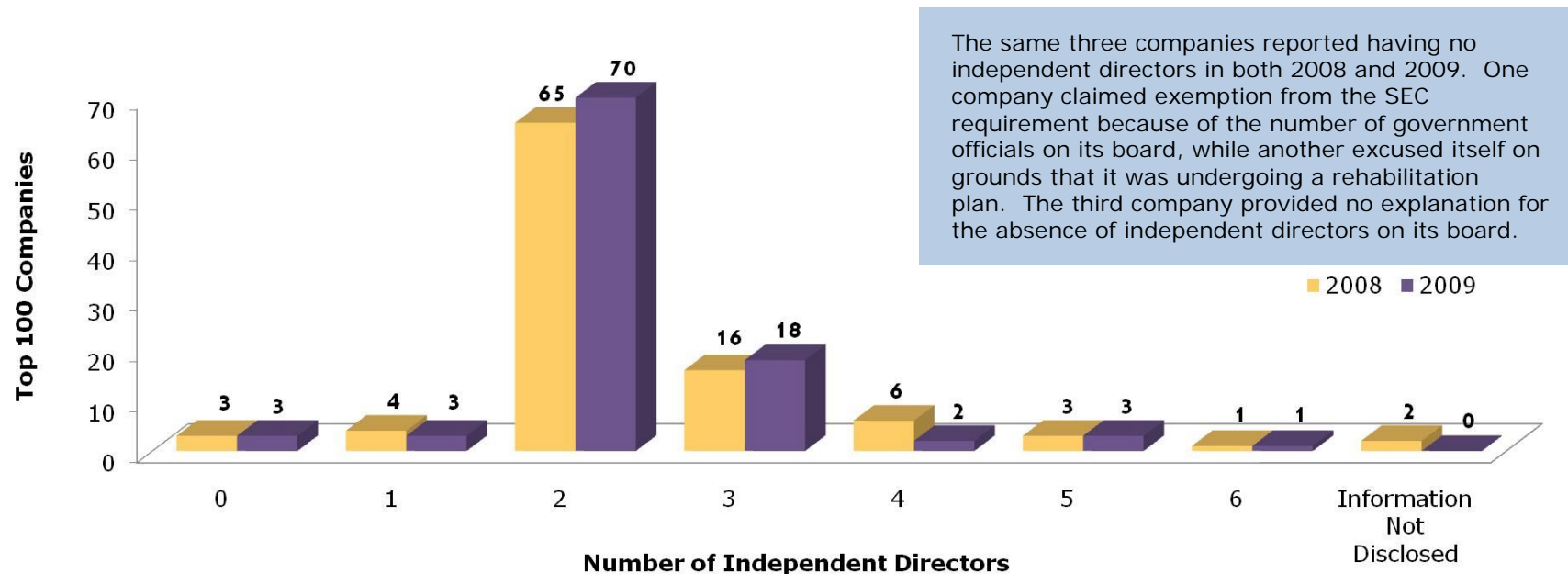
In terms of percentage per company, no Top 100 Company in 2009 had more than 50 percent women on its board, compared to one company in 2008. The number of companies with 41 to 50 percent women, however, increased to six in 2009 from two in 2008. Eighteen companies had boards with 20 to 40 percent women, compared to 20 companies in 2008. In both 2008 and 2009, 41 companies had boards comprised of seven to 19 percent women directors.



Number of Independent Directors on the Board

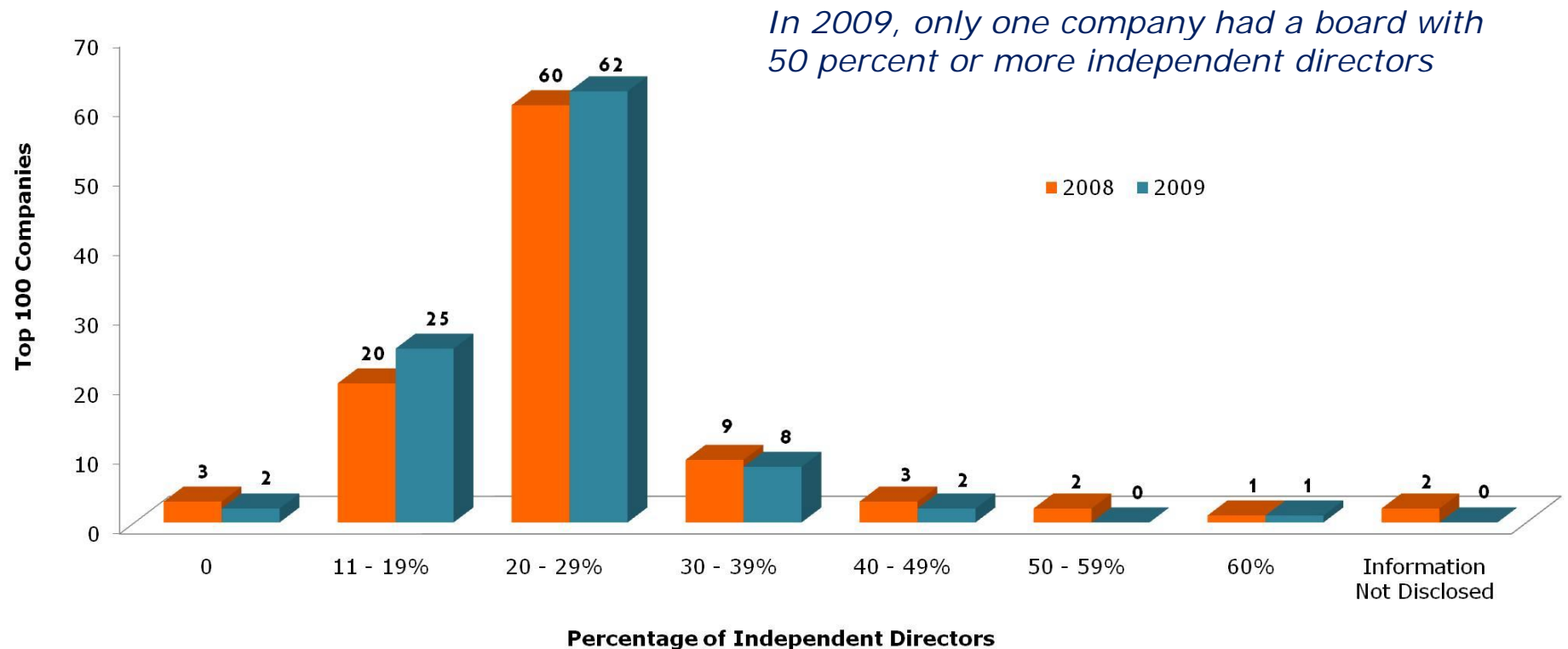
The Revised Code of Corporate Governance provides that all publicly listed companies “shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).”

Between 2008 and 2009, the number of Top 100 Companies with two independent directors increased to 70 from 65, and the number of companies with three independent directors increased to 18 from 16. Three companies in 2009 had only one independent director, compared to four companies in 2008. Fewer Top 100 Companies, however, are appointing more than three independent directors. In 2009, only six companies had four or more independent directors, compared to ten in 2008. In both 2008 and 2009, three of the Top 100 Companies reported having no independent directors.



Percentage of Independent Directors on the Board

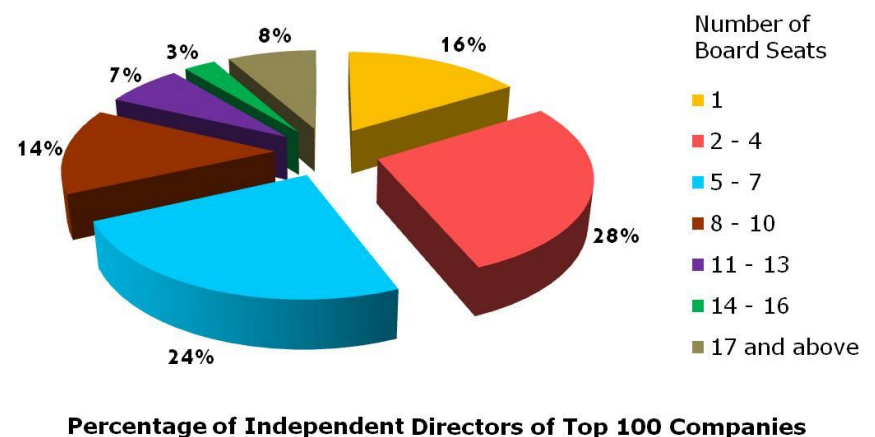
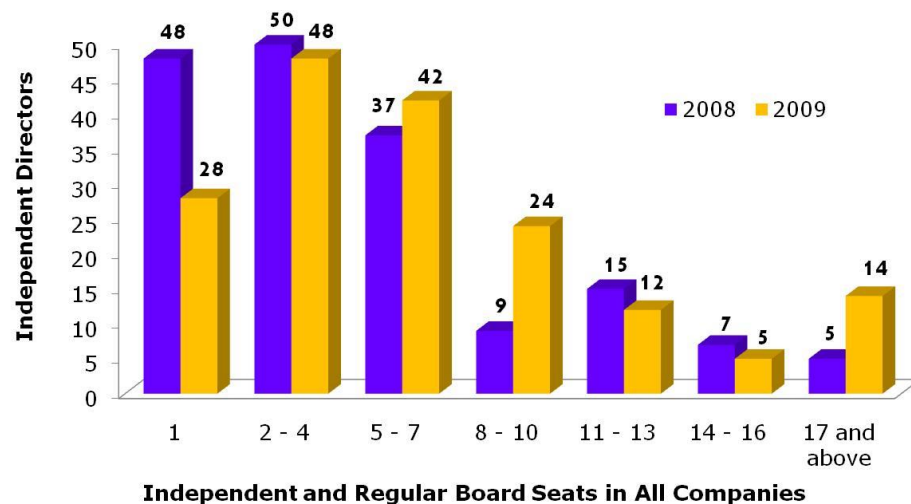
In terms of percentages per company, 62 companies had boards with 20 to 29 percent independent directors, two more than the previous year. Between 2008 and 2009, the number of companies with 11 to 19 percent independent directors increased to 25 from 20, while the number of companies with 30 to 49 percent independent directors dropped to 10 from 12. In 2009, only one company had 50 to 60 percent independent directors, compared to three in 2008.



Number of Total Board Seats Held by Independent Directors of Top 100 Companies

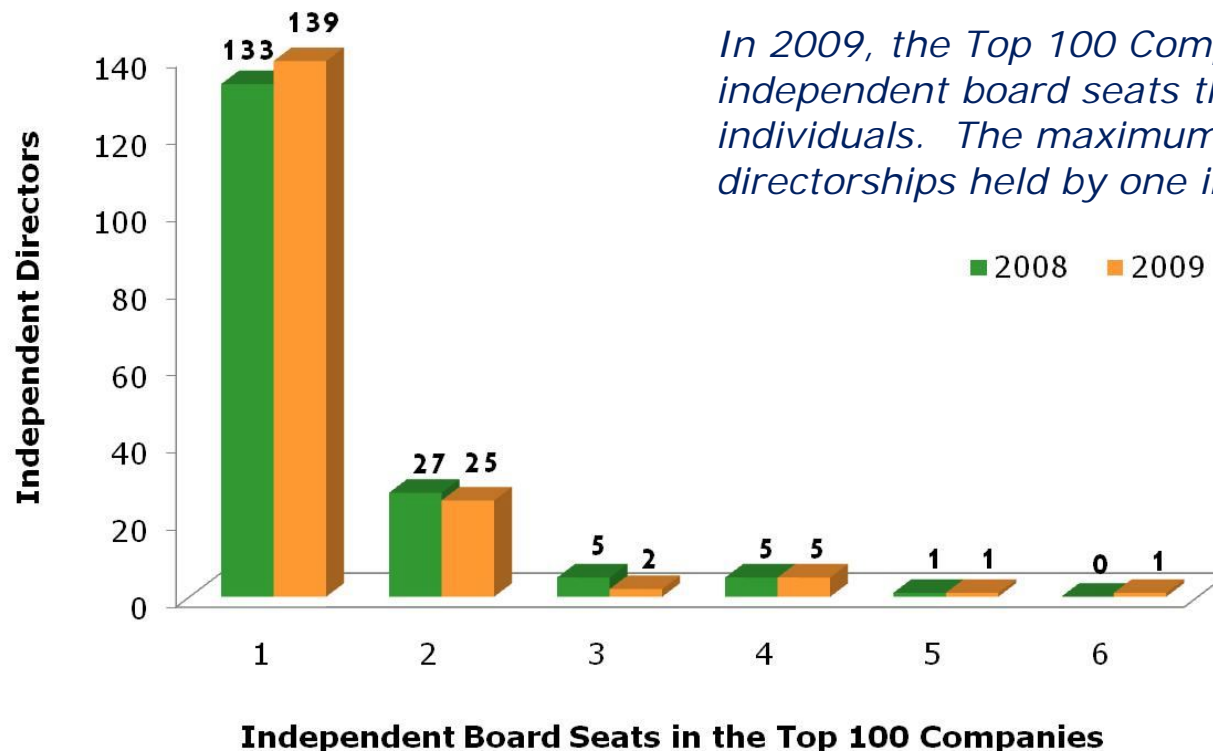
The Revised Code of Corporate Governance provides that a board “may consider the adoption of guidelines on the number of directorships its members can hold in stock and non-stock corporations,” taking into consideration “the capacity of a director to diligently and efficiently perform his duties and responsibilities.” None of the Top 100 Companies appear to have a limit on the number of board seats its independent directors may hold concurrently.

In 2009, the number of independent directors holding eight to 10 board seats in for-profit companies was 24, a marked increase from nine in 2008. Between 2008 and 2009, the number of directors holding 11 to 16 board seats decreased to 17 from 22, but the number holding 17 or more board seats increased to 14 companies from five. In 2009, only 28 independent directors of Top 100 Companies occupied one board seat, compared to 48 independent directors in 2008. The number of independent directors holding two to four board seats decreased slightly, to 48 in 2009 from 50 in 2008.



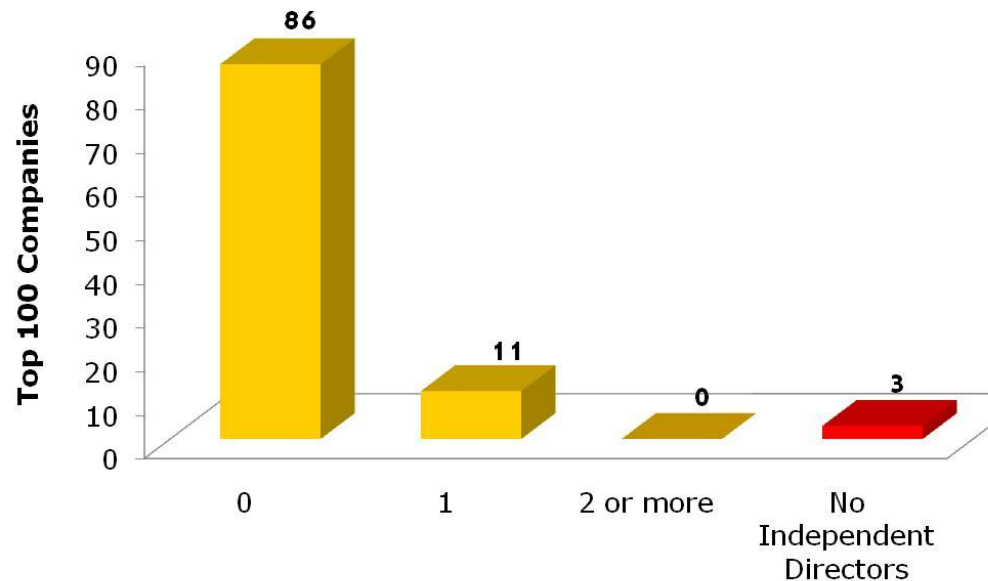
Number of Independent Board Seats in Top 100 Companies Held by Independent Directors

In 2009, the Top 100 Companies together had 226 independent board seats that were occupied by 173 individuals. The number of individuals with only one independent board seat increased to 139 from 133 in 2008. Twenty-seven individuals held two to three independent board seats, compared to 32 individuals in 2008. In both 2008 and 2009, six individuals held four to five independent board seats. Whereas the maximum number of independent directorships held by an individual in 2008 was five, in 2009, one individual served as an independent director in six Top 100 Corporations.

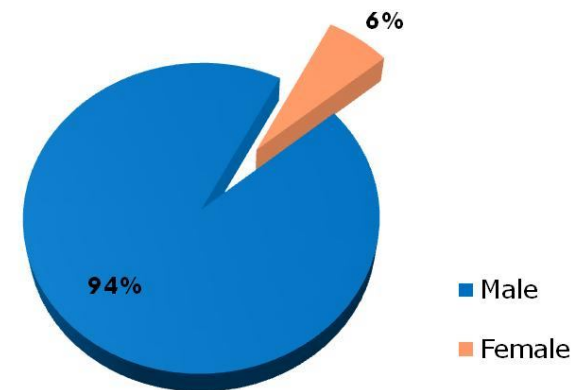


Numbers of Women Independent Directors per Company

In 2009, only 11 of the Top 100 Companies had a woman as an independent director, and none had more than one woman independent director. Thus, of the total of 173 independent directors among the Top 100 Companies, only six percent were women.



Number of Women Independent Directors

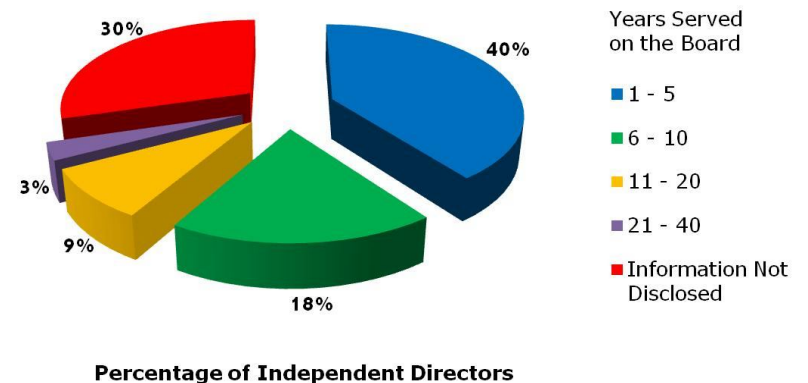
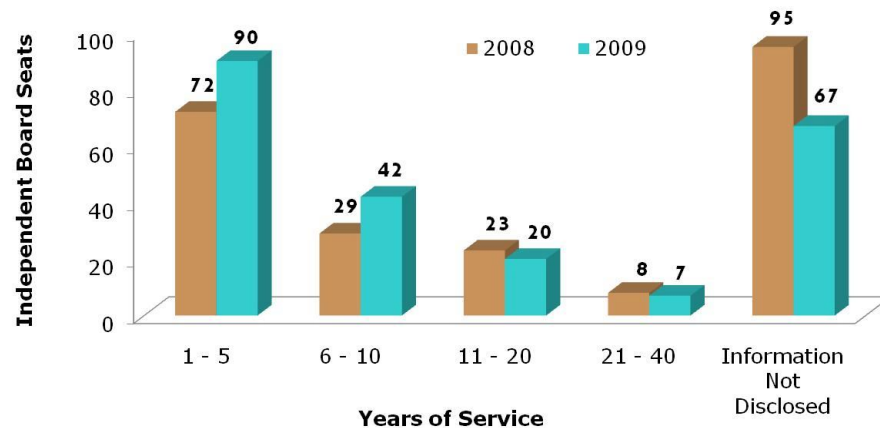


Men / Women Independent Directors Ratio

Term Limits for Directors

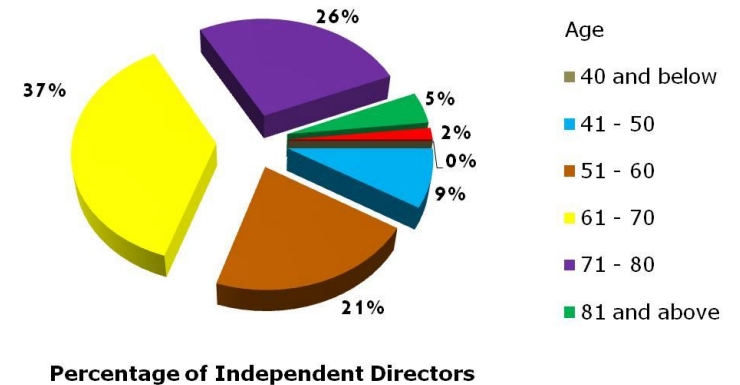
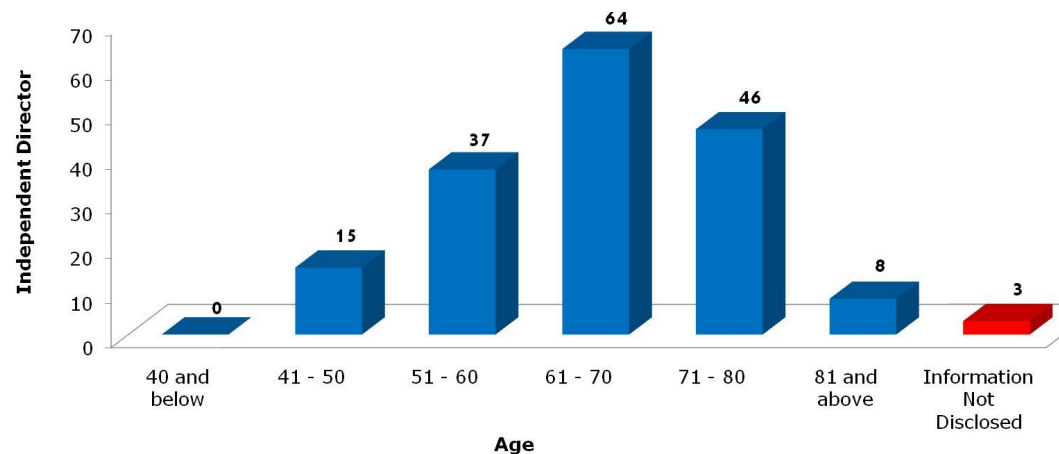
None of the Top 100 Companies appeared to limit the number of years an independent director could serve on the board. More companies, however, are disclosing information regarding the length of service of their independent directors. Whereas in 2008, there were 95 independent directors for which no information was disclosed regarding the length of their tenure, that number dropped to 67 in 2009.

In 2009, out of 226 total independent board seats among the Top 100 Companies, 90 have been occupied by the same individual for one to five years, 42 have been held by the same individual for six to ten years, 20 have been occupied by the same individual for 11 to 20 years, and seven have been held by the same individual for over 20 years.



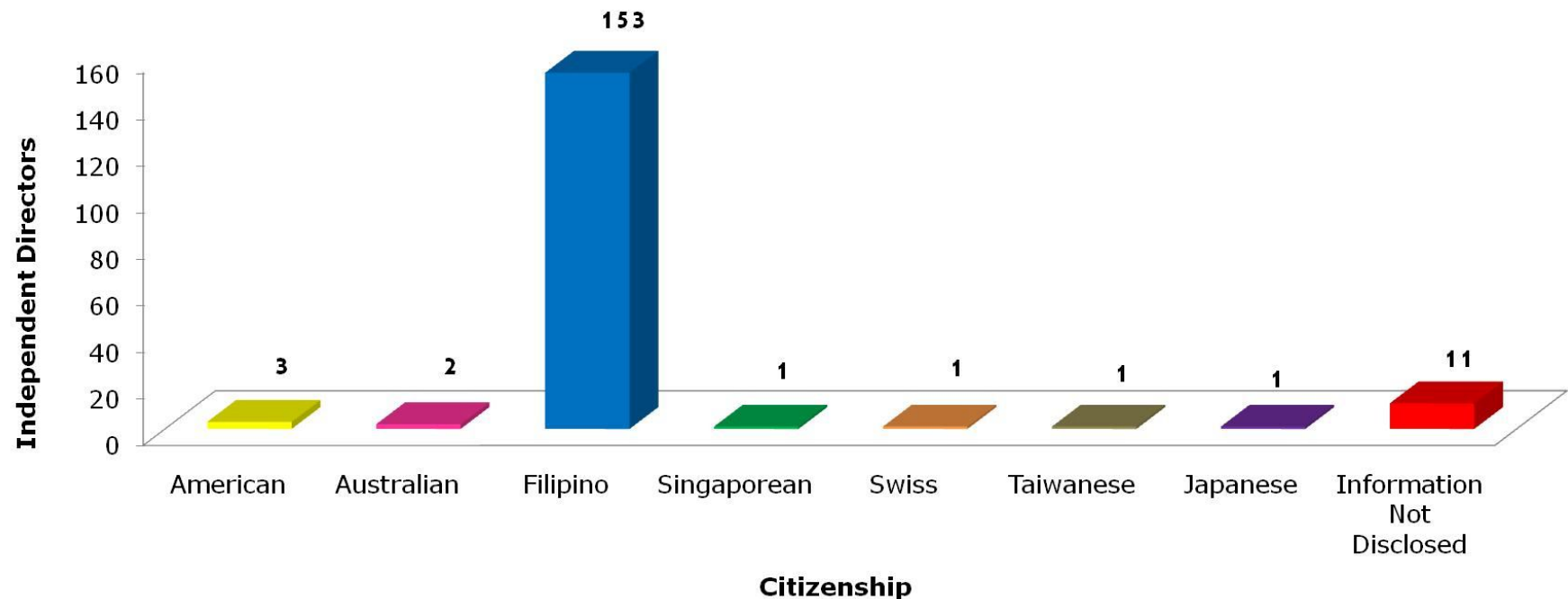
Age of Independent Directors

Of the aggregate 173 independent directors in the Top 100 Companies in 2009, 118 -- or 68 percent -- were over 60 years old. Thirty-seven independent directors were between 51 to 60 years of age and 15 independent directors were between 41 to 50 years of age. No information was available on the age of three independent directors.



Citizenship of Independent Directors

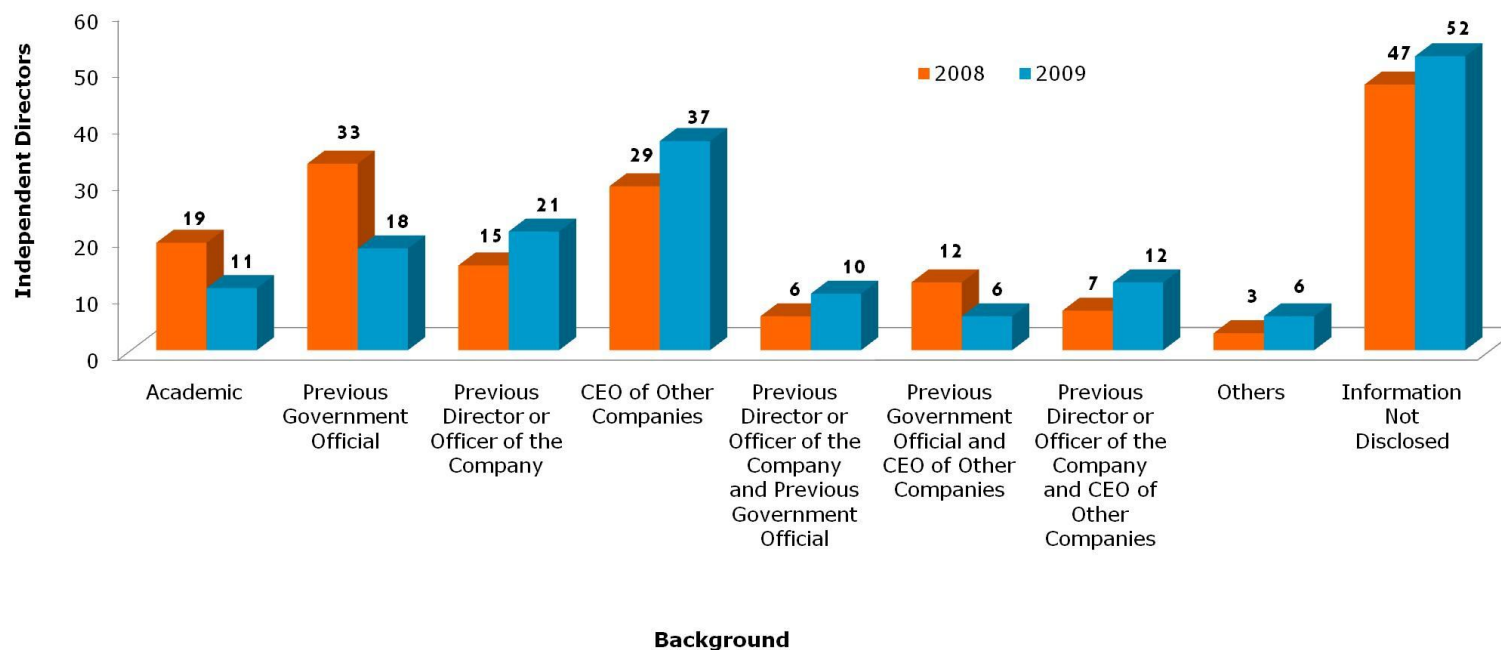
Among the independent directors of the Top 100 Companies in 2009, 153 were Filipino citizens. Of those with foreign citizenship, three were American, two were Australian, one was Singaporean, one was Swiss, one was Japanese, and one was Taiwanese. The citizenship of 11 independent directors was not disclosed.



Background of Independent Directors -- by Numbers

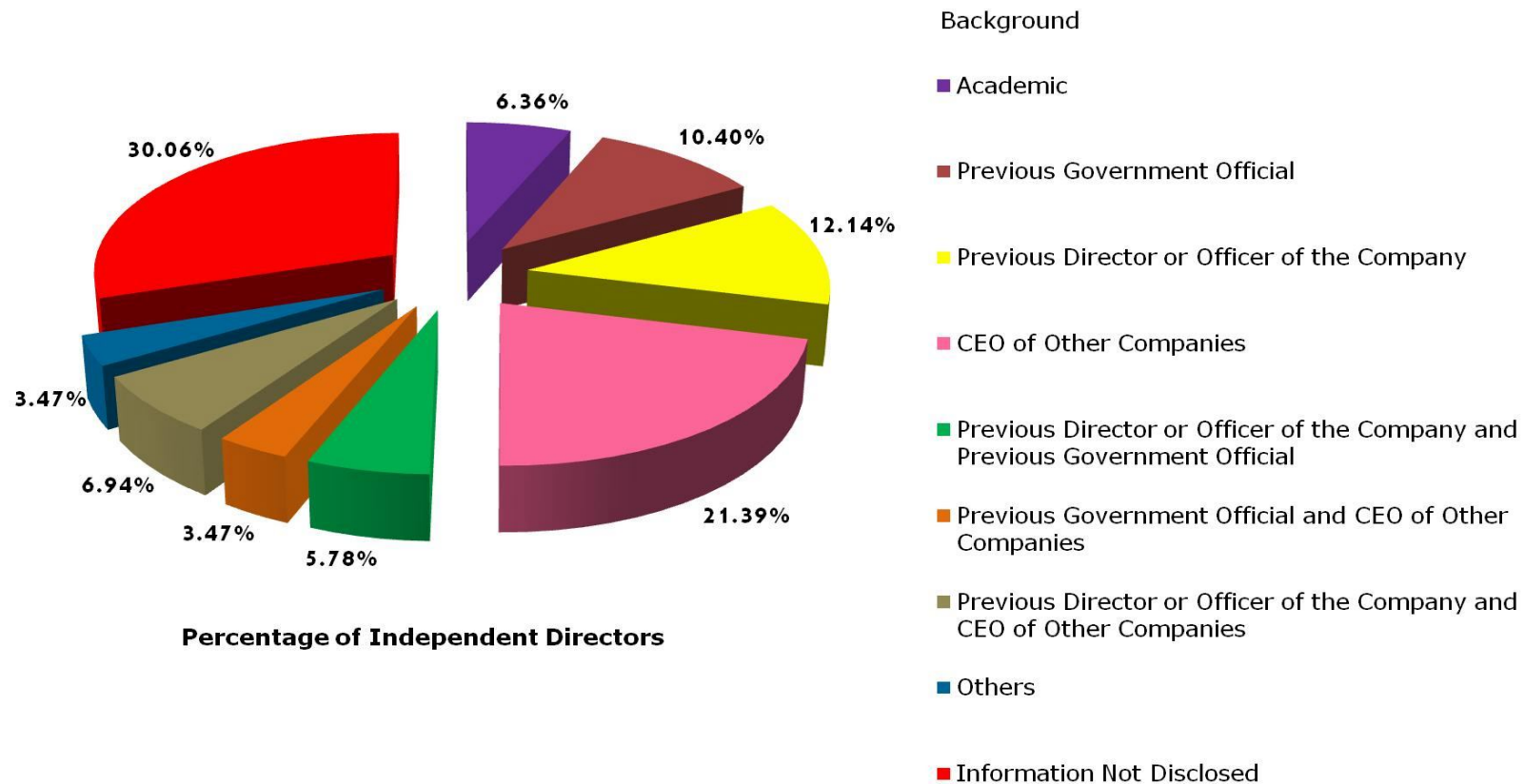
Memorandum Circular Number 9 issued by the SEC in 2009 provides that a regular director who resigns or whose term ends may qualify for nomination as an independent director after a two-year “cooling-off period.”

In 2009, 43 of the independent directors were previous directors or officers of the company, compared to 28 independent directors in 2008. The number of independent directors who were previous government officials decreased significantly, from 51 in 2008 to 34 in 2009. In 2009, 55 independent directors were concurrently CEOs of other companies, compared to 48 in 2008. Only 11 independent directors in 2009 were primarily academics, compared to 19 in 2008. No information was disclosed regarding the background of 52 independent directors, five more than in 2008.



Background of Independent Directors -- by Percentages

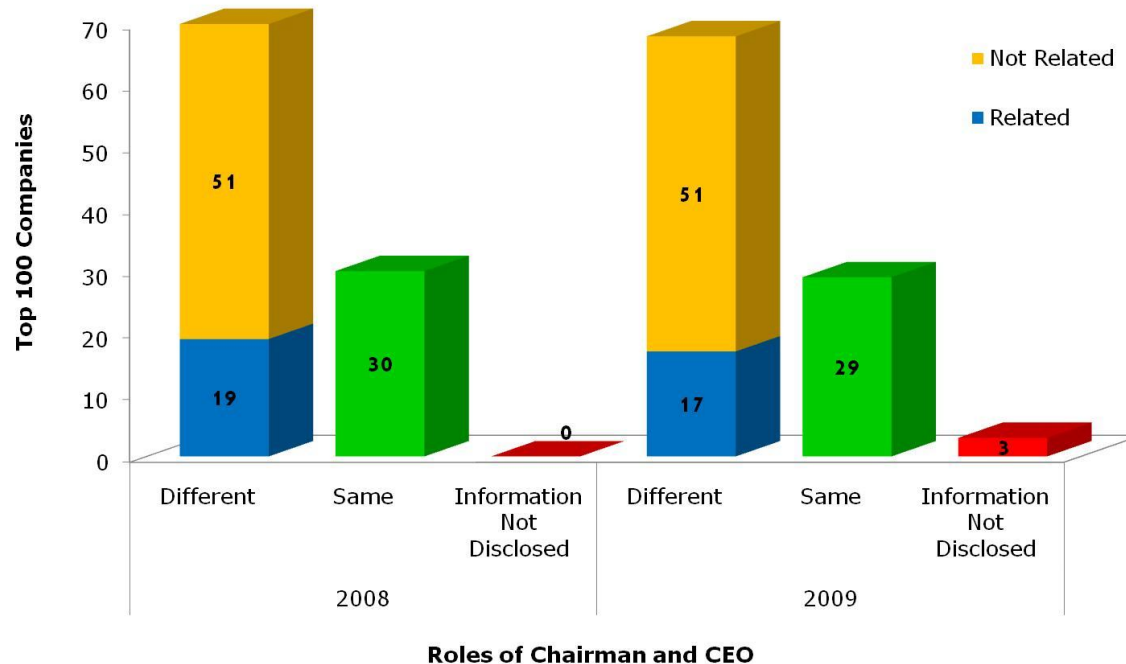
In terms of percentages, 24.86 percent of the independent directors were previous directors or officers of the company in 2009, 19.65 percent were previous government officials, and 31.80 percent of the independent directors of the Top 100 Companies were concurrently CEOs of other companies. No information was disclosed on 30.06 percent of the independent directors.



Separation of Roles of Chairman and CEO

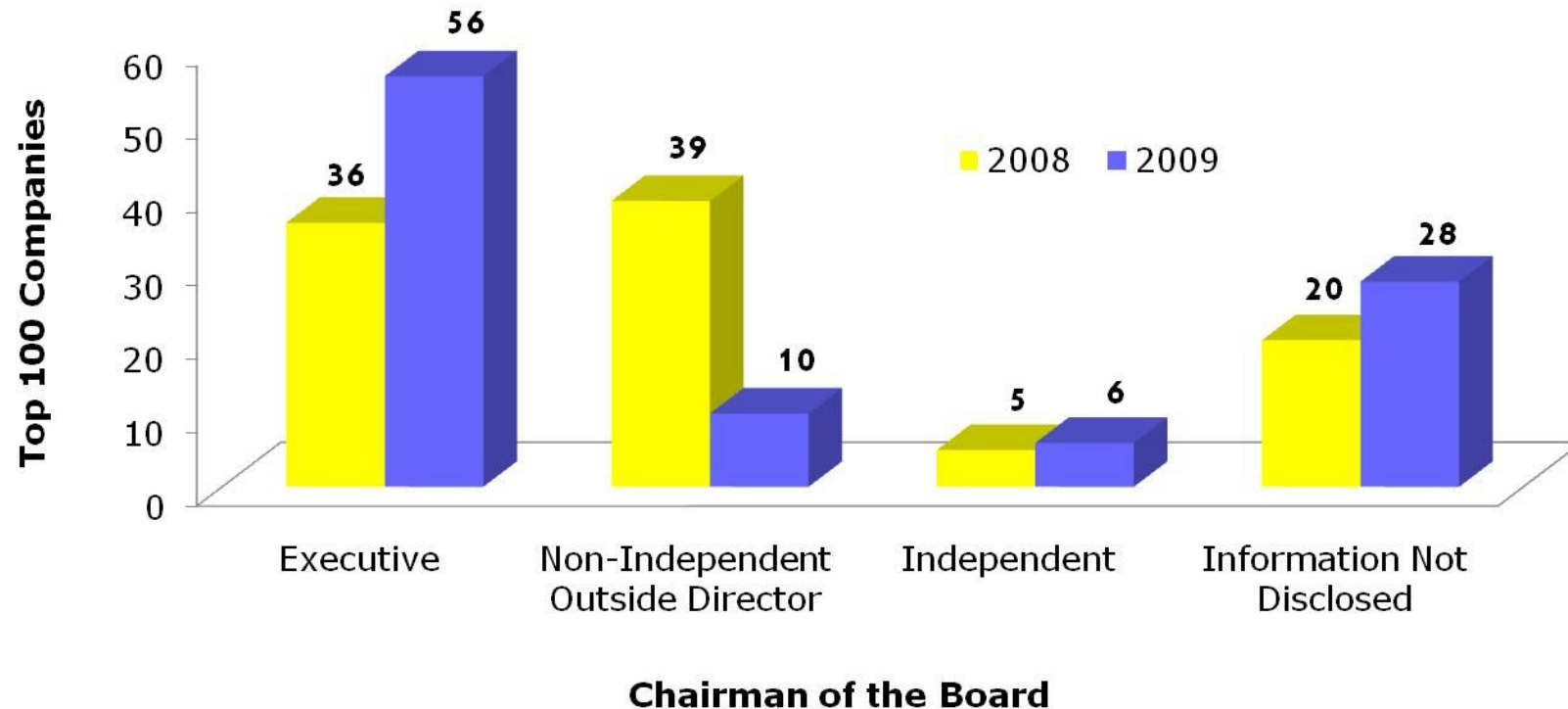
The Revised Code of Corporate Conduct provides that “[t]he roles of the Chair and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board.” It further provides that if the two positions are unified, “the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.”

In 2009, 68 of the Top 100 Companies appointed different individuals to serve as Chairman and as CEO, two less than in 2008. Of these 68 companies, there was no known family relationship between the Chairman and the CEO in 51 companies, the same number as in 2008.



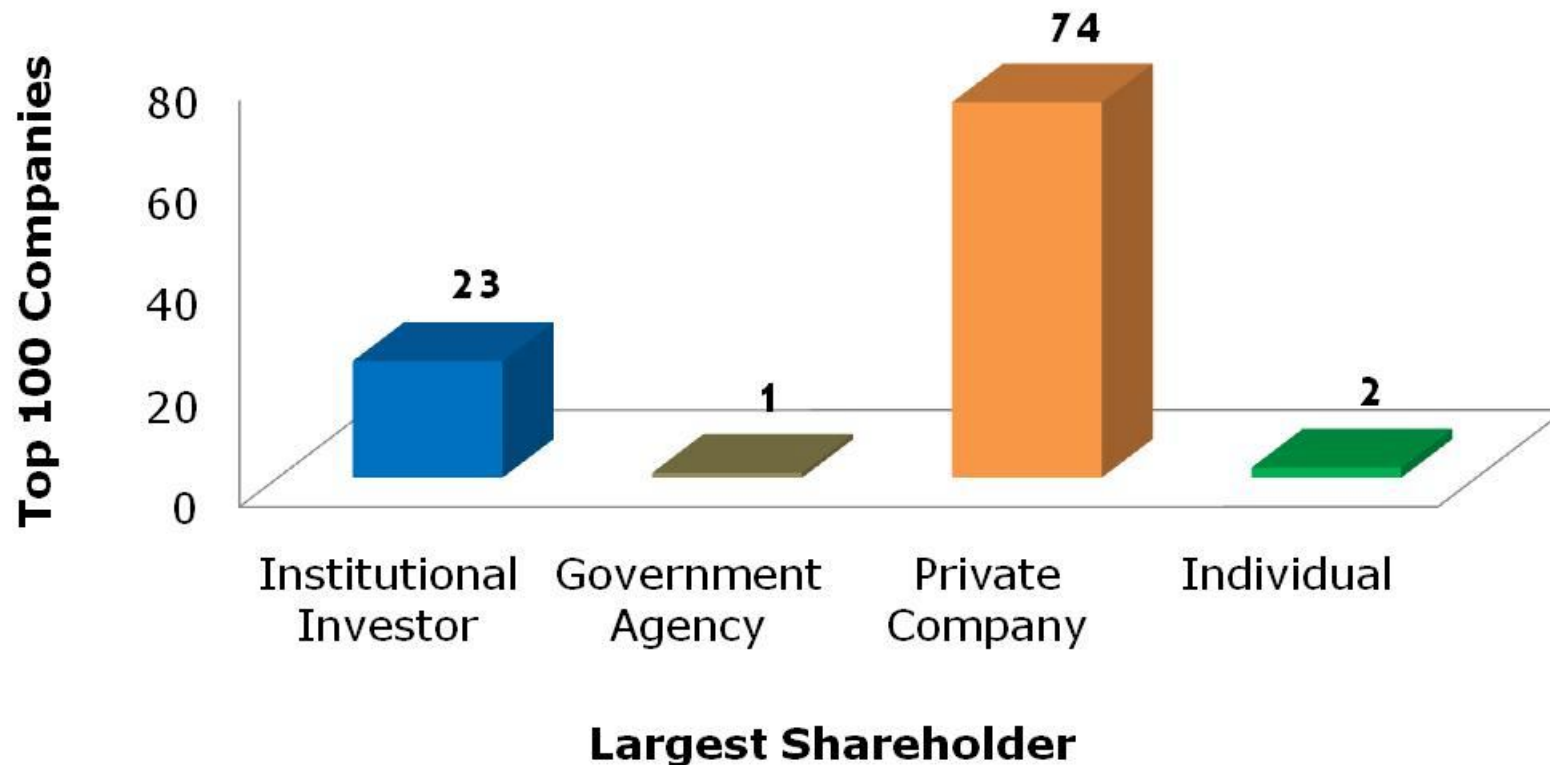
Chairman of the Board

In 2009, six of the Top 100 Companies had a board that was chaired by an independent director, one more than in 2008. There was a sharp increase in the number of Top 100 Companies that had an executive officer serving as chairman, from 36 in 2008 to 56 in 2009. Fewer companies appointed non-independent outside directors as chairman, dropping to 10 in 2009 from 39 in 2008. Information regarding the background of the chairman was not disclosed in 28 companies, up from 20 companies in 2008.



Largest Shareholder

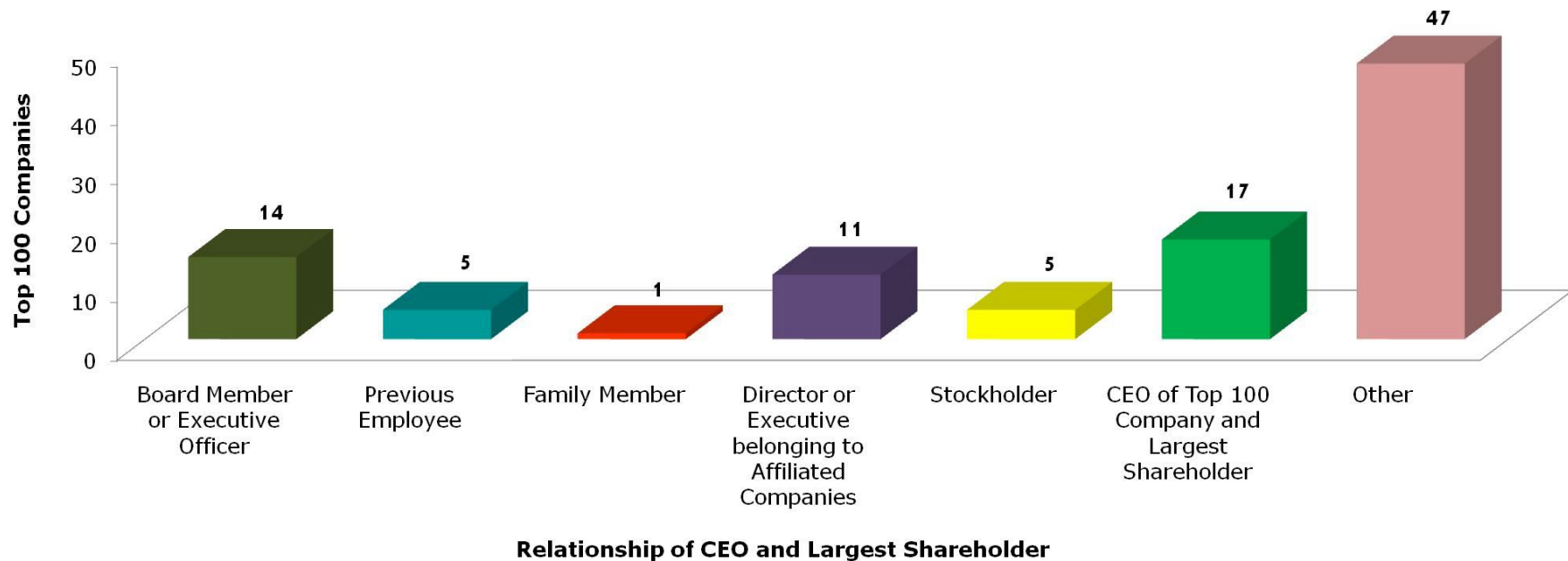
In 2009, 74 of the Top 100 companies had a private company as their largest shareholder, while an institutional investor was the largest shareholder in 23 of the companies. Only one company had the government as a majority shareholder, and in only two companies was the largest shareholder an individual.



Relationship between the CEO and Largest Shareholder

In 2009, 17 of the Top 100 Companies had CEOs who were concurrently also the CEO of the company's largest shareholder. Fourteen companies had CEOs who were either board members or executive officers of their respective companies' largest shareholder, while 11 had CEOs who were either directors or executives of companies affiliated with their largest shareholder.

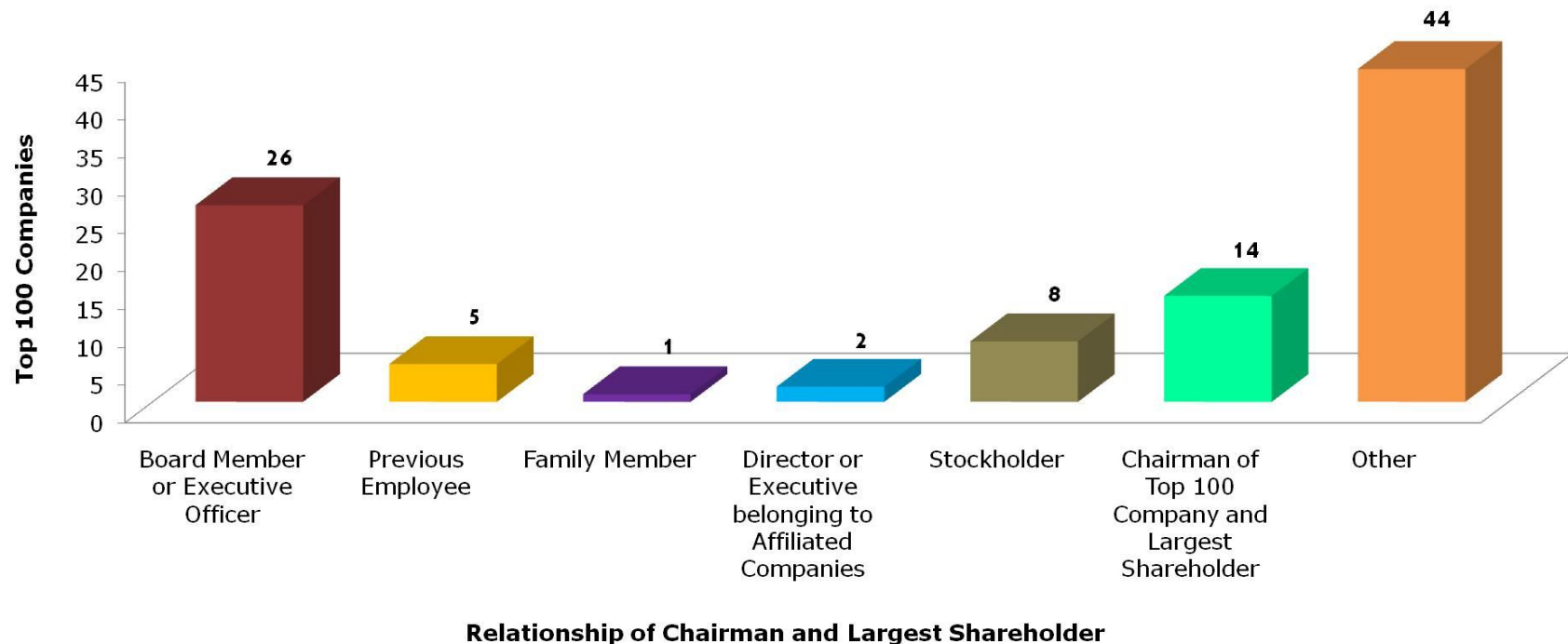
Five companies had CEOs who were previous employees of the company's largest shareholder, another five had CEOs that were stockholders of the company's largest shareholder, and the CEO of one company was related to the CEO of its largest shareholder.



Relationship between the Chairman and Largest Shareholder

In 2009, 26 of the Top 100 Companies had chairmen who were either board members or executive officers of their largest shareholder. Fourteen companies had chairmen who also held the same position in their respective companies' largest shareholder, while eight had chairmen who were stockholders of their largest shareholder.

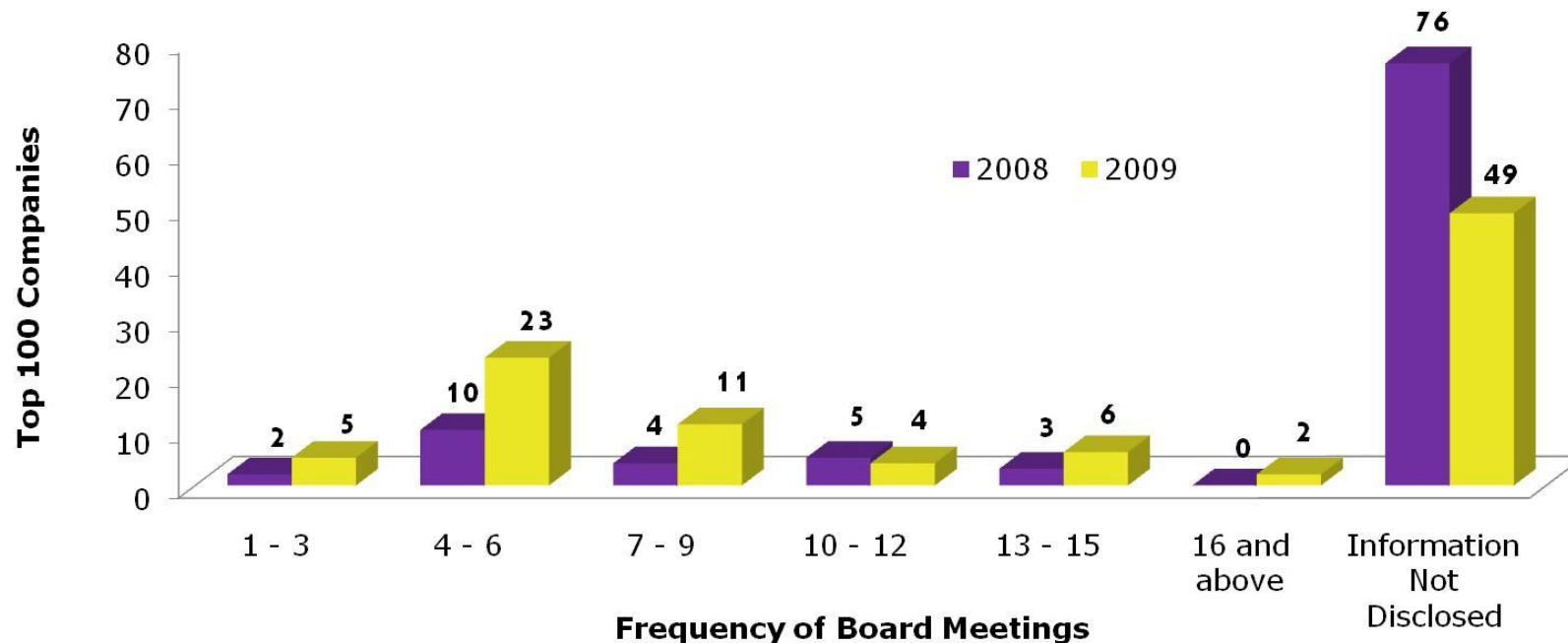
Five of the Top 100 Companies had chairmen who were previous employees of their company's largest shareholder. Two of the companies had chairmen who were either directors or executives of companies affiliated with their largest shareholder, while one company had a chairman who was related to the chairman of their largest shareholder.



Frequency of Board Meetings

The Revised Code of Corporate Governance lists as one of the duties and functions of the board to “[m]eet at such times or frequency as may be needed.” It does not, however, fix a minimum number of times a board should meet a year. Some guidance is provided by the 1980 Corporation Code, which provides that board meetings “shall be held monthly unless the by-laws provide otherwise.”

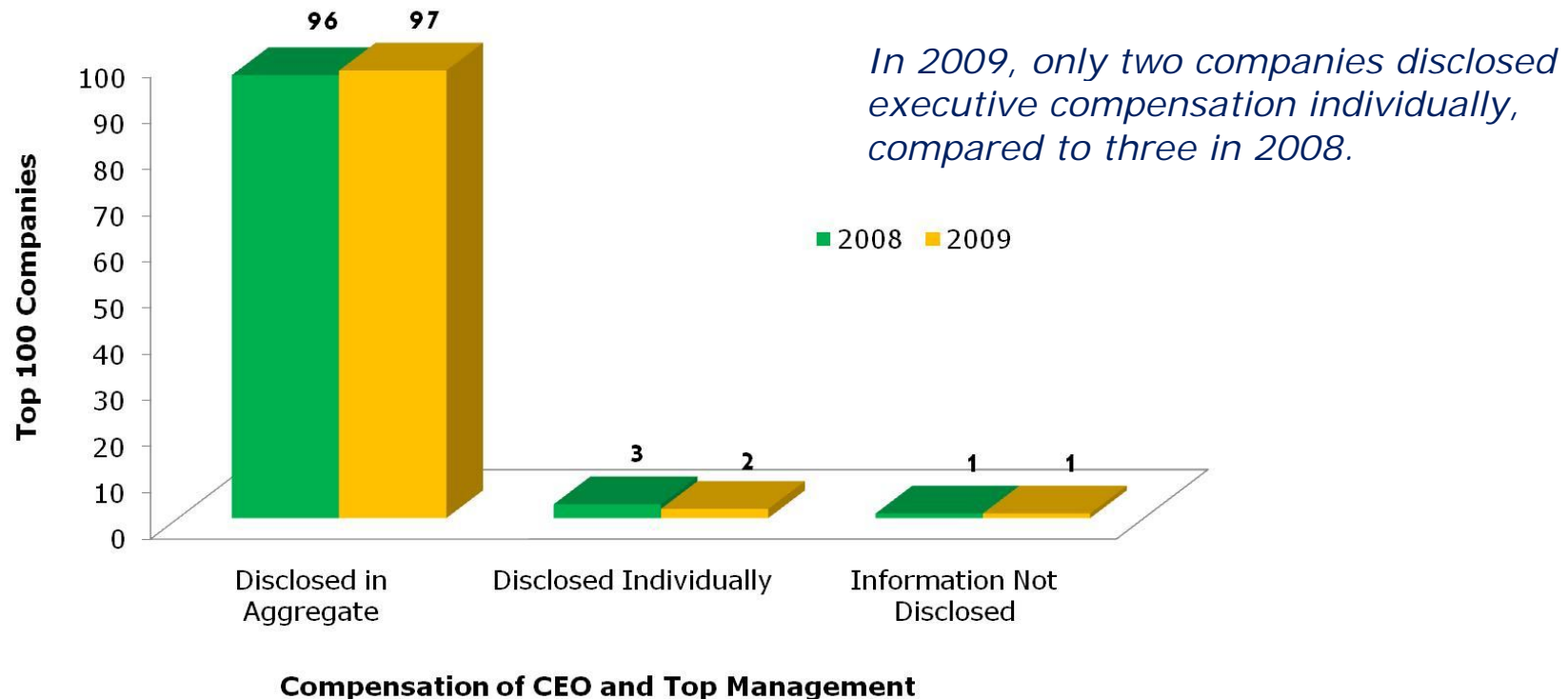
In 2008, only 24 of the Top 100 Companies disclosed information on the frequency of their board meetings. 2009 saw a marked improvement, with 51 companies disclosing this information. Of these 51 companies, the number of companies that reported meeting four to nine times during the year increased to 34 from 14 in 2008. From only three companies that reported meeting more than 12 times in 2008, the number increased to eight in 2009.



Disclosure of Compensation for CEO and Top Executives

The Revised Code of Corporate Governance provides that a corporation's annual reports "shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year."

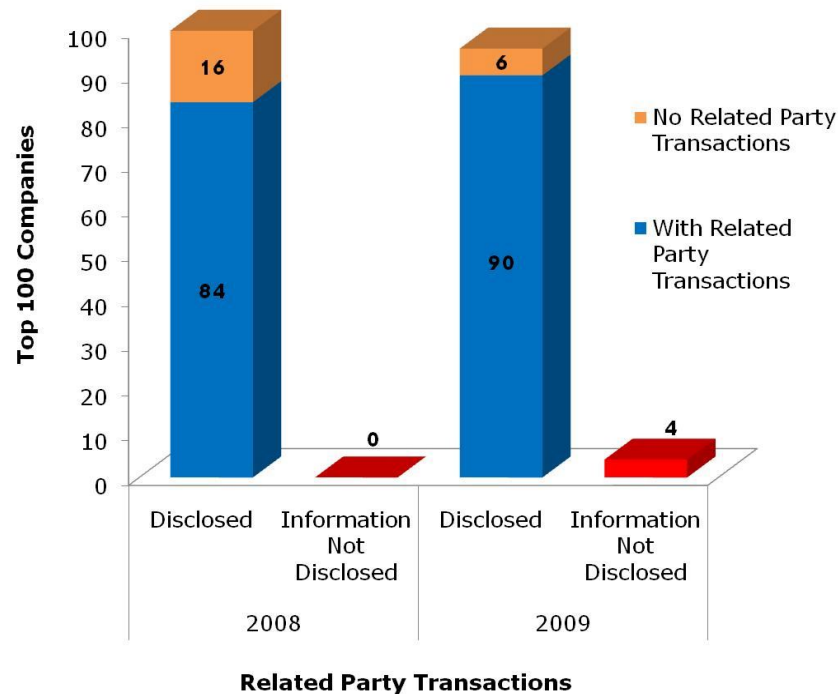
In both 2008 and 2009, all but one of the Top 100 Companies disclosed the compensation received by their CEOs and four most highly compensated officers. In 2009, however, only two companies disclosed executive compensation individually, compared to three in 2008.



Related Party Transactions

The Revised Code of Corporate Governance does not prohibit related party transactions, requiring only that “[i]f an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.” It also requires that all related party transactions be “publicly and timely disclosed.”

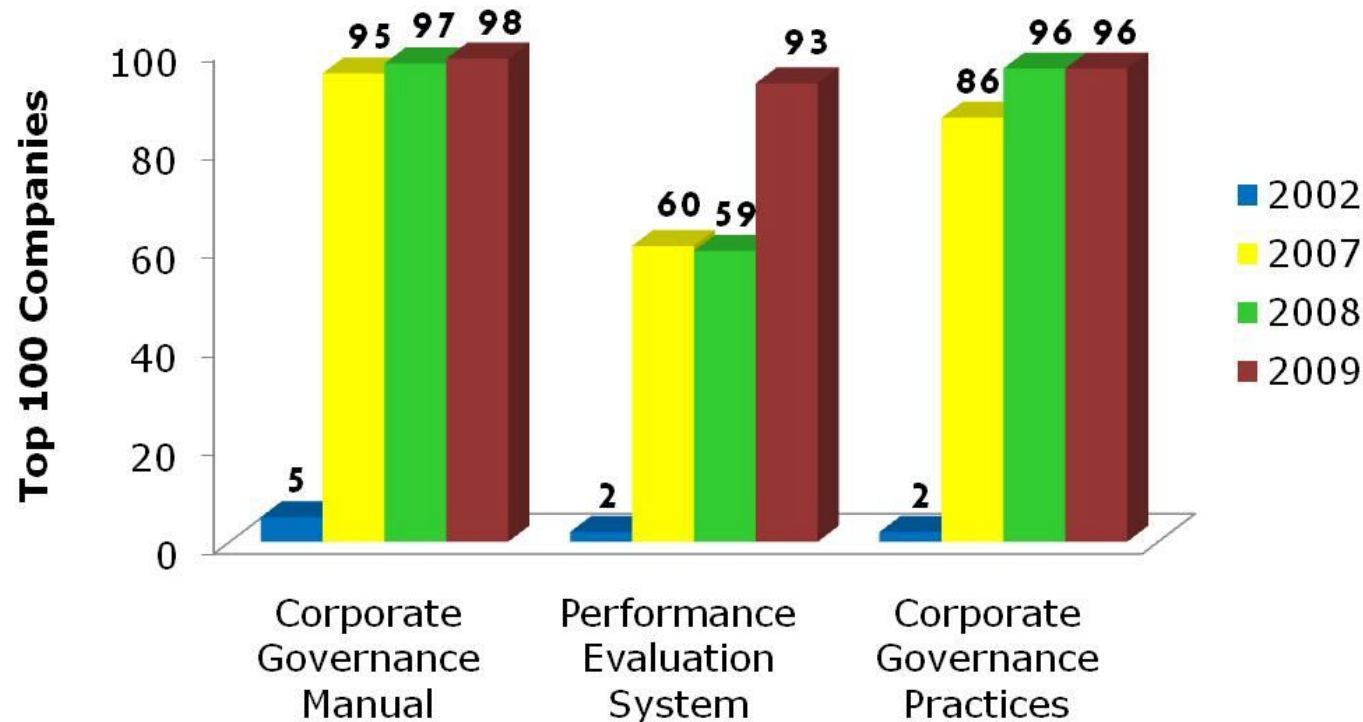
In 2009, 96 companies disclosed whether they engaged in related party transactions during the year, compared to 100 companies in 2008. Of the companies that disclosed the information, 90 identified certain related-party transactions they engaged in, up from 84 companies in 2008. Six companies in 2009 reported no related party transactions, down from 16 companies in 2008.



In 2009, 96 companies disclosed whether they engaged in related party transactions the previous year, compared to 100 companies in 2008.

Corporate Governance Manual, Performance Evaluation System, and Disclosure of Corporate Governance Practices

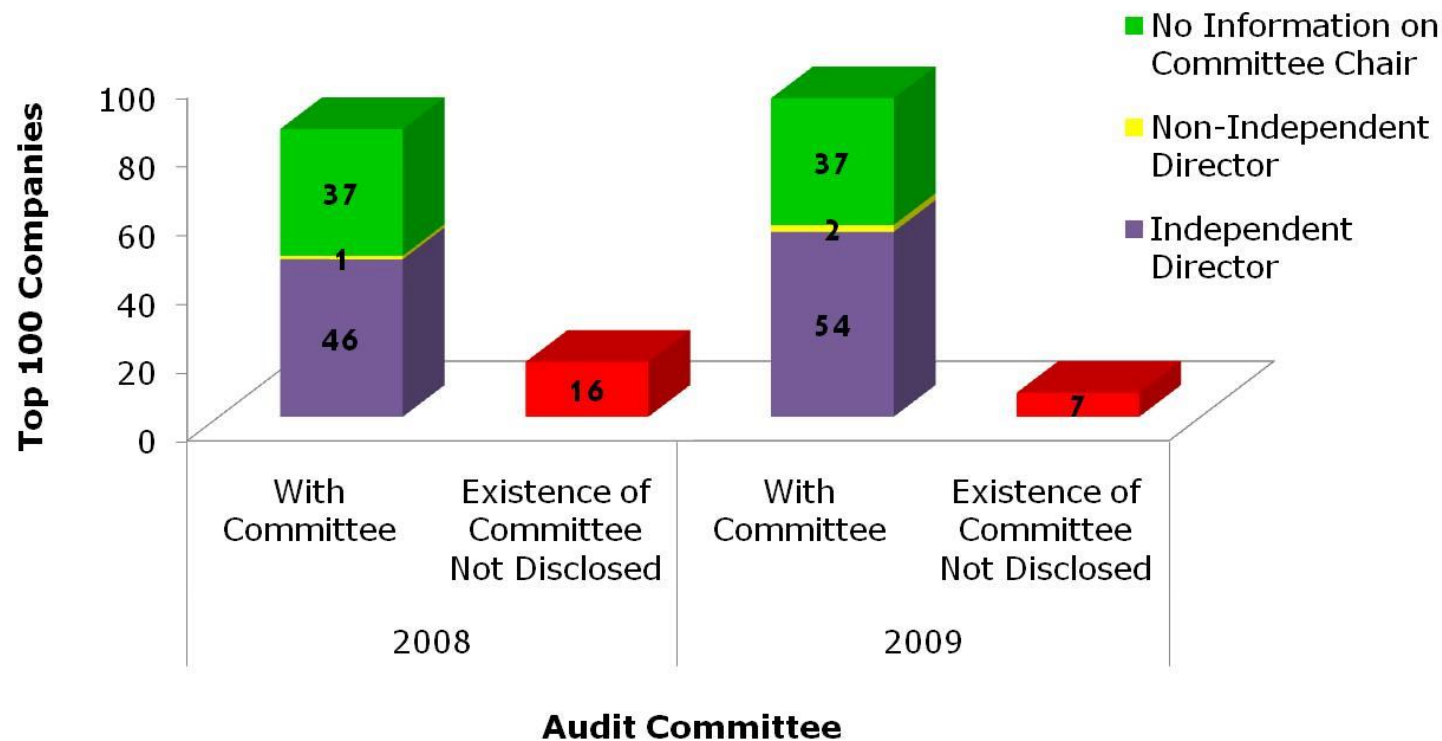
The number of Top 100 Companies that devoted a portion of their annual reports to a description of their corporate governance practices increased from 86 in 2007 to 96 in both 2008 and 2009. Those that reported having a corporate governance manual increased from 95 in 2007 to 97 in 2008 and 98 in 2009. There was a much bigger jump in the number of companies adopting a performance evaluation system, from 60 in 2007 and 59 in 2008 to 93 in 2009.



Audit Committee

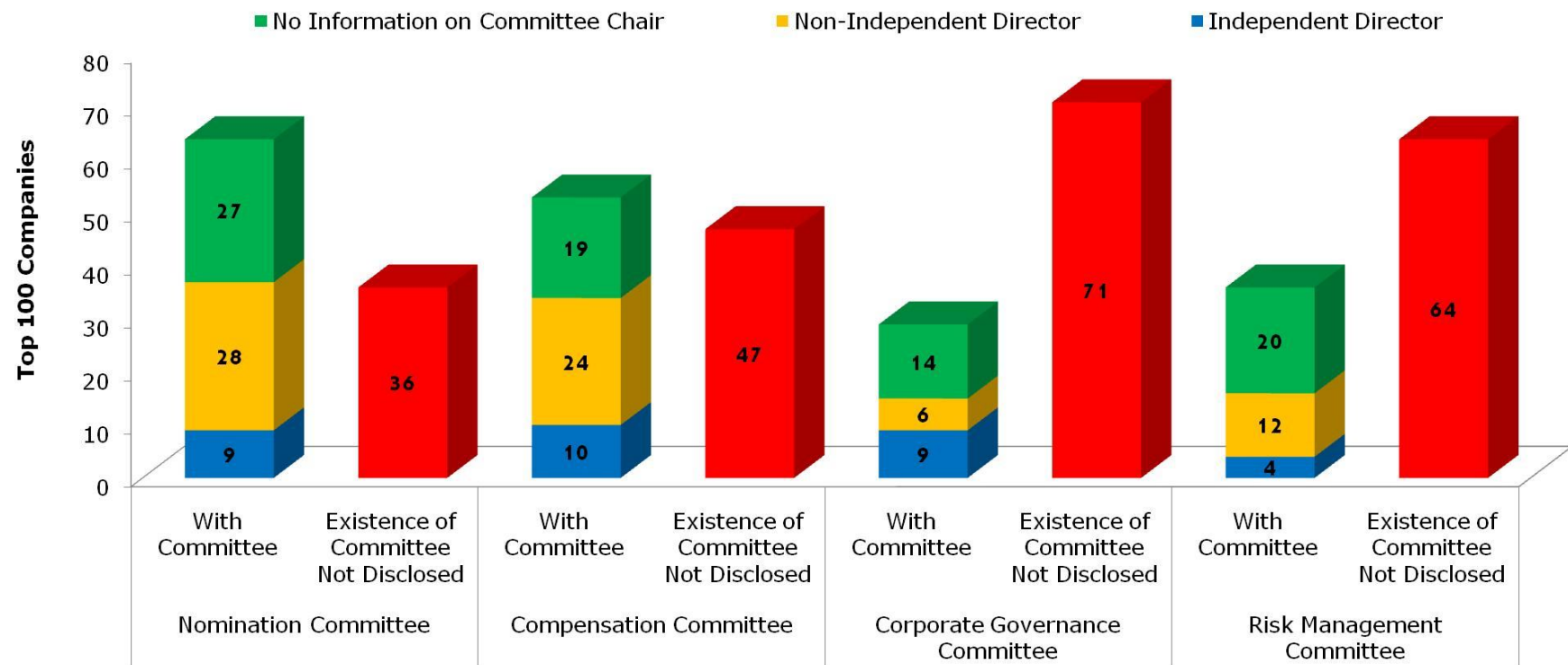
The Revised Code of Corporate Governance requires publicly listed corporations to constitute an audit committee chaired by an independent director. The number of companies disclosing the existence of an audit committee increased to 93 in 2009 from 84 in 2008.

The number of companies that reported having an independent director as chair of the audit committee was 54 in 2009, compared to 46 in 2008. Two companies reported having a non-independent director as chair of their audit committees, while 37 of the 93 did not disclose information regarding the audit committee chairman.



Other Board Committees

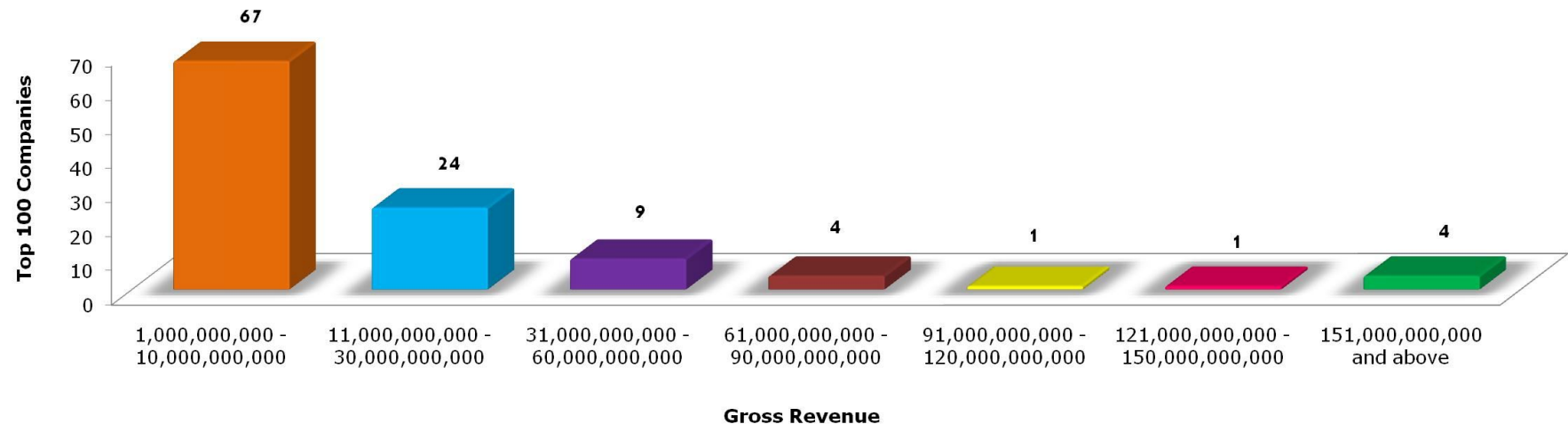
In 2009, 64 companies disclosed the existence of a nomination committee, 53 companies reported having a compensation committee, 29 companies disclosed the existence of a corporate governance committee, and 36 companies reported having a separate risk management committee. Only four companies had an independent director chairing its risk management committee, nine companies had an independent director chairing the respective nomination committee and corporate governance committee, and 10 companies had an independent director chairing the compensation committee.



Profile of Top 100 Companies

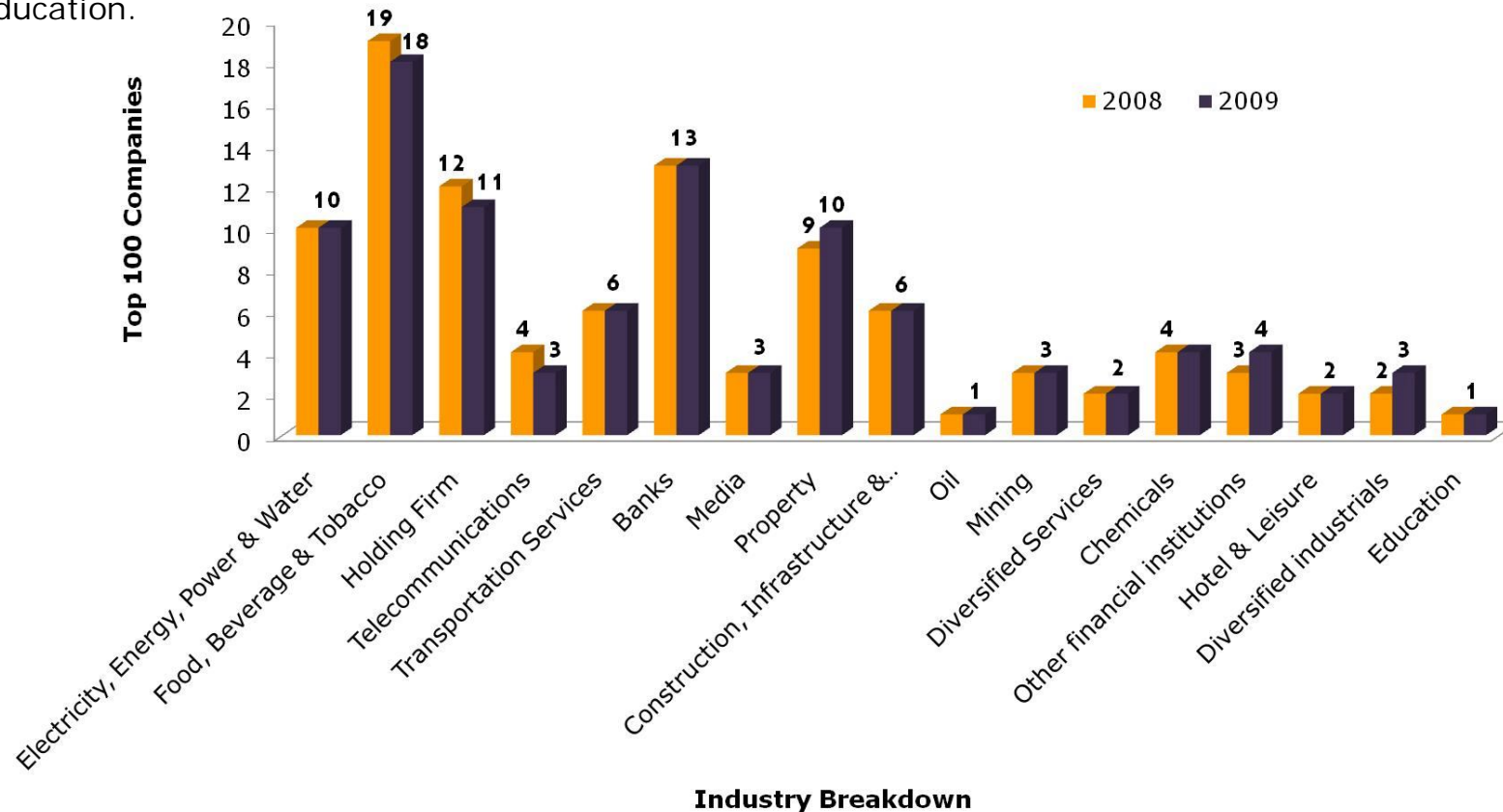
Gross Revenue

In 2009, 67 of the Top 100 Companies declared gross revenues of one to 10 billion pesos. Twenty-four companies declared revenues of 11 to 30 billion pesos, and 13 companies had revenues of 31 to 90 billion pesos. Only six of the Top 100 Companies declared revenues of more than 90 billion pesos.



Industry Sector

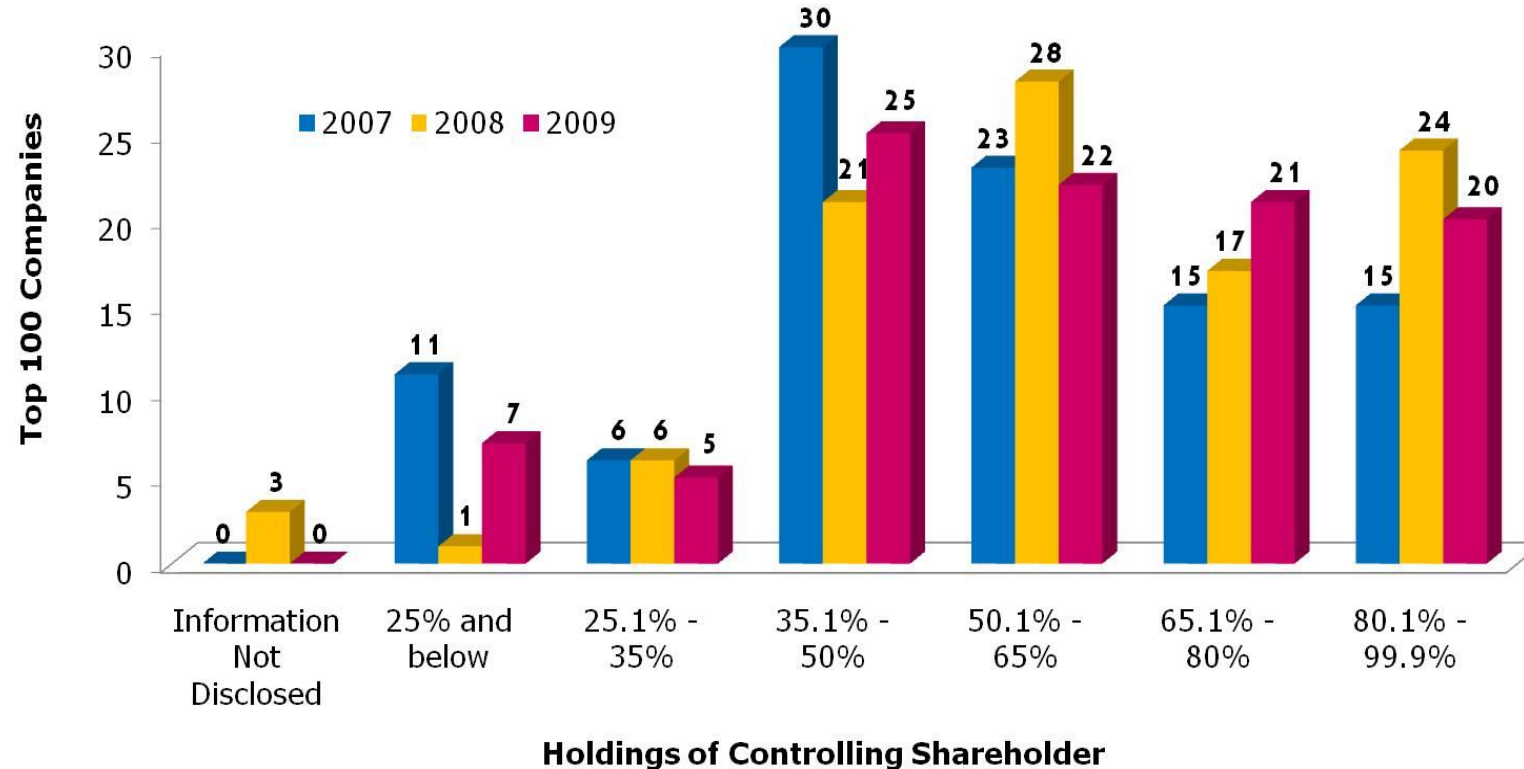
In 2009, 62 of the Top 500 Companies belonged to just five industry sectors: 18 companies in Food, Beverage and Tobacco; 13 in Banks; 11 in Holding Firms; 10 in Electricity, Energy, Power and Water; and 10 in Property. The remaining 38 companies were divided among 12 industry sectors: Telecommunications, Transportation Services, Media, Construction and Infrastructure, Oil, Mining, Diversified Services, Chemicals, Other Financial Institutions, Hotel & Leisure, Diversified Industrials, and Education.



Ownership Concentration – Controlling Shareholder

The ownership concentration of the Top 100 Companies has continued to remain high. The number of companies with one individual or family owning or controlling more than 80 percent of the shares was 20 in 2009, compared to 24 in 2008. The number of companies with one shareholder owning or controlling 50.1 to 80 percent slightly decreased from 45 in 2008 to 43 in 2009.

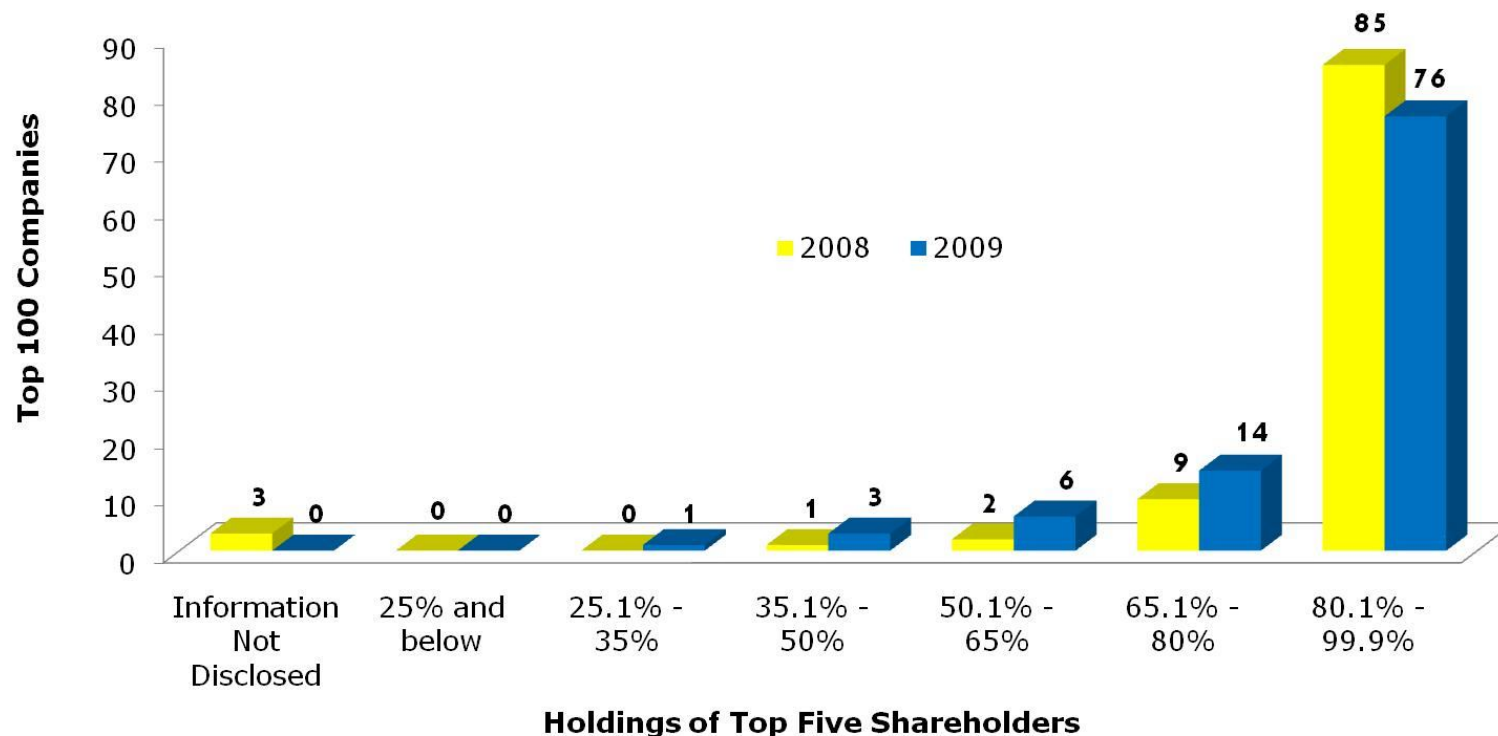
From only one company with the largest shareholder owning or controlling less than 25 percent of its shares in 2008, the figure increased to seven in 2009. All companies disclosed ownership concentration in 2009, compared to only 97 in 2008.



Ownership Concentration - Top Five Shareholders

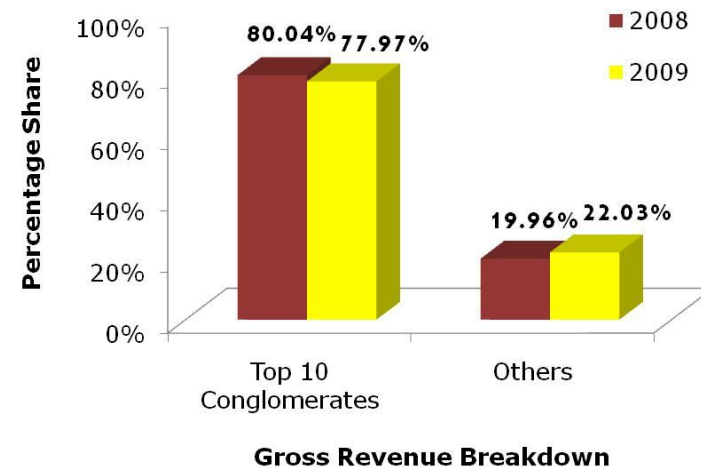
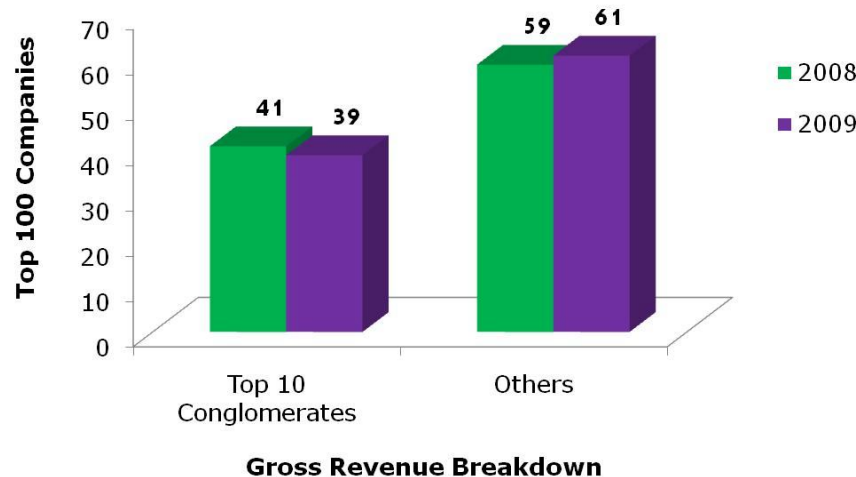
In the vast majority of the Top 100 Companies, ownership of shares continues to be concentrated among their five largest shareholders. In 2009, the five largest shareholders together owned more than 80 percent of the shares in 76 of the Top 100 Companies, down from 85 companies in 2008.

In 2009, the five largest shareholders owned 50.1 to 80 percent of the shares in 20 companies, compared to 11 companies in 2008. The five largest shareholders owned 50 percent or less of the shares in four companies, compared to only one company in 2008. In 2009, all the Top 100 Companies disclosed information regarding the ownership of their shares whereas in 2008 three companies did not provide the information.

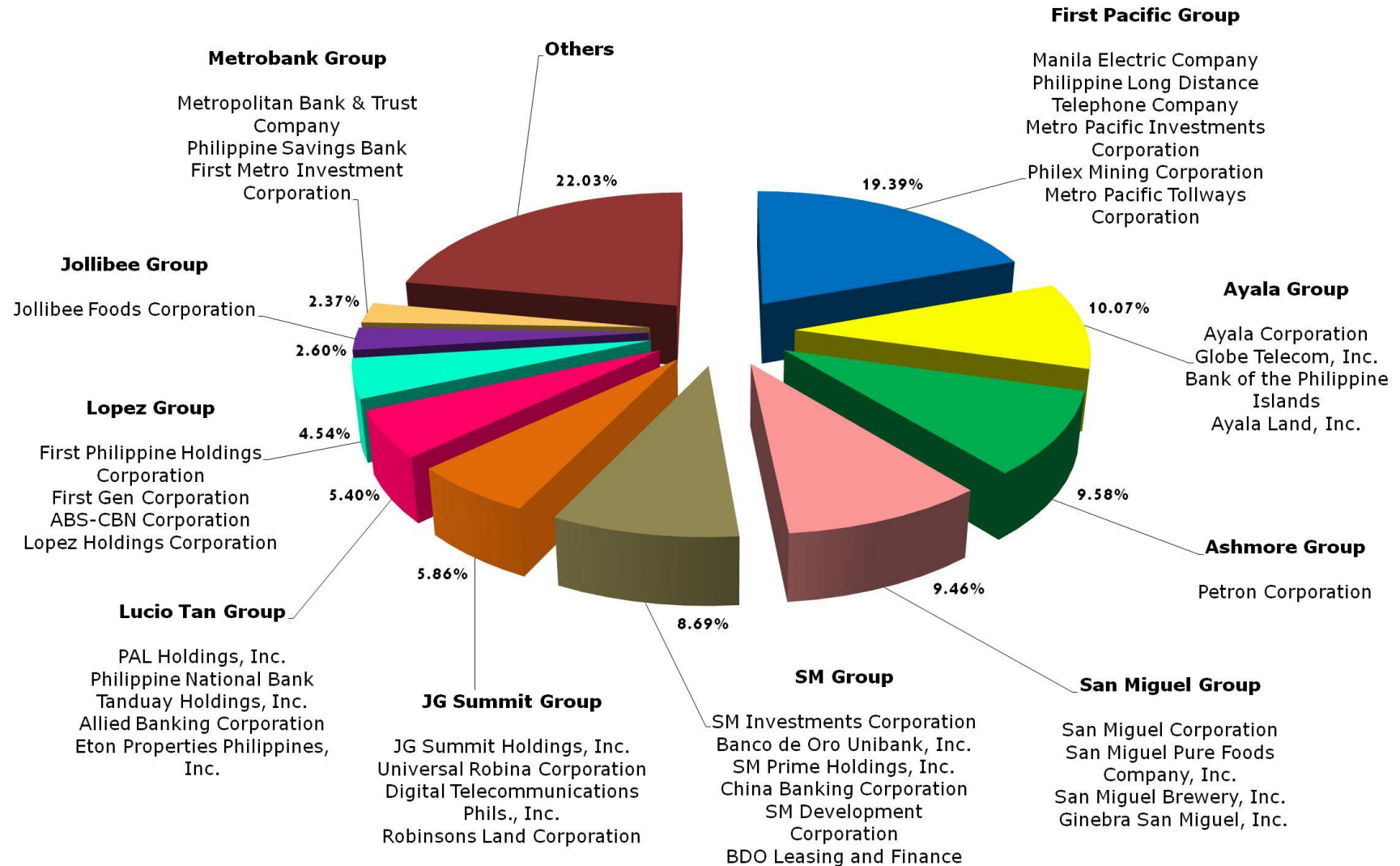


Revenue Share and Business Group Control

In 2009, the ten largest conglomerates controlled 39 of the Top 100 Companies, accounting for almost 78 percent of the total gross revenues of the Top 100 Companies. These figures decreased slightly from 2008 when the ten largest conglomerates controlled 41 of the Top 100 companies, accounting for 80 percent of the total gross revenues of the Top 100 Companies.



Breakdown of Top 100 Companies Belonging to Conglomerates and Revenue Share



Survey of Independent Directors

From February 20 to May 19, 2011, the Social Weather Stations (SWS) conducted an online survey of the independent directors of the Top 100 Companies as of 2009. There were 173 independent directors occupying 226 independent board seats. SWS sent out e-mails to 172 of the independent directors – no e-mail address could be obtained for one independent director – inviting them to participate in the survey. The number of e-mails actually viewed or not filtered out as spam, however, could not be determined.

If a respondent served as an independent director in more than one Top 100 Company, he or she was asked to complete the survey for each of the companies in which he or she served. Each respondent was assigned a unique password to access the survey questionnaire online to ensure that he or she responded to the survey only once for each company he or she served. The respondents were assured confidentiality with respect to their identities and responses.

The survey questionnaire contained 31 test statements regarding a company's ethical and corporate governance practices, and the respondents were asked to state their degree of

agreement or disagreement: "Strongly Agree," "Somewhat Agree," "Neither Agree nor Disagree," "Somewhat Disagree," "Strongly Disagree" or "Don't Know." A "Not Applicable" response was also made available.

SWS received a total of 65 completed surveys from 53 independent directors, a response rate of 31 percent. The respondents represented 48 of the Top 100 Companies.

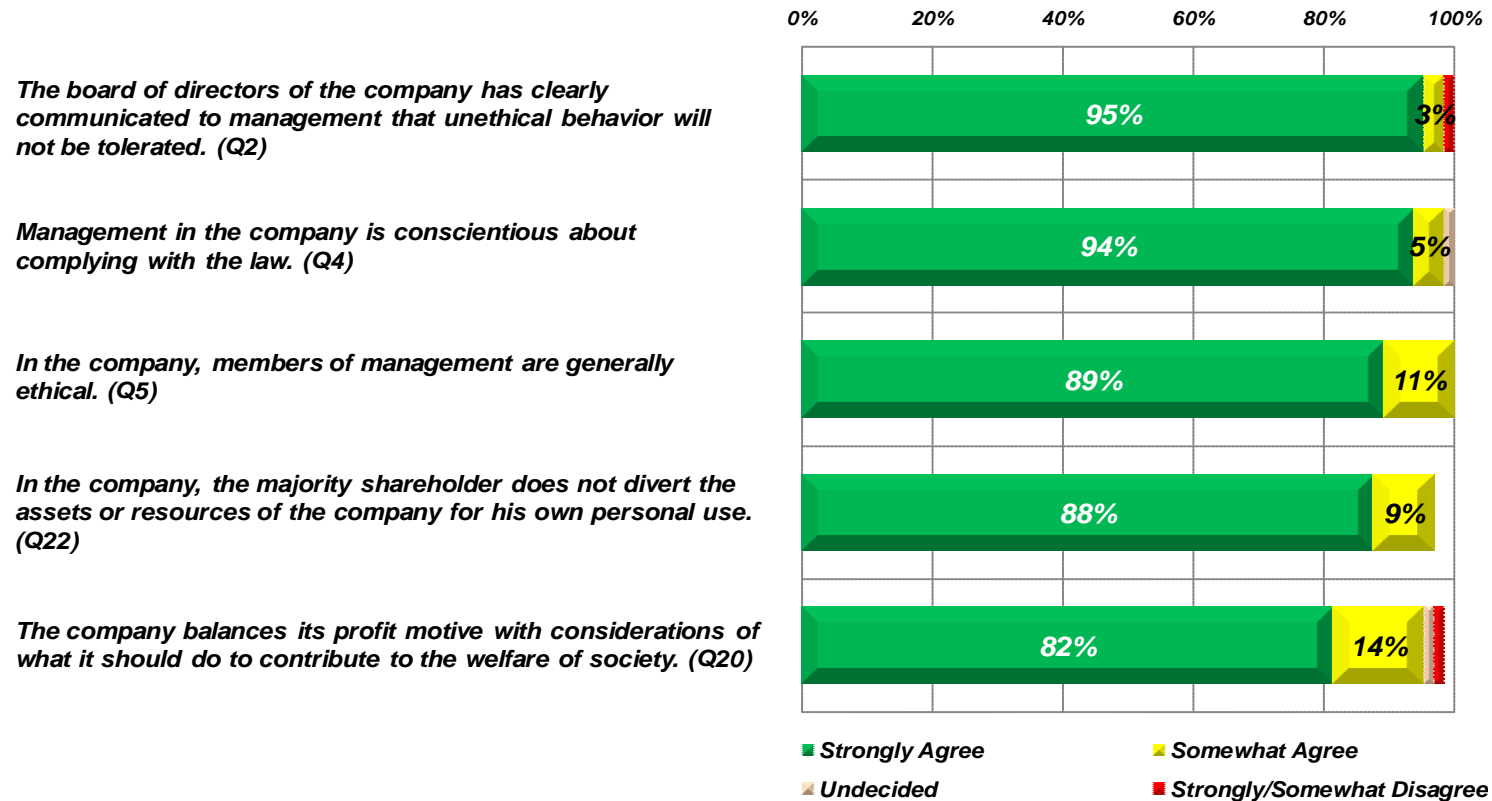
Eighty-seven percent of the respondents were male, and 81 percent had a post-graduate education. Seventy-five percent belonged to the age group 60 and over. Their average age was 66.

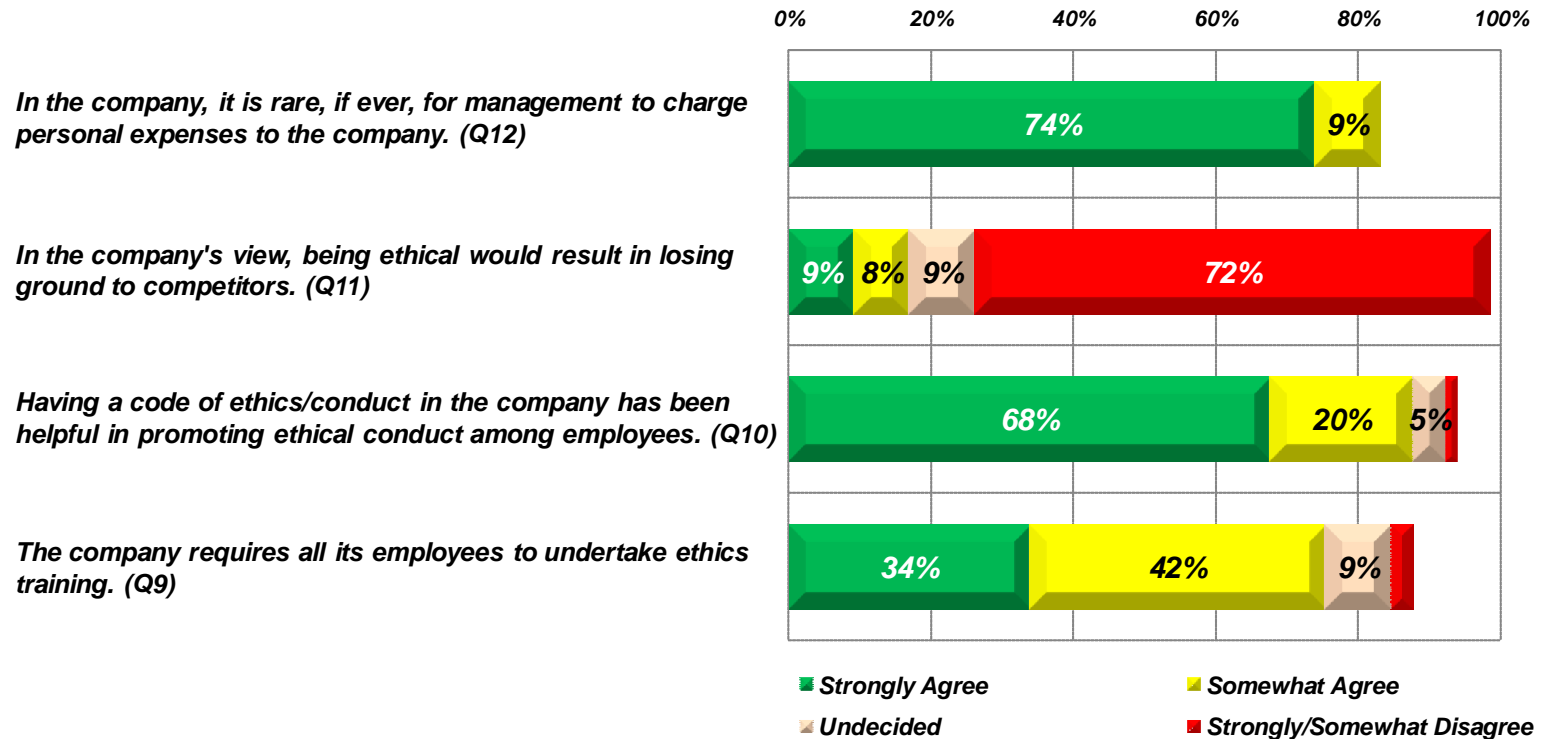
Thirty-four percent served as director (including non-independent) in five to seven companies, 30 percent in two to four companies, and 13 percent in eight to ten companies.

The respondents served as independent director for an average of 5.5 years. Twenty-two percent of the respondents were independent directors of companies with 1,000 to 1,999 employees, 17 percent with less than 100 employees, and 11 percent with 200 to 499 employees.

Ethics

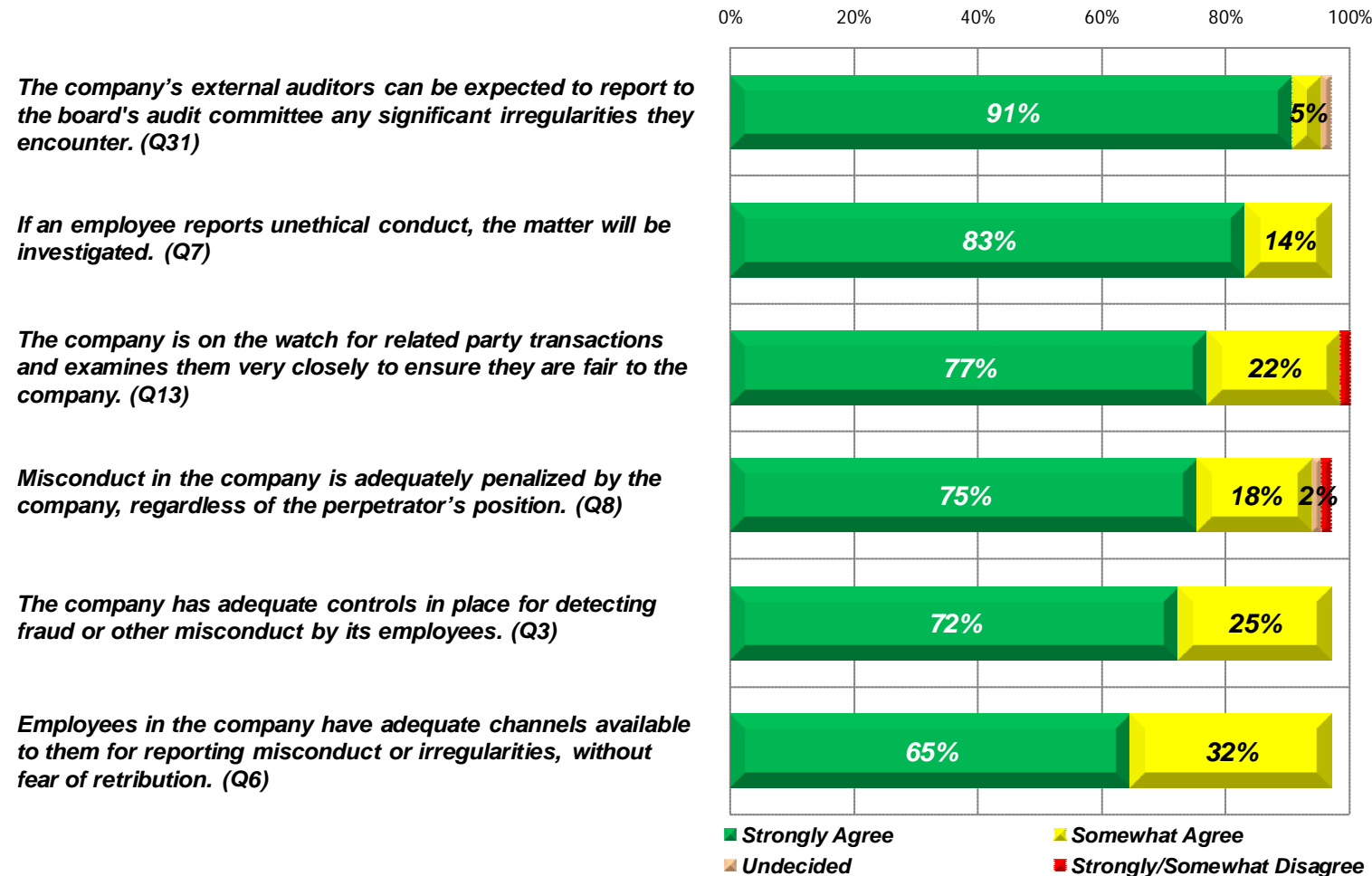
The survey included nine items related to the ethics of the company and its employees. The statement, "The board of directors in the company has clearly communicated to management that unethical behavior will not be tolerated," had the highest percent of "strongly agree" responses (95 percent). The statement, "The company requires all its employees to undertake ethics training," obtained the lowest percentage of "strongly agree" responses (34 percent). The negatively phrased statement, "In the company's view, being ethical would result in losing ground to competitors," was disagreed with in 72 percent of the responses.





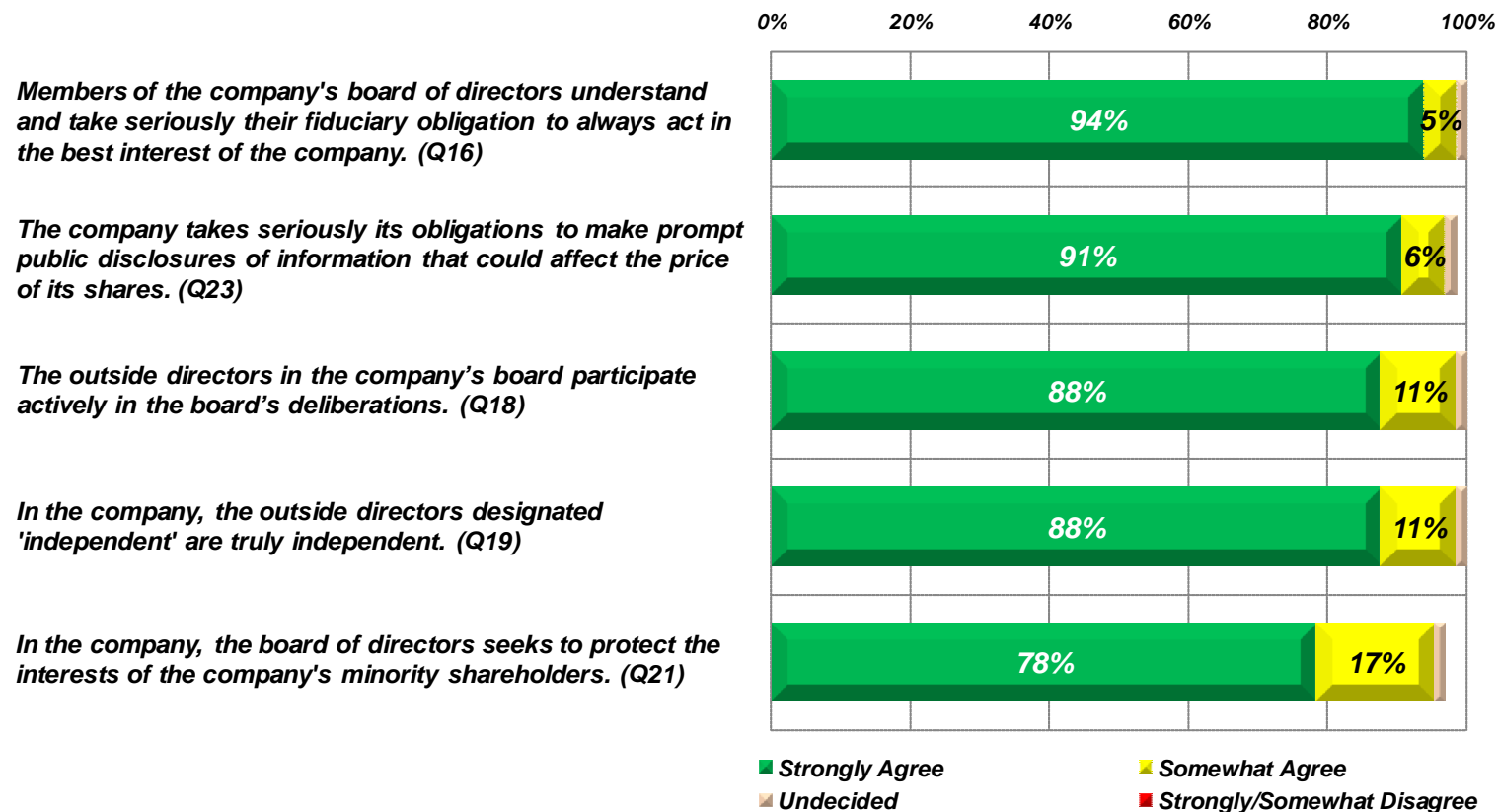
Systems and Controls

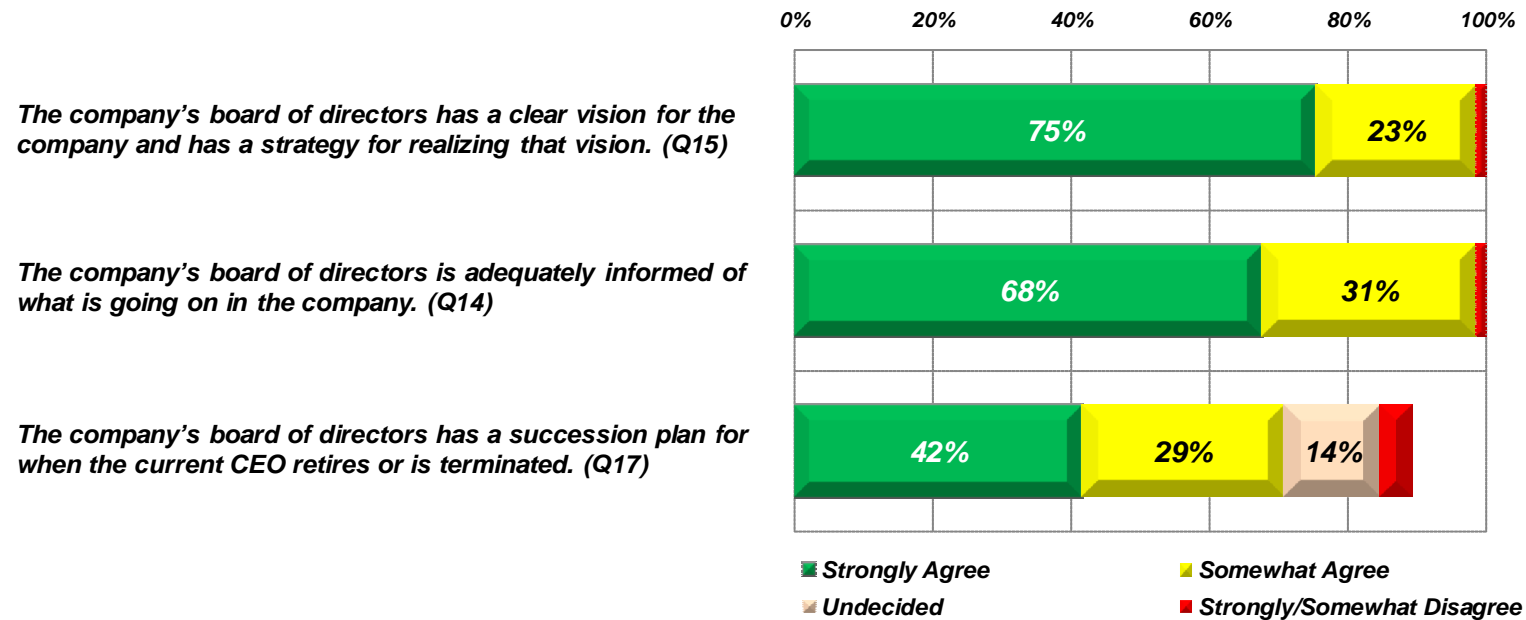
Six items in the survey pertained to the company's systems and controls for detecting, investigating, and penalizing misconduct or other unethical behavior. Responses to the test statements of "strongly agree" ranged from 65 to 91 percent.



Board Practices

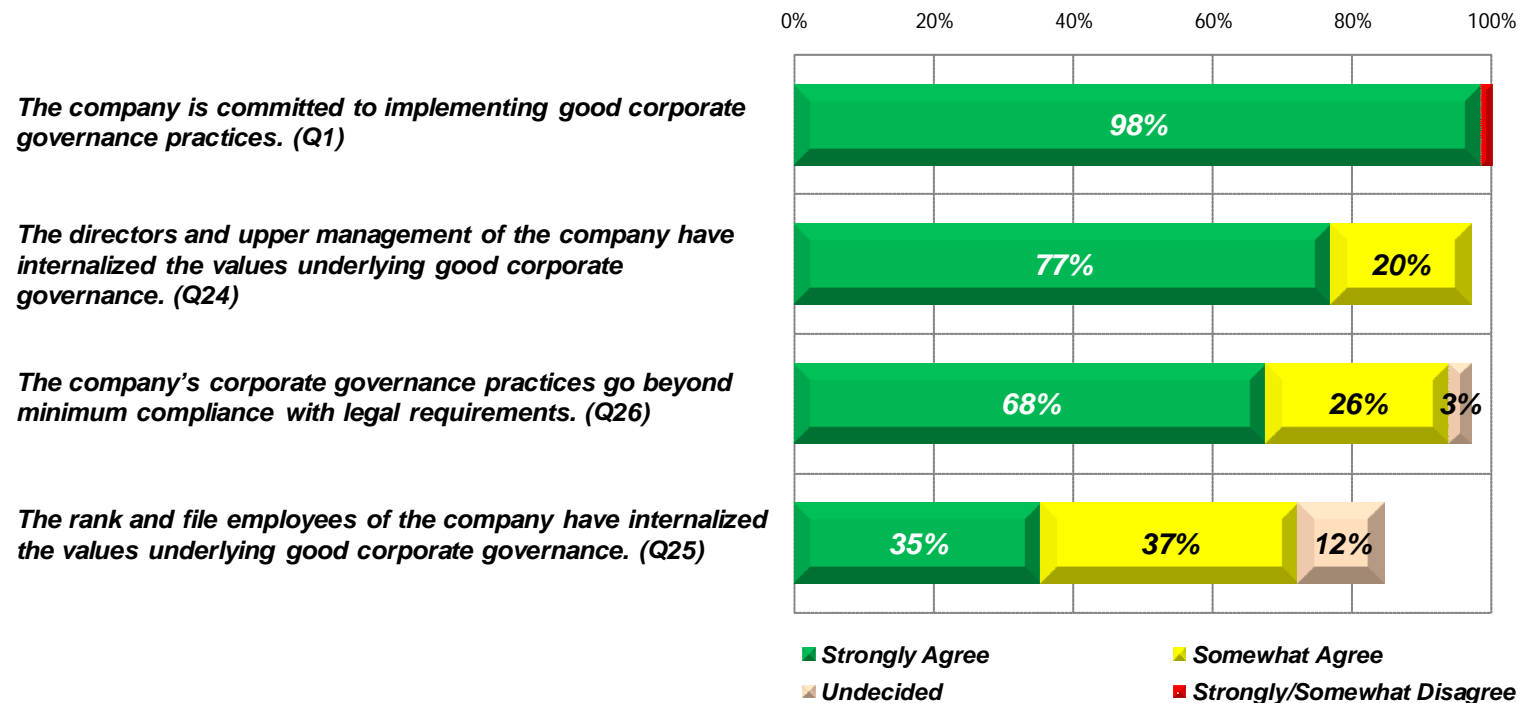
Eight items focused on board practices. The test statement, "Members of the company's board of directors understand and take seriously their fiduciary obligation to always act in the best interest of the company," received the highest percentage of "strongly agree" responses (94 percent). The test statement, "The company's board of directors has a succession plan for when the current CEO retires or is terminated," obtained the lowest percentage (42 percent).





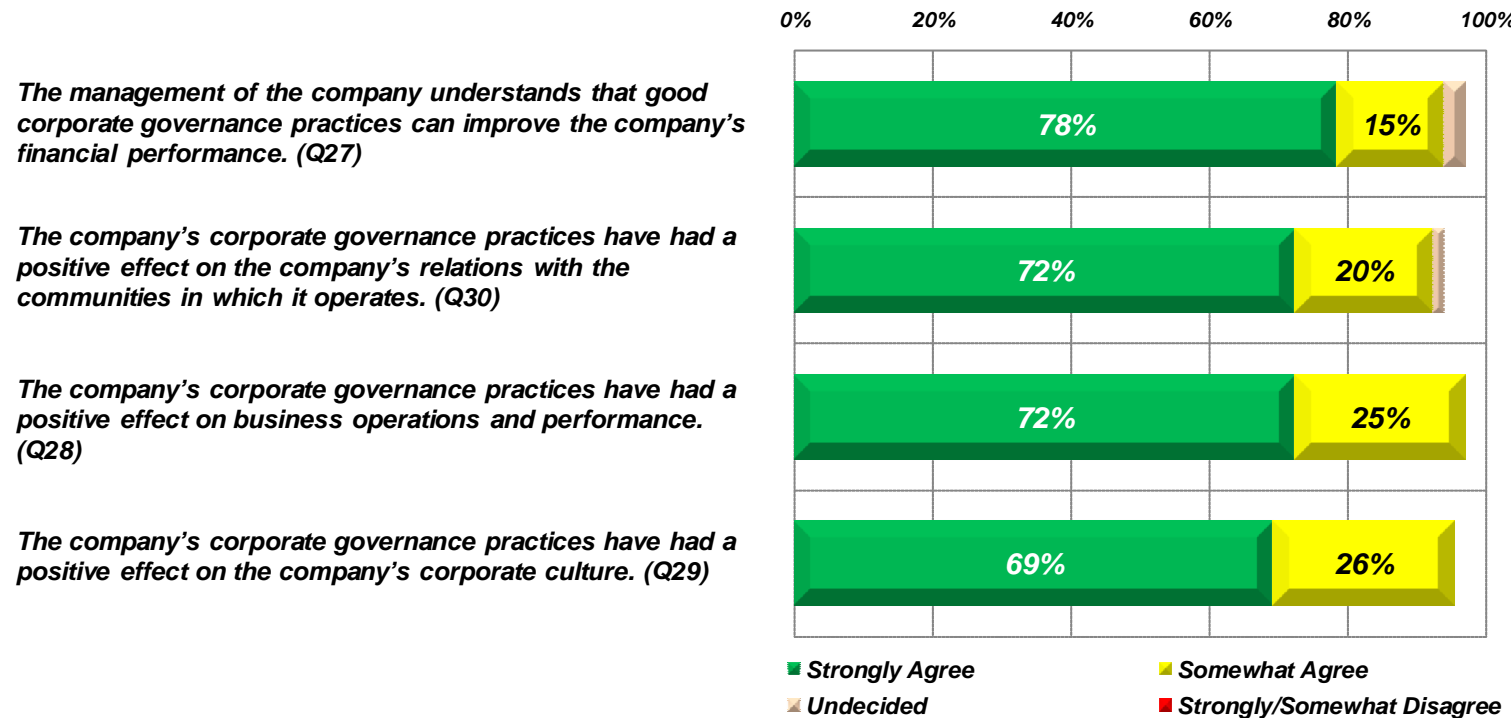
Commitment to Corporate Governance

Four survey items dealt with the company's commitment to good corporate governance and the internalization of the underlying principles of good corporate governance among employees. The test statement, "The company is committed to implementing good corporate governance practices," received the highest percentage of "strongly agree" responses (98 percent). The statement, "The rank and file employees of the company have internalized the values underlying good corporate governance," obtained the lowest percentage (35 percent).



Effects of Corporate Governance Practices

Four items sought information relating to the respondents' perceptions on the effects of their respective company's corporate governance practices on the company's corporate culture, operations and performance, and relations with outside communities. Responses to the test statements of "strongly agree" ranged from 69 to 78 percent.



2009 List of Top 100 Companies

2009 Rank	TOP 100 COMPANIES (By Revenue)	Change from 2008
1	Manila Electric Company	↑ ₁
2	Petron Corporation	↓ ₁
3	San Miguel Corporation	↔
4	SM Investments Corporation	↔
5	Philippine Long Distance Telephone Company	↔
6	JG Summit Holdings, Inc.	↔
7	Ayala Corporation	↑ ₁
8	San Miguel Pure Foods Company, Inc.	↑ ₃
9	Globe Telecom, Inc.	↑ ₃
10	PAL Holdings, Inc.	↔
11	First Philippine Holdings Corporation	↓ ₂
12	Universal Robina Corporation	↑ ₁
13	San Miguel Brewery, Inc.	↑ ₁
14	Banco de Oro Unibank, Inc.	↑ ₁
15	Jollibee Foods Corporation	↑ ₈

2009 Rank	TOP 100 COMPANIES (By Revenue)	Change from 2008
16	First Gen Corporation	↓ ₉
17	Metropolitan Bank & Trust Company	↓ ₁
18	Alliance Global Group, Inc.	↓ ₁
19	Bank of the Philippine Islands	↔
20	Ayala Land, Inc.	↓ ₂
21	DMCI Holdings, Inc.	↑ ₃
22	ABS-CBN Corporation	↔
23	Lopez Holdings Corporation / Benpres Holdings	↓ ₂
24	Energy Development Corporation	↑ ₁
25	Holcim Philippines, Inc.	↑ ₂
26	International Container Terminal Services, Inc.	↓ ₆
27	SM Prime Holdings, Inc.	↓ ₁
28	Ginebra San Miguel, Inc.	↑ ₄
29	Republic Cement Corporation	↑ ₄
30	Megaworld Corporation	↓ ₁

2009 Rank	TOP 100 COMPANIES (By Revenue)	Change from 2008
31	Rizal Commercial Banking Corporation	↔
32	Pepsi-Cola Products Philippines, Inc.	↑ ₂
33	Metro Pacific Investments Corporation	↑ ₇
34	Filinvest Development Corporation	↑ ₁
35	House of Investments, Inc.	↓ ₅
36	Digital Telecommunications Phils., Inc.	↑ ₅
37	GMA Network, Inc.	↓ ₁
38	China Banking Corporation	↓ ₁
39	Philippine National Bank	↓ ₁
40	Semirara Mining Corporation	↑ ₁₃
41	Union Bank of the Philippines, Inc.	↑ ₂
42	Aboitiz Transport System (ATSC) Corporation	↑ ₂
43	Robinsons Land Corporation	↓ ₁
44	Vista Land & Lifescapes, Inc.	↓ ₅
45	Alaska Milk Corporation	↔

2009 Rank	TOP 100 COMPANIES (By Revenue)	Change from 2008
46	Tanduay Holdings, Inc.	↑ ₂
47	Allied Banking Corporation	↑ ₂
48	Manila Water Company, Inc.	↑ ₃
49	Security Bank Corporation	↑ ₁
50	Philex Mining Corporation	↓ ₄
51	RFM Corporation	↑ ₄
52	Philippine Savings Bank	↑ ₄
53	Philippine Seven Corporation	↑ ₆
54	PNOC Exploration Corporation	↓ ₂
55	Cosmos Bottling Corporation	↓ ₁
56	Panasonic Manufacturing Philippines Corporation	↑ ₁
57	Roxas and Company, Inc.	↑ ₁
58	EEL Corporation	↓ ₁₁
59	Roxas Holdings, Inc.	↑ ₁
60	Phoenix Petroleum Philippines, Inc.	↑ ₅

2009 Rank	TOP 100 COMPANIES (By Revenue)	Change from 2008
61	Metro Pacific Tollways Corporation	↑2
62	SM Development Corporation	↑16
63	Chemrez Technologies, Inc.	↑1
64	Philippine Trust Company	↑3
65	Atlas Consolidated Mining and Development Corporation	New
66	Euro-Med Laboratories Phil., Inc.	↑16
67	Asian Terminals, Inc.	↑1
68	Aboitiz Equity Ventures, Inc.	↑21
69	Victorias Milling Company, Inc.	↑8
70	Leisure & Resorts World Corporation	↔
71	Phinma Corporation / Bacnotan Consolidated Industries, Inc.	↑3
72	Filinvest Land, Inc.	↓1
73	Paxys, Inc.	↓1
74	National Reinsurance Corporation of the Philippines	↓8
75	Ionics, Inc.	New

2009 Rank	TOP 100 COMPANIES (By Revenue)	Change from 2008
76	Philippine Bank of Communications	↓3
77	Manila Bulletin Publishing Corporation	↓1
78	First Metro Investment Corporation	↑2
79	Splash Corporation	↓4
80	Vitarich Corporation	↓1
81	Aboitiz Power Corporation	↓19
82	Mariwasa SIAM Holdings, Inc.	↑5
83	TKC Steel Corporation	↓22
84	Solid Group, Inc.	↑13
85	Alsons Consolidated Resources, Inc.	↓4
86	Cityland Development Corporation	↓2
87	Alliance Select Foods International, Inc. / Alliance Tuna International Inc.	↓4
88	Keppel Philippines Marine, Inc.	↓19
89	BDO Leasing and Finance	New
90	Empire East Land Holdings, Inc.	↑1

2009 Rank	TOP 100 COMPANIES (By Revenue)	Change from 2008
91	Eton Properties Philippines, Inc.	New
92	ATR KimEng Financial Corporation	↑ 4
93	Chinatrust (Phils.) Commercial Bank Corporation	↔
94	Manchester International Holdings Unlimited Corporation	↓ 8
95	Waterfront Philippines, Incorporated	↓ 3
96	Liberty Flour Mills, Inc.	↓ 8
97	Pryce Corporation	↓ 7
98	Pancake House, Inc.	↓ 6
99	Far Eastern University, Incorporated	↑ 1
100	SPC Power Corporation	New



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