Institute of Corporate Directors

ACGS

ASEAN CORPORATE GOVERNANCE SCORECARD

Philippine Results 2023

The Golden Arrow Recognition

The ASEAN Corporate Governance Scorecard (ACGS) measures the performance of the companies in the areas of facilitating the rights and the equitable treatment of shareholders, how they relate to their different stakeholders, ensuring transparency and accountability through timely disclosure of material information, and how the board guides the company strategically, monitors the management, and ensures the board's accountability to the company and the shareholders. The scorecard is composed of 184 questions based on publicly available disclosures on the companies' websites. It aims to raise the corporate governance standards and practices of the country and to make well-governed Philippine publicly listed companies attractive to investors.

The Golden Arrow is awarded to companies that achieved a score of at least 80 points in the ACGS Assessment. At this point, the company has exhibited observable conformance with the Philippine Code of Corporate Governance and internationally recommended corporate governance practices as espoused by the ACGS. Five (5) levels of performance in corporate governance will be conferred. Each ascending level is depicted by an increasing number of golden arrows, as follows:

ACGS score of 80 to 89 points	1-arrow recognition
ACGS score of 90 to 99 points	2-arrow recognition
ACGS score of 100 to 109 points	3-arrow recognition
ACGS score of 110 to 119 points	4-arrow recognition
ACGS score of 120 to 130 points	5-arrow recognition

This year, 136 companies will receive golden arrows. The event will bring together the corporate governance community and advocacy champions in the regulatory and business sectors symbolizing the continuing and concerted efforts to raise the level of competitiveness of our country.

ACGS

ASEAN CORPORATE GOVERNANCE SCORECARD

Publicly Listed Companies

Background

The ASEAN Corporate Governance Scorecard (ACGS or Scorecard) is an instrument for the assessment and ranking of publicly listed companies (PLCs) in six participating ASEAN countries— Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam. The ACGS is an initiative of the ASEAN Capital Markets Forum (ACMF) that started in collaboration with the Asian Development Bank in 2011. It is aimed at raising the corporate governance standards and practices among ASEAN PLCs, making well-governed ASEAN PLCs attractive to investors, and promoting ASEAN as an investment asset class.

Since November 2015, the Philippine Securities and Exchange Commission (SEC) has led ACMF Working Group D, the body directly responsible for the ACGS initiative. Assessment of PLCs under the ACGS is a two-stage process. The first is a local assessment conducted by the domestic ranking body (DRB) in the country. This is followed by peer review by the DRB from another country. In the Philippines, the SEC- appointed DRB is the Institute of Corporate Directors (ICD).

The Scorecard was benchmarked against international best practices that encourage PLCs to go beyond national legislative requirements. Its development was guided by the following principles:

The Scorecard should reflect global principles and internationally recognized good practices in corporate governance applicable to PLCs. In some instances, results may exceed the requirements and standards recommended in national legislation.

The Scorecard should aim to encourage PLCs to adopt higher standards and aspirations.

The Scorecard should be comprehensive in coverage, capturing the salient elements of corporate governance.

The Scorecard should be universal and applicable to different markets in ASEAN.

The methodology should be robust to allow the accurate assessment of the corporate governance of PLCs beyond minimum compliance and box ticking.

There should be extensive and robust quality assurance processes to ensure the independence and reliability of the assessment.

The Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance, given its global acceptance by policy makers, investors, and other stakeholders were used as the main benchmark for the ACGS. Many of the items in the Scorecard are best practices that may go beyond the requirements of national legislation.

In 2015, the OECD released its revised Principles of Corporate Governance which were subsequently endorsed by the G20. In light of this development, the ACMF initiated a review of the ACGS to align with the recent developments and emerging corporate governance practices. The review was concluded in May 2017 and the resulting revised version of the Scorecard was used in the 2017 assessment run.

Methodology

The Scorecard covers the same five areas of the OECD principles:

Part A
Rights of Shareholders

Part B
Equitable Treatment of Shareholders

Part C
Role of Stakeholders

Part D
Disclosure and Transparency

Part E
Responsibilities of the Board

Two-level scoring is done in the assessment of PLCs. This methodology captures the actual implementation of the substance of good corporate governance. Level 1 comprises descriptors or items that are, in essence, indicative of the laws, rules, regulations, and requirements of each ASEAN member state and the basic expectations of the OECD principles. Level 2 consists of bonus items reflecting emerging good practices and penalty items reflecting actions and events that are indicative of poor governance.

The assessment of corporate governance practices of PLCs is primarily based on publicly available and accessible information contained in the annual report of a PLC, and the website of the state securities commission and of the local stock exchange. Other sources of information considered are company announcements, notices, circulars, articles of association, minutes of shareholders' meetings, corporate governance policies, codes of conduct, and sustainability reports. To be given points on the Scorecard, all disclosures must be unambiguous and sufficiently complete.

The weight allocated to each area of the revised Scorecard is as follows for **Publicly Listed Companies:**

Level 1: Five Sections that correspond to the OECD Principles	No. of Items	Weight (points)
Part A. Rights of Shareholders	21	10
Part B. Equitable Treatment of Shareholders	15	10
Part C. Role of Stakeholders	13	15
Part D. Disclosure and Transparency	32	25
Part E. Board Responsibility	65	40
Level 1 Subtotal	**146**	**100**
Level 2: Two Additional Sections		**Maximum points**
Bonus (practices beyond minimum standards)	13	+30
Penalty (for poor practices)	25	-67
Level 2 Subtotal	**38**	
TOTAL of Level 1 & Level 2	**184**	**130**

The assessment process entails two rounds of assessments, with the DRBs assessing and ranking their respective domestic PLCs in round one, followed by peer review by other DRBs in round two. The peer review process is what differentiates this exercise from other corporate governance assessments. Following peer review, the local DRB and the peer reviewer DRB carry out engagements and discussions to reconcile any differences in their scores and to agree on a final score for each PLC. As the assessments are based primarily on disclosures, the ACMF introduced a third step in the 2017 run; an independent party was appointed to validate key corporate governance practices of the companies being assessed by way of a face-to-face interview with the companies' board of directors and key officers.

Recommended Practices under the ACGS

A. Rights of Shareholders

The corporate governance framework should protect and facilitate the exercise of shareholders' rights.

Call for Annual Shareholders' Meeting (ASM)

- The Notice of ASM should be issued at least 21 days before the event.
- Shareholders should be able to nominate candidates to the board and, may be subject to certain qualifications, to place items on the agenda of the ASM.

The Notice of ASM should include the following:

- Rationale and explanation for each item requiring shareholders' approval.
- Profile of candidates to the board with at least the age, academic qualification, date of first appointment, relative experience, and directorship in other listed companies.
- Identity of the external auditor seeking appointment.
- Proxy documents.

Conduct of ASM

- All directors should be present.
- The company should vote by poll.
- There should be an independent party appointed to count and/or validate the votes.
- Shareholders should be given the opportunity to ask questions or raise concerns. Questions and answers should be recorded in the Minutes of the ASM

Result of ASM

- The result of ASM should be published within one business day after the event.
- Disclosure of voting results should include the number of approving, dissenting, and abstaining votes.

Other recommended practices

- Dividends should be paid in a timely manner. Cash dividends should be paid within 30 days after declaration and approval. Scrip dividends should be paid within 60 days.
- The company should have a program encouraging the engagement of shareholders beyond attending ASM.
- In case of merger and acquisition, the company should appoint an independent party to evaluate the fairness of the transaction price.

B. Equitable Treatment of Shareholders

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders.

Managing conflicts of interest

- The company should observe the principle of “one common share one vote.
- A clear policy prohibiting any director, officer, or employee benefiting from knowledge not available to the general public.
- Disclosure of dealing or transactions in company shares on the part of any director, officer, or employee within 3 business days.
- Summary of tradings of directors and key officers on company shares are disclosed in the company website and/ or annual reports.

Managing conflicts of interest

- Policy on the review and approval of RPTs.
- The company should have a committee with no executive director member that will review material RPTs. The company may form an RPT Committee.
- Details of RPTs should be disclosed, i.e., name, relationship, nature, and value.
- All RPTs should be conducted in a fair and at arm’s length basis

C. Role of Stakeholders

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active cooperation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

Relating to external stakeholders

The company should have a policy and implemented activities relating to:

- Consumers’ and customers’ welfare
- Supplier and contractor selection procedures
- Environmentally-friendly value chain
- Positive interaction with communities impacted by corporate operations
- Anti-corruption programs and procedures
- Safeguarding creditors’ rights
- Separate corporate social responsibility report/section

Relating to internal stakeholders

Mechanisms for employee participation should be permitted to develop. The company should articulate clear policies and disclose relevant information affecting ts employees:

- Health, safety, and over-all welfare
- Training and development (i.e. investment in learning and growth)
- Reward and compensation policy promoting the long-term performance of the company (beyond short-term financial measures)

Whistleblowing policy

A robust system that includes procedures for complaints by employees and other stakeholders concerning alleged illegal and unethical behavior, including the protection of reporters from retaliation. Contact details should be easily available in the company's website and/or annual report.

The adoption of an internationally recognized framework for sustainability reporting is ideal.

D. Disclosure and Transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

Transparent ownership structure

Disclose the following information on the ownership of the company:

- Those who own or have beneficial ownership of at least 5% of the shares of the company.
- Ownership of the shares may be direct or indirect on the part of substantial owners, directors, and officers.
- Information on subsidiaries, joint ventures, special purpose vehicles of the company; and the participation in them of substantial owners, directors, and officers.

Annual Report

The Annual Report is expected to include:

- Financial performance indicators;
- Non-financial performance indicators;
- Corporate objectives with performance targets.;
- Dividend policy and its specific application to the year being reported;
- Information on currently serving directors including age, qualifications, attendance at continuing education program for directors, attendance at meetings of the board and its committees, and remuneration (on a per director basis);
- .A board statement confirming the company's full compliance with the SEC Code of Corporate Governance and where there is non-compliance, explaining the reasons for each case;
- A report on insider trading and RPT; and
- Audit and non-audit fees paid to the external auditor

Other elements of the disclosure regime that need to be in place:

- Quarterly reporting, analysts' briefing, and media briefing.
- Timely submission of the audited financial report (best if after 60 days from the close of the financial year; absolutely necessary within 120 days after the close of the year being reported); there has to be a certification from key officers (if not from the board) that the financial report is fair and true.
- Maintenance of an active website with downloadable annual reports, performance reports, record of AGM, and ownership structure.
- An Investors Relations Office with contact parameters including those of the officer-in-charge.

E. Responsibilities of the Board

The corporate governance framework should ensure the strategic guidance of the company by the board, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

Fundamental Functions

The first item is for the company to adopt a Code of Corporate Governance, as mandated by the SEC. Within that Code, there has to be a clear specification of the duties and responsibilities of the board, as mandated by law. Among the duties to be included are:

- Final approval and adoption of corporate strategy along with oversight over strategy execution.
- Final approval of key policies directing the operations of the company, including policy related to corporate strategy and its execution.

- Performance monitoring (covering both financial and non-financial aspects) of corporate operations.
- Oversight of risk management and setting up of accountability systems.
- Promotion of a culture of ethics, social responsibility, and good governance.
- Adoption of a board charter or protocol, which guides the board on its internal processes, including the specification of decisions requiring board approval. As a fundamental reference for all board decisions and actions, it has to adopt and promulgate:
  - A corporate vision
  - A corporate mission (founded upon corporate core values)
  - The board periodically revisits and reviews the corporate vision, mission, and core values. The corporate strategy is reviewed annually.
  - The board pro-actively oversees strategy execution and sets up a proper mechanism for its key oversight function.

On risk management and internal control systems:

- The head of internal audit is identified.
- Key risks are identified and disclosed. Disclosure of IT governance process and how it is being reported to the board is encouraged.
- The board should review the internal control and risk management systems periodically and comment on their adequacy.

Board structure and composition

- The roles of the Chairman and the CEO should be separated.
- The roles and responsibilities of the Chairman are defined and delineated.
- Ideally, the Chairman should be an independent director. If the Chairman is not independent, the company should appoint a lead independent director.
- One of the non-executive directors should have prior experience within the sector or industry to which the company belongs.
- A non-executive director should not be the CEO in the past two years.
- Non-executive directors and independent directors should not serve in more than 5 boards of publicly listed companies.
- Ideally, 50% of all board seats should be occupied by independent directors.
- Independent directors should serve no more than a total of nine years in a given board.

Board committees

- Should be chaired by an independent directors.
- Should be comprised of a majority of independent directors.
- Should meet at least twice a year, except Audit Committee which should meet at least four times a year.
- Attendance details in committee meetings should be disclosed.
- Committee charters should be disclosed.

The charter of the Audit Committee should include:

- Recommendation on the approval and removal of the external auditor
- Approval of the appointment and removal of internal auditor
- It is recommended to have a separate board-level Risk Oversight Committee

Board processes

- Meetings of the board are scheduled in advance, set before the start of the year.
- The board should meet at least 6 times a year.
- Directors should be able to attend at least 75% of all board meetings.
- For determining a quorum at meetings, a two-thirds threshold is to be observed.
- Non-executive directors are to meet once a year, without the presence of any executive directors.

Access to information

- Meeting materials should be sent to the board at least five working days ahead.
- Identity of the corporate secretary is disclosed.
- The corporate secretary should have legal or accounting or company secretarial background.

On remuneration matters, the following should be disclosed:

- Remuneration policy for executive directors
- Fee structure for non-executive directors and independent directors

Board development

The Manual on Corporate Governance should include items related to the “skills and competencies” of directors. These items are:

- The board adopts and practices a policy of diversity within the board. The board should set a measurable objective on diversity and report on its progress.
- The Nomination Committee should ensure that the qualities of the candidates for the board are aligned with the company’s strategic direction. The company is encouraged to use external sources when searching candidates to the board.
- Directors go through an orientation program on corporate governance.
- The board should have a policy actively encouraging directors to attend continuing education programs on corporate directorship.
- The board articulates the policy and the conduct of performance appraisal, starting at the board level. The company discloses the process—as well as the criteria—for the conduct of a board performance appraisal.
- Performance appraisal is not limited to the board as a collegial body. It extends to individual directors and board committees. In this case, both the process and criteria used in conducting individual director and board committee performance appraisal should be disclosed.
- The performance appraisal of the CEO should be separately undertaken. The criteria to be used should relate to overall corporate performance in pursuit of the corporate strategy map or road map.

Philippine Corporate Governance Initiatives

Publicly Listed Companies

The Philippines officially launched its participation in the ASEAN Corporate Governance Scorecard on 11 September 2012. The Securities and Exchange Commission (SEC) has been working on the improvement of corporate governance practices in the Philippines since the adoption of the Scorecard.

In 2013, the SEC, along with the Institute of Corporate Directors (ICD), launched an information campaign to familiarize PLCs, other government regulators, and investors on the objectives and mechanics of the Scorecard. The SEC required all PLCs to issue an Annual Corporate Governance Report (ACGR), which is intended to consolidate all the governance policies and procedures of each PLC into one report for ease of reference.

The SEC further required that all PLCs post their ACGR on their corporate websites. In December 2013, the SEC directed all key officers and members of the board of PLCs to attend a training program on corporate governance at least once a year.

The SEC has recognized the need to update the primary codes that comprised the corporate governance framework in the Philippines.

By the first half of 2014, the SEC had amended the Code of Corporate Governance to include “other stakeholders” in the company’s responsibilities. To improve the quality of PLCs’ websites, the SEC recommended a template for PLCs to follow in organizing disclosures made online. PLCs were also directed to post the minutes of all general or special meetings within 5 days from the actual date of the meeting.

In 2015, the SEC published the Philippine Corporate Governance Blueprint to serve as a 5- year roadmap for building a strong corporate governance framework. The blueprint was developed through a process that combined using the OECD principles as the reference point for international best practice and through consultation with local publicly listed companies (PLCs), governance advocates, academe, and corporate governance stakeholders.

In line with globally accepted regulatory principles, the guidelines contemplated under the blueprint would be geared not only toward compliance, but also toward enabling companies to deliver performance that contribute to the country’s economic and social progress. In this regard, certain identified strategic priorities have been pursued.

In November 2016, the SEC released the Code of Corporate Governance for PLCs, which was designed to raise the corporate governance standards of Philippine corporations to a level at par with its regional and global counterparts. This CG Code was developed using as key reference the Principles of Corporate Governance of the OECD and the ASEAN Corporate Governance Scorecard (ACGS) of the ASEAN Capital Market Forum (ACMF).

Accordingly, the PLCs were required to each submit a new Manual on Corporate Governance. The code applies the “comply or explain” approach which combines voluntary compliance with mandatory disclosure. Each of the companies covered by the CG code must state in its annual corporate governance report whether it is compliant with the Code’s regulatory provisions, identify any areas of noncompliance, and explain the reasons for noncompliance.

Also in 2016, a bill was filed in Congress for the revision of the Corporation Code of the Philippines, which was enacted way back in May 1980. While most of the provisions of this law were considered good, it had provisions that many consider antiquated and no longer compatible with current developments.

The SEC has issued the Integrated Annual Corporate Governance Report (I-ACGR) in 2017, wherein the corporate governance recommendations of Securities and Exchange Commission under the Code of Corporate Governance and Philippine Stock Exchange were harmonized. It must be submitted to the Commission and filed in the companies’ website in an annual basis. It should also be signed by the company’s Chairman of the Board, Chief Executive Officer or President, all Independent Directors, Compliance Officer, and Corporate Secretary.

The Republic Act No. 11232, Revised Corporation Code of the Philippines was implemented on February 23, 2019. It amended the old corporation code and promoted significant changes in the legal framework in the operation of private corporations in the Philippines. It intends to improve the ease of doing business in the country. It simplifies corporate registration, strengthens corporate governance, and amends some existing regulations.

Moreover, In the same year, the SEC released Memorandum Circular – No. 4, pertaining to the Sustainability reporting guidelines for all Philippine Publicly Listed Companies (PLCs). This is to promote sustainability and help the PLCs assess and manage their non-financial performance and enable the companies to measure and monitor their contributions towards achieving universal targets of sustainability. The report will be submitted together with the Annual Report (SEC 17-A).

In addition to the Initiatives mentioned, The Bangko Sentral ng Pilipinas, released the Memorandum Circular No. M-2023-042 to inform all Banks of the initial steps or approaches they may consider for the Implementation of the Environmental and Social Risk Management (ESRM) System. This was released in September 2023.

Being the Philippines’ Domestic Ranking Body (DRB), the ICD Ph facilitated the scoring of all PLCs. The assessment involved selecting and validating the Top 100 Publicly Listed Companies based on market capitalization, and submitting their scores to the ASEAN Capital Markets Forum (ACMF).

2023 ASEAN Corporate Governance Scorecard (ACGS) Performance of Philippine Publicly Listed Companies

Executive Summary

For the past decade since the creation of the ASEAN Corporate Governance Scorecard (ACGS) in 2012, the ACGS has been instrumental in raising the bar of corporate governance of publicly listed companies in the Philippines. Given the emerging trends in the industry and its focus on sustainability, ACGS plays a vital role in aiding companies in the development of its higher level of performance and open greater opportunities regarding their corporate governance performance, particularly during this period and for the years ahead.

In the 2023 ACGS Assessment of 276 Philippine Publicly Listed Companies, the Institute of Corporate Directors Philippines noted an average score of 75.71 points which is slightly lower than the 76.64-point average in the 2022 ACGS assessment. Despite this slight decrease, the consistency in PLCs' corporate governance performance was still observed in the 2023 ACGS assessment. Additionally, the Top 100 PLCs according to Market Capitalization have an average score of 90.64, compared to 90.68 points in 2022 which also shows a minimal decline. Furthermore, there was an increase in PH PLCs scoring 80 points and above, from a total of 109 companies in 2022 to a total of 111 companies in 2023.

With the gradual improvement from experiencing the pandemic, PH PLCs demonstrate a distinctive trait of resilience and adaptability to changes and emerging trends. Although there was a slight decline in most parts of the assessment, companies' board of directors continuously guided their respective organizations toward sustainability. Notably, some improvements were observed, such as the timely release of the Audited Annual Financial Report and Annual Report by companies, resulting in a significant improvement in this year's assessment.

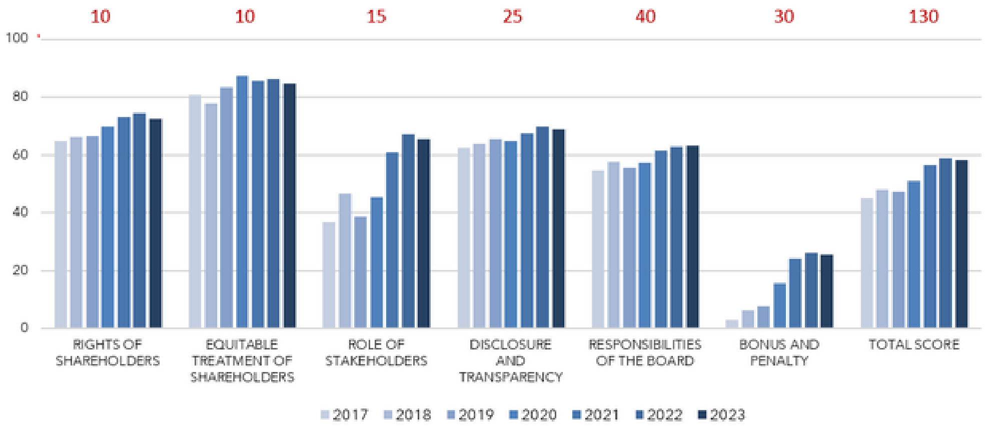
Generally, the country's overall performance consistency can be attributed to the initiatives taken by the Securities and Exchange Commission (SEC) through memorandum circulars and the commitment of companies to continuously enhance their corporate governance performance. This collective effort raises the standard of corporate governance within the industry. It also represents a collaborative effort between regulators and PLCs to achieve a shared economic goal.

Assessment Findings

2023 ACGS for 276 Philippine Publicly Listed Companies

The 276 Philippine PLCs were assessed during the 2023 ACGS Assessment and the total average score of all PLCs is 75.71 points.

HIGHEST ATTAINABLE SCORE PER SECTION



2017	4.65	9.12	3.06	7.84	14.36	0.70	39.73
2018	6.49	8.07	5.52	15.64	21.81	0.91	58.43
2019	5.97	7.97	3.58	14.24	18.83	-0.24	49.95
2020	6.97	8.73	6.76	16.23	22.87	4.71	66.30
2021	7.31	8.57	9.14	16.89	24.58	7.28	73.80
2022	7.44	8.62	10.10	17.48	25.10	7.90	76.64
2023	7.26	8.48	9.84	17.25	25.23	7.64	75.71

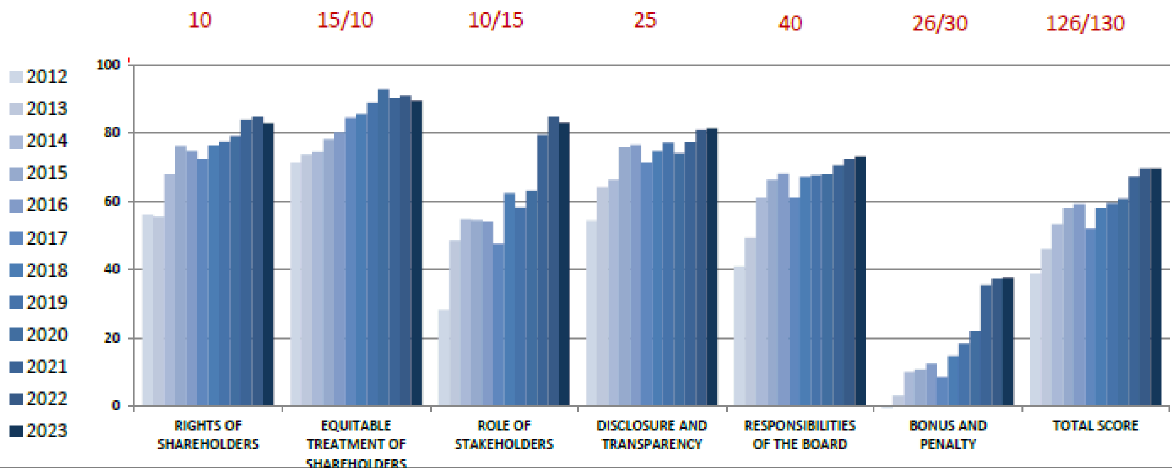
Since the launch of the ASEAN CG scorecard in the Philippines, the companies have gradually adopted the recommended best corporate governance practices. Some companies started to improve their disclosures and adhere to the corporate governance-related regulations implemented.

The performance of the Publicly Listed Companies in the ACGS has shown a consistent improvement over the past five years, although it experienced a minimal decline in this year's assessment. The performance of the 276 PLCs has decreased by 0.93 points in the 2023 assessment when compared to the 2022 results. In general, it is observed in the chart that there has been a slight decrease in most of all categories of the scorecard, most notably in the Role of Stakeholders (-0.26 points in 2023 vs. 2022 results), Disclosure and Transparency (-0.23 points in 2022 vs. 2023 results), and Bonus and Penalty section (-0.26 points in 2022 vs. 2023 results).

Top 100 PLCs According to Market Capitalization

The 2023 ACGS assessment was conducted on each of the top 100 Philippine PLCs as selected based on market capitalization as of 28 April 2023. The improvements in the total average scores across the years are shown in the chart below:

HIGHEST ATTAINABLE SCORE PER SECTION



2012	5.61	10.71	2.81	13.58	16.35	-0.14	48.91	
2013	5.55	11.06	4.85	16.03	19.71	0.78	58.00	With regional assessmer
2014	6.79	11.17	5.48	16.57	24.41	2.60	67.02	
2015	7.62	11.74	5.45	18.96	26.51	2.79	73.09	
2016	7.48	12.03	5.41	19.12	27.23	3.24	74.51	Domestic assessment onl
2017	7.24	8.45	7.13	17.83	24.40	2.57	67.61	With regional assessment
2018	7.63	8.57	9.35	18.67	26.88	4.37	75.47	Domestic assessment onl
2019	7.75	8.88	8.72	19.29	27.10	5.51	77.24	With regional assessment
2020	7.91	9.28	9.46	18.55	27.15	6.59	78.95	Domestic assessment onl
2021	8.39	9.02	11.93	19.33	28.23	10.65	87.55	With regional assessment
2022	8.48	9.11	12.72	20.22	28.96	11.19	90.68	Domestic assessment onl
2023	**8.29**	**8.96**	**12.47**	**20.35**	**29.28**	**11.29**	**90.64**	

The performance of the Top 100 PLCs has decreased by 0.04 points in the 2023 assessment when compared to the 2022 results wherein both years do not have a regional peer-review process. Generally, it is observed in the chart that there have been improvements in Disclosure and Transparency (+0.13 points 2022 vs. 2023 results), Responsibilities of the Board (+0.32 points 2022 vs. 2023 results), and Bonus and Penalty section (+0.10 points 2022 vs. 2023 results). However, there has been a slight decrease in Rights of Shareholders (-0.19 points 2022 vs. 2023 results), Equitable Treatment of Shareholders (-0.15 points 2022 vs. 2023 results) and Role of Stakeholders (-0.25 points 2022 vs. 2023 results).

Conclusion and Recommendations

Philippine Publicly Listed Companies (PH PLCs) have significantly improved their industry's overall performance by demonstrating heightened dedication to transparency and enhancement. This is reflected in the increased disclosure of corporate governance documents, fostering accountability, and building trust among stakeholders. Despite a marginal decline in industry performance regarding the role of stakeholders, PH PLCs' Board of Directors exhibited elevated rigor in fulfilling duties, positively influencing sustainability and industry performance. The emphasis on environmental, social, and governance (ESG) issues equips companies to navigate long-term challenges. By investing in corporate governance enhancements, PH PLCs have a valuable opportunity to increase their worth, benefiting not only the companies themselves but also investors and stakeholders. Prioritizing corporate governance improvements strategically strengthens resilience and promotes sustained growth, aligning with the evolving landscape of corporate responsibility and ethical business practices.

The 2023 ACGS assessment highlights the importance of regular disclosure of documents related to Annual Shareholders' Meetings (ASMs) by PH PLCs which includes the meeting minutes and notices. Another recommendation is reporting their complete Annual Reports on their company websites in a timely manner, with a date and time stamp, preferably. Such transparency not only meets the ACGS criteria but also enhances stakeholder engagement by offering valuable insights into the companies' operations and dealings. By adopting this proactive approach to disclosure, companies not only adhere to ACGS standards but also contribute to an environment of transparency and accountability. This, in turn, fosters trust among stakeholders and demonstrates a commitment to the best corporate governance practices. As the landscape of corporate governance evolves, staying aligned with the ACGS and prioritizing transparent communication will undoubtedly contribute to the long-term success and credibility of Philippine Publicly Listed Companies.

Furthermore, companies are encouraged to enhance transparency and cohesiveness in reporting their sustainability policies and efforts, given the increasing significance of sustainability in the realm of corporate governance success. In this context, it becomes crucial for regulators to institute more stringent guidelines and measures. This proactive approach ensures that companies fully integrate recommended corporate governance standards into their strategies and practices. The synergy between regulators and companies is vital, necessitating a systematic collaboration to achieve a consistently rising rate of compliance and adherence to corporate governance standards. Ultimately, this alignment is essential for the sustained advancement of corporate governance within PH PLCs.

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ASEAN CORPORATE GOVERNANCE SCORECARD

Insurance Companies

Insurance Companies

With the recent developments in corporate governance, the Insurance Commission (IC) has implemented numerous policies that aims to elevate the corporate governance performance of the industry in adherence to leading principles and practices. These include the adoption of the Circular Letters from the Commission.

Initiated in 2013, with Circular Letter No. 2013-14, which mandated the ASEAN Corporate Governance Scorecard (ACGS), enjoining Insurance Commission Regulated Companies (ICRCs) to develop their company websites and post their responses to the ACGS questionnaire.

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Later, in 2020, The Commission released 2 Circular Letters to further enhance the Corporate Governance performance of the sector. Circular Letter No. 2020-71 espoused the Revised Code of Corporate Governance, patterned with internationally recognized standards and practices as well as the Securities and Exchange Commission's Code of Corporate Governance for Publicly Listed Companies, to address the evolving and emerging conditions related to regulatory environment, risk management, accountability, consumer and stakeholder interests; and Circular Letter No. 2020-72 required the submission of Annual Corporate Governance Report every 30th of May to assess ICRC's observance of different principles and implementations of the Insurance Code of the Corporate Governance as well as to further strengthen financial and catastrophe resilience.

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2023 Corporate Governance Scorecard Performance of Insurance Companies

Executive Summary

It is indisputable that promoting sound corporate governance is crucial, but its implementation continues to be difficult. With this in consideration, the implementation of the ASEAN Corporate Governance Scorecard (ACGS) in 2015 has enabled the yearly evaluation of Insurance Commission Regulated Companies (ICRCs) to improve the insurance industry's corporate governance standards.

The corporate governance of the insurance industry has been consistently growing in the last seven years as assessed by the ACGS. However, for the 2023 Corporate Governance Scorecard Assessment, the total average score of the sector is 54.90 points, a decrease of 0.23 points from the 2022 results. Average scores in three sections of the ACGS, namely Part C (Role of Stakeholders in CG), Part E (Responsibilities of the Board), and Bonus and Penalty have improved. Most insurance companies scored below 50 points, with the majority scoring only between 30 to 40 points. Only 25 companies have attained 80 points and above based on this year's assessments.

Still, several companies have not disclosed their most recent Notice and Minutes of Annual Stockholders'/General Meeting, contributing to the decline in score. Likewise, companies with no disclosures on related party transactions remained high this year. The industry still needs to work on disclosing its policies and practices related to both external (i.e., customers, suppliers, environment, community, and creditors) and internal (employees) stakeholders. Companies with sustainability sections and/or reports have increased to more than 90 but generally, still small in numbers.

The majority of the boards of ICRCs have yet to adopt a minimum quorum of two-thirds for board meetings. In addition to this, the board members should ensure to have at least 75% attendance in all their board meetings. Though more companies now have at least six board meetings in the year, attendance seemed to decline, hence, a point of improvement for the industry. In regard to the information on remuneration matters, including remuneration policy for executive directors and fee structure for non-executive and independent directors, an actively decreasing rate has been seen and must be addressed by the industry.

In summary, the ASEAN companies that perform well in the ASEAN Corporate Governance Scorecard (ACGS) assessment are more attractive to investors.1 The ACGS assessment will continue annually to raise the corporate governance standards of the Insurance Commission Regulated Companies and make them attractive to the insuring public.

Background

The ASEAN Corporate Governance Scorecard (ACGS) was developed based on international benchmarks such as the G20/Organization for Economic Co-operation and Development (OECD) Principles of Corporate Governance, the International Corporate Governance Network Corporate (ICGN) Governance Principles, as well as industry-leading practices from ASEAN and the world2. The ACGS is a tool used to evaluate corporate governance practices.

It is the policy of the Insurance Commission to raise the bar of corporate governance in the insurance industry by adopting the corporate governance best practices in the ASEAN region. In its Circular Letter No. 14-2013, the Insurance Commission (IC) mandated the adoption of the ACGS to all insurance companies and mutual benefit associations (MBA) enjoining covered companies to develop their company websites and post their responses to the ACGS questionnaire with supporting documents. The Institute of Corporate Directors (ICD) was accredited to conduct the assessment of the covered companies.

Parts of the Scorecard

The ACGS covers five areas of the G20/OECD Principles of Corporate Governance:

A. Rights of Shareholders
The Rights of Shareholders category determines the company's attitude toward the shareholders, especially to those other than with a controlling interest, i.e., the minority and/or the institutional shareholders. It ensures that the corporate governance framework protects and facilitates the exercise of all shareholders' rights. It uses indicators like the attitude of the company to the Annual Stockholders/General Meeting and voting rights given to shareholders on matters of fundamental concerns to the corporation.

B. Equitable Treatment of Shareholders
This category ensures fair treatment of all shareholders and has virtually the same coverage as the first principle, the Rights of Shareholders. It, however, has a more specific focus on the protection of minority shareholders, i.e. those shareholders who do not enjoy a controlling interest in the company, from possible manipulation from controlling shareholders.

C. Role of Shareholders in Corporate Governance
After due emphasis has been given to the rights of shareholders, including the protection of the rights of minority shareholders, attention is properly shifted to other stakeholders, i.e., other parties that have non-equity stakes in the company. Several of these stakeholders are specifically cited (customers, suppliers, environment, community, creditors, and employees). Not only policies but also activities to respect, defend, and promote the rights of these other stakeholders need to be laid out, articulated, and undertaken.

D. Disclosure and Transparency
Disclosure is one of two major demands of modern corporate governance. There is a presumption in corporate governance that fuller and more transparent disclosure is a major effective deterrent against corporate governance malpractices. The chapter on disclosure identifies the items companies must disclose to the public to better secure observance of good corporate governance practices. It is expected that companies disclose material information accurately and in a timely manner.

E. Responsibilities of the Board
The second major demand of modern corporate governance is for the Board of Directors to step up the plate and actively take on the role—the duties and responsibilities— that the laws, rules, and regulations vest upon them. The board has the original task, which carries with it the fiduciary duty, of managing the affairs of the company. The first concern that must be fully addressed is the formulation of a corporate governance policy and within it the definition of board responsibilities.

Methodology

The basis of the assessment is publicly available and accessible information from the regulator and insurance companies and mutual-benefit association's (MBA) websites, including posted documents such as Company By-Laws, Corporate Governance Manual including company policies, Code of Ethics, Notice and Minutes of the Annual Stockholders/General Meeting, Audited Annual Financial Statement, and Annual Report.

Two levels of scoring were designed to better capture the substance of good corporate governance. Level 1 comprises items relating to (i) the laws, rules, regulations, and requirements of the IC; and (ii) basic expectations of the OECD principles. Level 2 consists of (i) bonus items reflecting other emerging good practices, and (ii) penalty items reflecting actions and events that are indicative of poor governance.

Since the first assessment in 2015, the IC has continued to prescribe the 2014 version of the ACGS, in which the weights allocated to the five areas are as follows:

Level 1: Five major sections corresponding OECD Principles	**No. of Items**	**Weight**
Part A. Rights of Shareholders	25	10
Part B. Equitable Treatment of Shareholders	17	15
Part C. Role of Shareholders	21	10
Part D. Disclosure and Transparency	41	25
Part E. Board Responsibility	75	40
Level 1 Total	179	100
Level 2: Two additional sections		
Bonus (practices beyond minimum standards)	11	28 pts.
Penalty (poor practices)	19	-57 pts.
Level 2 Total	30	
Level 1 + 2 Total	**209 items**	**128 pts.**

To facilitate the adoption of the ACGS for covered companies in the insurance sector, IC organized a technical working group composed of representatives from IC, ICD, and insurance trade associations. The group reviewed and enhanced the assessment guide of the ACGS to make it applicable to insurance companies. Companies were classified according to ownership structure so that default items and non-applicable items for each class could be identified.

The five classes according to ownership structure are as follows:

- **Stock Insurance Corporation with One (1) Owner (Class 1)**: a stock corporation duly licensed by the Insurance Commission to engage in the business of life or non-life insurance whose shares of stock are owned by only one individual or entity, and where the nominee shares or qualifying shares given to nominee directors are considered to belong the true or beneficial owner.
- **Stock Insurance Corporation with Joint-venture (Class 2)**: a stock corporation duly licensed by the Insurance Commission to engage in the business of life or non-life insurance whose shares of stock are owned by only two (2) or three (3) shareholders under a joint-venture agreement regardless of their respective shares, and where the nominee shares or qualifying shares given to their nominee directors are considered to belong the true or beneficial owners.
- **Stock Corporation with more than Three (3) Owners (Class 3)**: a stock corporation duly licensed by the Insurance Commission to engage in the business of life or non-life insurance whose shares of stock are owned by more than three (3) shareholders regardless of their respective shares.
- **Mutual Insurance Corporation (Class 4)**: a non-stock insurance corporation duly licensed by the Insurance Commission and organized in accordance with the provisions of the Revised Insurance Code.
- **Mutual Benefit Association (Class 5)**: a non-stock, non-profit society, association or corporation as defined under Section 403, Title 1, and Chapter VII of the Revised Insurance Code.

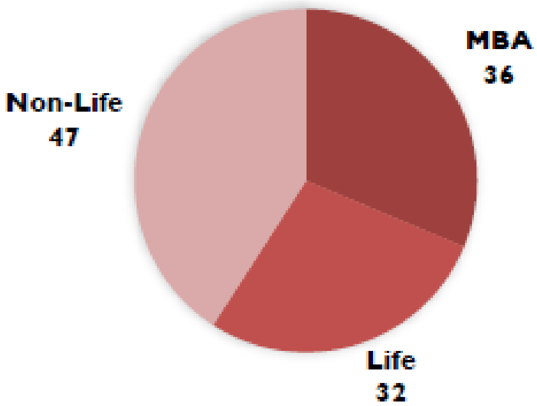
Furthermore, the group identified a few items that would be treated differently for each class given their ownership structure. These items are either granted a point by default or are not applicable to the class. The not-applicable items are deducted from the total applicable items that then reflect the highest possible score of a company.

Industry Analysis

OVERALL RESULTS

For the 2023 Assessment, the Insurance Commission assigned 115 Insurance Companies and MBAs to be assessed using the ASEAN Corporate Governance Scorecard. Most of the assessed companies belong to the Non-Life Sector with 47 companies, followed by the MBAs with 36 companies, and the Life Sector with 32 companies. This year's assessment also included 1 company whose website was inaccessible or under construction during the previous assessment (Meralco Employees Mutual Aid and Benefits Association, Inc.).

The breakdown of the companies assessed is as follows:

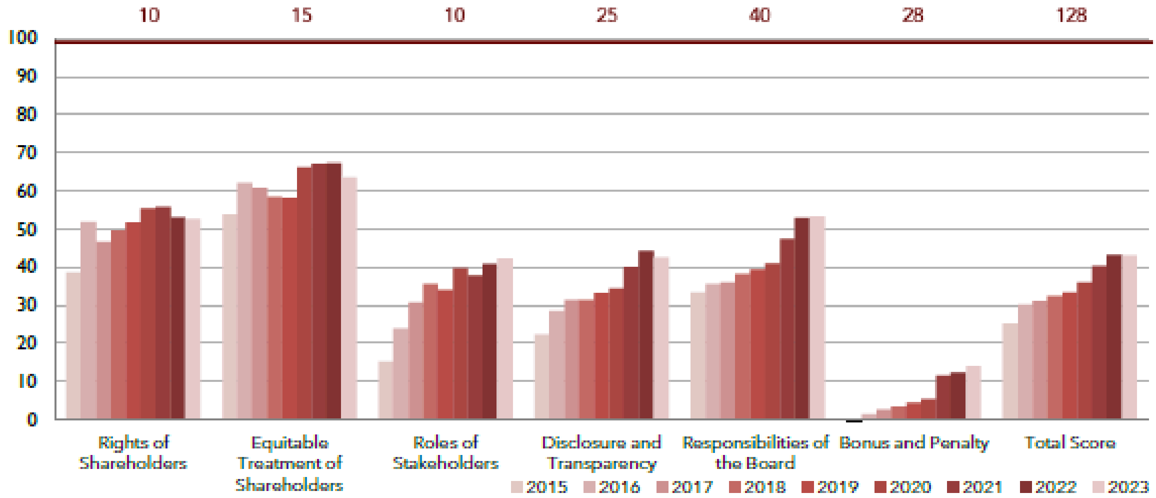


Below is the breakdown of companies according to class:

	Class 1	Class 2	Class 3	Class 4	Class 5
Life	10	8	13	1	0
Non-Life	5	6	36	0	0
MBA	0	0	0	0	36
TOTAL	**15**	**14**	**49**	**1**	**36**

Since the commencement of the 2015 Assessments for the Insurance Industry, continuous improvement has been drastically observed. In the 2023 Assessments, however, there is a minimal decrease of 0.23 points as compared to the 2022 Assessments, reaching an industry average of **54.90** points from 55.13 points previously. This decrease suggests that the insurance companies should not be complacent in their corporate governance initiatives, rather, more proactive in ensuring that they remain at par with the global standards in corporate governance.

MAXIMUM ATTAINABLE SCORE PER SECTION

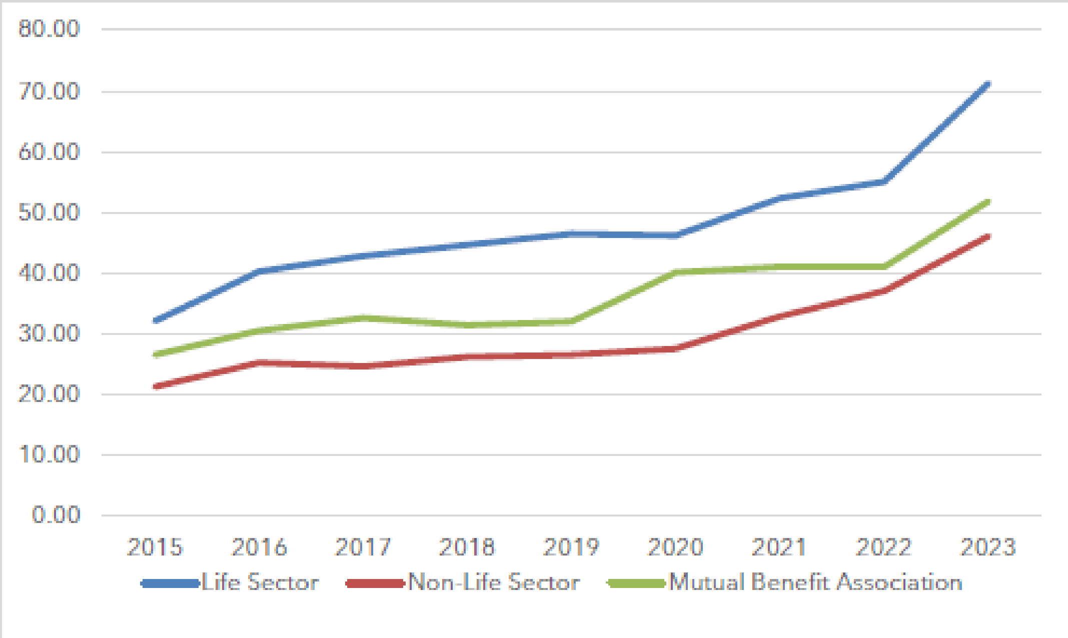


2015	3.85	8.07	1.52	5.58	13.28	-0.08	32.22
2016	5.18	9.31	2.38	7.12	14.19	0.40	38.58
2017	4.65	9.12	3.06	7.84	14.36	0.70	39.73
2018	4.96	8.76	3.55	7.84	15.28	0.95	41.34
2019	5.17	8.72	3.40	8.29	15.77	1.20	42.55
2020	5.53	9.92	3.97	8.59	16.38	1.48	45.90
2021	5.58	10.09	3.79	9.99	18.94	3.20	51.56
2022	5.31	10.08	4.08	11.06	21.14	3.45	55.13
2023	**5.27**	**9.52**	**4.22**	**10.62**	**21.33**	**3.94**	**54.90**

it is generally observed that the scores in Part C (Role of Stakeholders), Part E (Responsibilities of the Board), and Bonus and Penalty of the scorecard have increased. This increase, however, is not sufficient to help elevate the industry average. Numerically speaking, despite the increase noted, the remaining parts of the scorecard have decreased in points, especially in Part B (Equitable Treatment of Shareholders).

Sectoral Results

The Life Sector has the highest score among the three sectors with 71.21 average points for the 2023 Corporate Governance Scorecard Assessment, the only sector that had an increase in its score. Both the Non-Life Sector and Mutual Benefit Association had a decrease in their scores to 46.08 and 51.83, respectively. Given this, the Non-Life remains to be seen as the lowest-ranking sector in the insurance industry.



TAs evident in the above graph, there is a hefty gap in terms of the average scores between the three sectors. This then puts each of them on the pedestal to increase their corporate governance initiatives and enhance their corporate governance framework to consistently attain sustainable growth in the succeeding years.

To give an overview of the sectors' performance, they all have low scores in Part A (Rights of Shareholders) and Part C (Role of Stakeholders) for the 2023 assessments. This is due to the fluctuating number of companies which are disclosing their AGM- related document sufficiently and timely and their policies and practices in engaging both internal and external stakeholders. They all must improve on their disclosures as well as their integration to their company website, Annual Report, and Annual Corporate Governance Report (ACGR). Particularly, a review of their Manual on Corporate Governance should be made to help increase their scores in the areas where they are lacking. These items will be addressed sufficiently with the help of the Insurance Commission and other organizations which can help in the capacity building of the companies.

Conclusion and Recommendations

Through years of performing Corporate Governance Scorecard assessments, the Insurance Industry has witnessed progress in various aspects of the scorecard. The Insurance Commission's robust and comprehensive policy development and implementation have played a crucial role in the companies' current success. Nevertheless, the decline in the industry's average score for this year's evaluation compels each company to enhance its corporate governance framework and avoid demonstrating complacency as a prevailing concept. Undoubtedly, significant progress has been made, nevertheless, there remains a considerable amount of work remaining to be accomplished.

Generally, ICD observed that the minimal decrease in the industry average score is attributable to the companies that have failed to update their AGM-related documents and review their Manual on Corporate Governance. Some companies also have insufficient information on their Board of Directors, General Information Sheet, Annual Report, and Annual Corporate Governance Report which should all be adequately documented and disclosed. Companies should also focus on improving their policies and practices in relation to their engagement with both external and internal stakeholders. Meanwhile, it is still commendable how the companies have increased their efforts in regard to their board responsibilities and board diversity.

As per the results detailed in this report, the Institute of Corporate Directors (ICD) highly recommend the Insurance Commission to intensify their strategies in reaching more companies and helping them in their corporate governance performance. They should continue to have strict implementation and monitoring of their industry performance one of which is to ensure that all companies are engaged in a sustainable learning environment covering the new Code of Corporate Governance, Annual Corporate Governance Report, and other AGM and Board-related discussions.

Finally, companies should timely disclose the following corporate governance documents on their website:

- Notice of Annual Stockholders/General Meeting
- Minutes of Annual Stockholders/General Meeting
- Annual Report with a section on sustainability
- Annual Corporate Governance Report (ACGR)
- Manual on CG
- Board Committee Charters
- Risk Management Policy/ System
- Code of Ethics
- Company Policies for Stakeholders

Encapsulating the assessment results, ICD extends its greetings to all the companies that have proactively worked on improving their corporate governance framework. With the help and oversight of the Insurance Commission, sustainable success in the industry can be seen in the next years.

Awardees

Top Performing Philippine Publicly Listed Companies under the ASEAN Corporate Governance Scorecard in 2023 (in alphabetical order)

Score Range: 120 – 130 points

5-arrow recognition

BDO Unibank, Inc.

China Banking Corporation

Globe Telecom, Inc.

SM Investments Corporation

SM Prime Holdings, Inc.

Score Range: 110 – 119 points

4-arrow recognition

Aboitiz Equity Ventures, Inc.

ACEN Corporation

Ayala Corporation

Ayala Land, Inc.

AyalaLand Logistics Holdings Corp.

Belle Corporation

Manila Electric Company

Manila Water Company, Inc.

Metropolitan Bank & Trust Company

Philippine National Bank

Premium Leisure Corp.

Rizal Commercial Banking Corporation

Union Bank of the Philippines

Score Range: 100 – 109 points

3-arrow recognition

Aboitiz Power Corporation

AREIT, Inc.

Bank of the Philippine Islands

Cebu Air, Inc.

Converge Information and Communications Technology Solutions, Inc.

DMCI Holdings, Inc.

GT Capital Holdings, Inc.

Integrated Micro-Electronics, Inc.

Lopez Holdings Corporation

Monde Nissin Corporation

Nickel Asia Corporation

Pacific Online Systems Corporation

PLDT Inc.

San Miguel Food and Beverage, Inc.

Security Bank Corporation

Semirara Mining and Power Corporation

The Philippine Stock Exchange, Inc.

Score Range: 90 – 99 points

2-arrow recognition

A Brown Company, Inc.

ABS-CBN Corporation

Alliance Select Foods International, Inc.

APC Group, Inc.

Asia United Bank Corporation

Atlas Consolidated Mining and Development Corporation

Axelum Resources Corp.

Benguet Corporation

Cebu Landmasters, Inc.

Century Pacific Food, Inc.

D&L Industries, Inc.

Emperador Inc.

Filinvest Land, Inc.

First Gen Corporation

International Container Terminal Services, Inc.

JG Summit Holdings, Inc.

LT Group, Inc.

Megaworld Corporation

National Reinsurance Corporation of the Philippines

Petron Corporation

Philex Mining Corporation

Philippine Savings Bank

Philippine Seven Corporation

Phinma Corporation

Pilipinas Shell Petroleum Corporation

PXP Energy Corporation

SBS Philippines Corporation

Shakey's Pizza Asia Ventures, Inc.

Universal Robina Corporation

Vivant Corporation

Wilcon Depot, Inc.

Score Range: 80 – 89 points

1-arrow recognition

AllHome Corp.
Alliance Global Group, Inc.
Altus Property Ventures, Inc.
Cemex Holdings Philippines, Inc.
Citicore Energy REIT Corp.
Coal Asia Holdings Incorporated
Concepcion Industrial Corporation
Crown Asia Chemicals Corporation
Discovery World Corporation
Dominion Holdings, Inc.
East West Banking Corporation
EEI Corporation
ENEX Energy Corp.
Euro-Med Laboratories Phil., Inc.
Far Eastern University, Incorporated
Filinvest Development Corporation
Filinvest REIT Corp.
First Philippine Holdings Corporation
Holcim Philippines, Inc.
Jollibee Foods Corporation
Keppel Philippines Holdings, Inc.
Keppel Philippines Properties, Inc.
Manila Broadcasting Company
Max's Group, Inc.
Megawide Construction Corporation
Metro Global Holdings Corporation
Metro Retail Stores Group, Inc.
MREIT, Inc.
Omico Corporation
PetroEnergy Resources Corporation
Philippine Bank of Communications
Philippine Business Bank
Raslag Corp.
Republic Glass Holdings Corporation
RL Commercial REIT, Inc.
Robinsons Land Corporation
Robinsons Retail Holdings, Inc.
Roxas Holdings, Inc.
San Miguel Corporation
STI Education Systems Holdings, Inc.
Top Frontier Investment Holdings, Inc.
Vista Land & Lifescapes, Inc.
Vistamalls, Inc.
Vitarich Corporation
Xurpas Inc.

Awardees

Top Performing Philippine Insurance Companies under the Corporate Governance Scorecard in 2023 (in alphabetical order)

Score Range: 110 – 119 points

4-arrow recognition

Insular Life Assurance Company, Ltd.

Pru Life Insurance Corporation of U.K.

Score Range: 100 – 109 points

3-arrow recognition

AIA Philippines Life and General Insurance Company, Inc.

BPI-AIA Life Assurance Corporation

Kasagana-Ka Mutual Benefit Association, Inc.

Score Range: 90 – 99 points

2-arrow recognition

Allianz PNB Life Insurance, Inc.

BDO Life Assurance Company, Inc. (formerly Generali Pilipinas Life Assurance Company, Inc.)

Beneficial Life Insurance Company, Inc

Center for Agriculture & Rural Development Mutual Benefit Association (CARD MBA), Inc.

Etiqa Life and General Assurance Philippines, Inc. (formerly AsianLife and General Assurance Corporation)

FWD Life Insurance Corporation

Insurance Company of North America

Pacific Cross Insurance, Inc. (formerly Blue Cross Insurance, Inc.)

Sun Life of Canada (Philippines), Inc.

Score Range: 80 – 89 points

1-arrow recognition

Alalay sa Kaunlaran (ASKI) Mutual Benefit Association, Inc.

Armed Forces & Police Mutual Benefit Association, Inc. (AFP MBAI)

BPI/MS Insurance Corporation

Kazama Grameen (KGI) Mutual Benefits Association, Inc.

KCCDFI Mutual Benefit Association, Inc.

Knights of Columbus Fraternal Association of the Philippines

Manufacturers Life Insurance Company (Phils.), Inc.

Manulife Chinabank Life Assurance Corporation (formerly The Pramerica Life Insurance Co., Inc.)

PGA Sompo Insurance Corporation (formerly PGA Sompo Japan Insurance, Inc.)

Simbag sa Emerhensiya Asin Dagdag Paseguro Mutual Benefit Association, Inc. (SEDP MBA)

Sun Life Grepa Financial, Inc.

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The Institute of Corporate Directors (ICD) is a non-stock, non-profit national association of corporate directors and other stakeholders engaged in corporate governance.

ICD supports the work of local regulators such as the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (BSP), the Governance Commission for Government-Owned and Controlled Corporations (GCG), the Insurance Commission (IC), and the Anti-Money Laundering Council (AMLC). It is also an accredited corporate governance training provider of these regulators.

ICD serves as the SEC-appointed Domestic Ranking Body for the ASEAN Corporate Governance Scorecard (ACGS).

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