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Profile of Independent Directors in Selected Philippine Publicly Listed Companies by Sector: An Update

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Independent directors have a crucial and defining role in corporate governance. This paper looks at the extent of compliance by selected Philippine-listed companies with the new corporate governance code (2016), which took effect on January 1, 2017. The banking sector has the highest compliance rate among the various sectors in terms of proportion of independent directors to board size, number of directorships in other listed companies, and separation of chairman and CEO. Although an Audit Committee is required for all listed companies, not all SEC 17-A reports contain information on board committees and their memberships. The qualifications of the Audit Committee Chairman in some companies also appear to have not met the prescriptions by the new corporate governance code. It is suggested that a SEC 17-A template be provided to listed companies, so that uniform and consistent data can be obtained from this report by the SEC to facilitate their monitoring role.

Keywords: Corporate governance, independent directors, Philippine

1 Introduction

The importance of non-executive directors, especially independent directors, is emphasized in the new Philippine Corporate Governance Code (2016), which will be referred to as the *"new code"* hereafter. The Philippine Securities and Exchange Commission (SEC) Corporate Governance Blueprint (2015)[1] exercise conducted in 2015 found that the corporate governance framework and practices in the country have seriously lagged behind many of its Asian counterparts. In response to these findings, many of the prescriptions in the new code center on the composition of the board and the roles of the independent directors. Effective oversight by the boards of directors over management's decisions and actions is generally equated to better corporate governance.

In developing Asian countries, the role of corporate boards of directors is made tougher by the fact that the ownership and management of even the largest business corporations are usually controlled by just one or a few dominant groups or families (Claessens, Djankov, Fan, & Lang, 1999; Claessens, Djankov, & Lang, 2000; La Porta, Lopez-De-Silane, & Shleifer, 1999; Morck & Yeung, 2003, 2004; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). This creates serious risks that minority shareholders, who have little or no voice in the management of the corporation, may be severely disadvantaged by the controlling groups.

To improve the quality of corporate governance in the Philippines and to support the effort to attract more foreign investments to the country, the SEC issued its first Code of Corporate Governance in 2002 (SEC, 2002). This first version of the corporate governance code was simply patterned after the Organization for Economic Cooperation Development (OECD) Corporate Governance Principles (OECD, 1999). This Code of Corporate Governance (SEC, 2002) had since been revised many times, with the latest version issued in 2016 referred to as the *"Code of Corporate Governance for Publicly Listed Companies"*[2] in an effort to narrow down the gap between corporate governance best practices in the world and those in the Philippines (SEC, 2016). SEC's ultimate goal is to have *"a sound corporate governance framework deeply embedded in the Philippine corporate culture by the end of 2020"* (SEC, 2015, p. 1). However, a word of warning: merely adopting good

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[1] This is a joint project between the SEC and the International Finance Corporation (IFC), a member of the World Bank Group.

[2] The new code aims to improve the functioning of the boards, strengthen shareholder protection, and promote full disclosure of financial and non-financial reporting.

governance practices from the western countries[3], such as an active board of directors, separation of chairman and the CEO, significant presence of outside directors, to name a few, cannot solve controlling-shareholder expropriation (Barton, Coombes, & Wong, 2004; Chen, Li, Shapiro, 2011).

This study aims to investigate and provide initial descriptive findings on the profile of independent directors in selected Philippine publicly listed companies (PLCs) by sector. Not only would the descriptive findings provide information on the state of compliance by selected PLCs with some of the specific provisions of the new code (2016), but it would also identify and highlight any similarities or differences in the profile of independent directors in the different sectors. It must be emphasized though that merely following the prescriptions and recommendations of the new code does not ensure better governance of the corporation. The corporate governance variables or indicators examined do not necessarily vouch for the *"character, integrity, and ethics"* of the members of the Board of Directors. The findings of this study can also serve as a benchmark for future studies which attempt to assess the progress of corporate governance practices in Philippine PLCs.

This study is an update of a faculty grant research in 2018 that was published as a chapter in Readings in Corporate Governance (Chua Bun Pho & Rodriguez, 2020). Although no appreciable changes in the findings of the two years, 2017 and 2018, may be expected given the one-year gap, this study provides comparison of the state of compliance between 2017 and 2018. Suggestions on how the SEC can improve its monitoring of the relevant corporate governance variables are also provided.

2 Literature Review

Corporate governance initiatives in the Philippines were spurred by two major events: (1) the structural conditions imposed by the International Monetary Fund (IMF) in the aftermath of the 1997 Asian financial crisis[4] (Gochoco-Bautista, 1999; Lindgren, Balino, Enoch, Gulde, & Quintyn, 1999; Oh & Rhee, 1999; Zhuang, 1999); and (2) the various high profile accounting scandals which occurred in the United States (US) during the early 2000s, the most well-known of which were the cases of Enron and Arthur Andersen[5]. Better corporate governance hinges primarily on enhancing the capacity of corporate boards of directors to conduct effective oversight over the decisions and actions of the company's management, including the Chief Executive Officer (CEO) (SEC, 2016).

2.1 Corporate Governance in Asia

According to the OECD (2003), common in developing Asian countries are concentrated ownership structure, prevalence of related party transactions, and the lack of independence of boards of directors. Given the fact that the ownership and management of even the biggest business corporations are usually controlled by just one or a few dominant groups or families (Claessens et al., 1999; Claessens et al., 2000; La Porta et al., 1999; Morck & Yeung, 2003, 2004; Young et al., 2008), these findings make the functioning of corporate boards of directors quite challenging and complicated. The risks that minority shareholders, who have little or no voice in the management of the corporation, be severely disadvantaged by the controlling groups become more apparent and real. To strengthen oversight, risk control, and company performance in the long-run, board independence becomes even more crucial in markets dominated by families (Jiao & Dormido, 2019).

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[3] Redding (2004) provides a comparison of some unique features of the western and Asian economies. More importantly, the study discusses how these features in Asian business setting lessen the relevance of the western governance regulations in the Asian corporate context.

[4] Gochoco-Bautista et al. (1999) provide an in-depth discussion of these structural conditions, specifically banking sector reforms, carried out in Asia after the 1997 Asian financial crisis. Lindgren et al. (1999) also provide valuable insights on the possible causes of the 1997 Asian financial crisis and the lessons learned by each adversely affected Asian countries.

[5] Oppel (2002) and Naylor (2014) provide a brief report on the Enron and Arthur Andersen scandal.

2.2 Role of the Board of Directors

As an integral element of a firm's corporate governance system, the corporate boards of directors perform the dual role of monitoring and advising top management (Adams & Ferreira, 2007; Adams, Hermalin, & Weisbach, 2010; Harris & Raviv, 2008). However, the monitoring duty mostly relies on independent directors (Wang, Xie, & Zhu, 2015). In fact, Wang et al. (2015, p. 929) find *"that having relevant industry expertise enhances independent directors' ability to perform their monitoring function."*

Board monitoring, especially by the Audit Committees, is critically important in constraining managers' opportunistic accounting behavior (Beasley, 1996; Garcia Lara, Garcia Osma, & Penalva, 2009; Klein, 2002; Larcker, Richardson, & Tuna, 2007; Xie, Davidson, & Dadalt, 2003). Because independent boards and Audit Committees influence the reliability of financial reports, Huang, Lobo, Wang and Zhou (2018) find that firms with greater proportion of independent directors have bank loans with lower costs, longer maturity, and fewer covenants. This is because firms with a greater proportion of devoted and committed independent directors have better governance quality (Masulis & Mobbs, 2014), that leads to better firm performance and a lower likelihood of violating loan covenants (Masulis & Mobbs, 2015).

2.3 Board Attributes

Studies on the impact of board size on firm performance have mixed results. Some proponents find that smaller board size is more effective (Hermalin & Weisbach, 2003; Jensen, 1993; Pathan, Skully, & Wickramanayake, 2007; Stepanova & Ivantsova, 2012), as it boasts of flexibility, cohesiveness, and lower degree of *"free-riding"* problems. Large board size, on the other hand, can provide more opportunities for networking and additional skilled directors, and hence, is positively related to firm performance (Adams & Mehran, 2003; Belkhir, 2009; Kiel & Nicholson, 2003), particularly in banks. Given the complexity of banking operations, de Andres and Vallelado (2008, p. 2578) argue that *"board size is a trade-off between advantages (more monitoring, more advising to deal with problems) and disadvantages (control, coordination problems)"* in banks. Their results, however, do not explicitly find that excessive numbers of independent directors create value for firms. Instead, it is an optimum combination of executive and non-executive directors that contributes positively to bank performance. The presence of executive directors whose knowledge of the bank is said to complement non-executive directors' advisory ability is pointed out to be the main reason for such (Andres & Vallelado, 2008). Likewise, Belkhir (2009) finds that larger boards reduce performance and that the positive association between board size and performance only emerges from their subsamples of banks.

According to Francis, Hasan, and Wu (2015), board independence is not enough to enhance board efficacy. The monitoring and advising roles of directors play an important part on board efficacy and firm performance (Francis et al., 2015). While some studies claim that outside directors increase firm value, many of these studies determine what director's attributes contributes to better firm performance. Wang et al. (2015) investigate whether a firm's board monitoring effectiveness improves if their independent directors have relevant industry expertise. They find that outside directors with prior experience in the firm's industry increase monitoring outcomes. Another study finds that the market reacted positively to announcements of new outside directors in the S&P 500 companies from 2005 to 2010, particularly those with relevant industry experience (von Meyerinck, Oesch, & Schmid, 2016). However, drilling down their samples, it shows that investors value industry experience of inside directors more than those of outside directors.

On the other side of the spectrum, Intintoli, Kahle, and Zhao (2018, p. 70) claim that *"director affiliation with management compromises monitoring diligence."* Contrary to popular notion on the positive net benefits of outside director experience, Ellis, Fee, and Thomas (2018) find that the benefits of director experience do not extend to diversified firms. This is because industry expert directors can be biased towards the industries in which they are familiar with, resulting in increased investment that is value reducing.

Other studies explore whether *"connected"* directors enhance firm value. While Goldman, Rochool, and So (2009) find that politically connected directors affect, both positively and negatively, stock-price response. Intintoli et al. (2018) find that connectedness has positive effect on both quality of financial reporting and on accounting conservatism. Moreover, they find that connectedness improves the career prospects of Audit Committee directors even in the event of misconduct.

Francis et al. (2015) examine whether directors from academia are associated with higher performance, and find that academic directors without administrative positions play a critical governance role by being valuable advisors and effective monitors. Interestingly, they find that academic directors with business-related degree have the most positive impact on firm performance, followed by academic directors with technology (i.e., science and engineering), and political backgrounds. Similar to Intintoli et al. (2018), Francis et al. (2015) find that firms with academic directors are less likely to engage in earnings management, hence, better financial reporting quality.

There has been a recent trend towards gender-balanced boards. Several countries, including Norway, the Netherlands, France, Spain, and Malaysia, have already created laws enforcing gender quotas for boards (European Commission, 2012). In fact, the European Commission (2012) required the mandatory quotas for women in corporate boards based on the findings that companies with higher female representation in their boards outperform their peers. This movement also stems from the critical mass theory, which argues that in board meetings, a critical mass of at least three women directors spurs board activeness and performance (Shrader, Blackburn, & Iles, 1997). Specifically, Schwartz-Ziv (2017, p. 751) points out that *"gender-balanced boards are more likely to replace underperforming chief executive officers (CEOs) and are particularly active during periods when CEOs are being replaced."* However, in an organizational demography study on top management team by Lizares (2018), it is found that firm performance in terms of revenue growth is negatively affected by gender heterogeneity. According to her findings, an *"increasing compositional changes in gender (i.e., the addition of one more person in the gender minority) can negatively impact firm performance"* (Lizares, 2018, p. 87). This is in line with the findings of Joecks, Pull, and Vetter (2013, p. 70) that *"at very low levels of gender diversity (below 10% female representation), an increase in diversity might even be associated with reduced firm performance."*

Contrary to the reforms on improving corporate governance practices, such as limiting board seats and imposing term limits of independent directors, Ferris, Jagannathan, and Pritchard (2003) and Dou, Saghal, and Zhang (2015) find no evidence that directors holding multiple board seats negatively affect firm performance, and experienced directors have valuable contributions to corporate governance within firms, respectively. Using large US firms' data at the beginning of 1995, Ferris et al. (2003) not only find that directors holding multiple board seats do not avoid their responsibilities, but also firms with such directors are not associated with greater likelihood of fraud. However, Fich and Shivdasani (2006), examining large US industrial firms from 1989 to 1995, find that outside directors holding multiple directorships have significantly weaker firm performance in terms of lower market-to-book ratios, lower operating return on assets, lower asset turnover ratios, as well as lower operating returns on sales. While *"new directors will infuse innovative ideas and energy into the boardroom"* (Dou et al., 2015, p. 617), directors who have been serving the firm for a long time have accumulated firm-level expertise over their tenure, contributing to better strategic advice and monitoring.

In the wake of the 2008 global financial crisis, there has been a move to separate the role of the chairman of the board and the CEO (Larcker & Tayan, 2016; Stockham, 2013). *"Several international jurisdictions, such as the United Kingdom and South Africa, encourage separating the roles in their best practice codes and guidelines"* (Stockham, 2013, para. 3). Although many governance experts and shareholder activists believe that the unified role leads to a lack of oversight and diminishes the independence of the board, research literature, however, yields little evidence that chairman/CEO duality is detrimental to future performance or governance quality (Larcker & Tayan, 2016; Stockham, 2013). In fact, a unified leadership ensures strong, central leadership and increases efficiency (Stockham, 2013, para. 2). Moreover, research evidence suggests that the *"benefits and drawbacks of independent board leadership are situation-dependent"* (Larcker & Tayan, 2016, p. 3). It is not always clear when separated or combined leadership benefits a company. However, interestingly, only large companies are pressured to have separate chairman and CEO, mainly because they are the most visible public targets (Larcker & Tayan, 2016).

2.4 Corporate Governance in Banks

A study of US bank holding companies by Adams and Mehran (2003) claims that the governance of firms in unregulated, non-financial industries, such as manufacturing firms, is very different from the governance of financial institutions, particularly banks. Busta (2010) points out that the unique characteristics, such as regulation, supervision, capital structure, risk, ownership, and deposit insurance, make banks special and influence their corporate governance. Adams and Mehran (2003) find that bank boards are larger and have more board committees that meet slightly more frequently than manufacturing firm boards. Furthermore, bank boards have slightly more outside directors and rely less on long-term incentive-based compensation. Interestingly, bank directors' pay is lower compared to their counterparts in the manufacturing firms. Differences in board structure between banks and manufacturing firms arise primarily due to differences in size and organizational structure, as well as regulatory supervision. In fact, Macey and O'Hara (2003) identify opacity or complexity and regulation as two key factors interfering with the way how financial institutions are being governed (de Andres & Vallelado, 2008). Echoing the same sentiment, Becht, Bolton, and Roell (2011, p. 459) state that *"financial regulation and policy have started to recognize that bank governance is different,"* arguing that *"bank governance requires more radical departures from traditional governance for non-financial firms."*

Despite bank governance reforms proposed by Walker (2009) emphasizing board independence, two empirical studies by Belkhir (2009) and Adams and Mehran (2012) find that although board size is positively related to performance, board independence is not. Adams and Mehran (2012) argue that independent directors in banks may not always have the expertise necessary to oversee complex banking transactions, and may not understand all the risk implications of these transactions. In fact, they claim that governance reforms which place more emphasis on board independence may have worsened board governance at publicly listed companies, which led to the global financial crisis in 2007. The empirical study conducted by Pathan and Faff (2013), on a broad panel of large US bank holding companies from 1997 to 2011, find that board size and independent directors decrease bank performance. Contrary to these findings, Pathan et al. (2007), using Thai banks data from 1999 to 2003, find that while board size is negatively related to performance, the proportion of independent directors is positively related to performance. Likewise, Stepanova and Ivantsova (2012, p. 19) find that the *"relationship between board size and European bank performance is either negative or insignificant, which supports the widespread opinion that smaller boards are more effective."* The differences in the findings may stem from the samples used, and the time frame investigated. Huang et al. (2018) even find that banks with a greater proportion of independent directors enjoy bank loans with lower costs, longer maturity, and fewer covenants.

2.5 Evolution of the Philippine Corporate Governance Codes

To raise the quality of corporate governance in the Philippines to be at par with its Asian counterparts, the SEC issued in 2016 the new code. Table 1 lists some of the items which evolved from the first and original 2002 code to the recent 2016 new code for comparison.

Table 1. Evolution of the Philippine Code of Corporate Governance

	2002	2009	2016
Minimum number of independent directors (IDs)	At least 2 IDs or such number of IDs as to constitute at least 20% of the members of the Board, whichever is lesser.	At least 2 IDs or such number of IDs that constitute 20% of the members of the Board, <u>whichever is lesser</u>, but in no case less than two.	At least 3 IDs or such number of IDs as to constitute at least 1/3 of the members of the Board, <u>whichever is higher.</u>
Maximum number of board seats allowed	Board may consider guidelines on the number of directorships for its members. The optimum number is related to the capacity of a director to perform his duties diligently in general.	The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and	Non-executive directors (NEDs) of the board should concurrently serve as directors to a maximum of five PLCs to ensure that they have sufficient time to fully prepare for meetings, challenge management's proposals/views and oversee the long-term strategy of the company.

	2002	2009	2016
		efficiently perform his duties and responsibilities.	A director should notify the Board where he/she is an incumbent director before accepting a directorship in another company.
Tenure Limit of IDs[6]	None	None	Board's IDs should serve for a maximum cumulative term of 9 years. In the instance that a company wants to retain an independent director who has served for 9 years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.
Qualification of IDs	There is no specific qualification for IDs.	There is no specific qualification for IDs.	IDs should possess the necessary qualifications and none of the disqualifications for an ID to hold the position. Independence and competence should go hand-in-hand.
Role of NEDs	None	None	A Board composed of a majority of NEDs assures protection of the company's interest over the interest of the individual shareholders. The NEDs should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions without any executive directors present to ensure that proper checks and balances are in place within the operations. The meetings should be chaired by the lead independent director.
Attendance of board meetings	An ID should always be in attendance. However, the absence of an ID may not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting. Justifiable causes may only include grave illness or death of immediate family and serious accidents. Corporations <u>may</u>**,** at the end of every fiscal year, provide the SEC with a sworn certification of directors' meeting attendance.	IDs should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings. To monitor the directors' compliance with the attendance requirements, corporations <u>shall</u> submit to SEC on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings.	The directors should attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as, illness, death of the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

Source: SEC (2002, 2009a, 2016)

[6] Pursuant to SEC (2011) Independent Directors (IDs) elected in 2012 may be re-elected as such until 2017, when the two (2) years cooling-off period shall commence. However, if there is no suitable replacement, said IDs may be re-elected in 2017 until 2021, at which time, they may no longer be qualified as IDs for the same companies. Said re-election in 2017 until 2021 shall be with prior written notice and justification to the Commission addressed to the Corporate Governance and Finance Department.

The main focus of the new code is the establishment of a competent and effective Board. Majority of its principles and prescriptions revolve around this theme. Emphasis is given on the role of the non-executive directors, particularly the independent directors. The new code (2016, p. 5) defines:

- *non-executive director*[7] *as a director who has no executive responsibility and does not perform any work related to the operations of the corporation.*
- *independent director*[8] *as a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.*

From the definition, both non-executive and independent directors are expected to be independent of both the controlling owner and management in order to render an effective, independent check and objective evaluation of management's performance, not to mention, constructive challenge to executive directors. Since the board of directors is the primary driver of corporate governance, the new code focuses on the following prescriptions (SEC, 2016, pp. 6-7, 22-26, 29):

- The Board should be composed of directors with an appropriate mix of competence and expertise (Recommendation 1.1);
- The Board should be composed of a majority of non-executive directors who possess the necessary qualifications (Recommendation 1.2);
- The company should provide training of directors, including an orientation program for first time directors (at least eight hours) and relevant annual continuing training (at least four hours) on SEC-mandated topics (Recommendation 1.3);
- The Board should have a policy on board diversity, not only in terms of gender but also of age, ethnicity, culture, skills, competence, and knowledge (Recommendation 1.4);
- The directors should attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/video-conferencing (Recommendation 4.1);
- The non-executive directors of the Board should concurrently serve as directors to a maximum of five PLCs[9] to ensure that they have sufficient time to fully prepare for meetings (Recommendation 4.2);
- The Board should have at least three independent directors, or such number as to constitute at least one-third of the members of the board, whichever is higher (Recommendation 5.1);
- The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position (Recommendation 5.2);
- The Board's independent directors should serve for a maximum cumulative term of nine years (Recommendation 5.3);
- The positions of Chairman of the Board and CEO should be held by separate individuals and each should have clearly defined responsibilities (Recommendation 5.4); and
- Companies should disclose board and executive remuneration on an individual basis, including termination and retirement provisions (Recommendation 8.4).

These prescriptions ensure that independent directors not only possess the necessary qualifications, but also are independent, competent, and committed in their fiduciary duties to the company they serve, assuring the protection of the company's interest over the interest of the individual shareholders. To ensure that independent directors devote sufficient time and attention to perform their duties and responsibilities to the company's business and affairs, non-executive directors can only serve as directors to a maximum of five PLCs concurrently. To reinforce board

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[7] Pathan et al. (2007) refer to non-executive director as *"outside director."*
[8] Pathan et al. (2007) refer to independent directors as an outside director with no *"material"* relationship with the firm except for board directorship. This definition is similar to that of the new corporate governance code (SEC, 2016).
[9] The imposition of a maximum five (5) PLCs is already being implemented in two Southeast Asian countries, Malaysia and Thailand (SEC, 2015, p. 41).

independence, a tenure limit is imposed on independent directors, in which case the maximum cumulative term is for nine years only. Independent directors who have served for nine years can be re-elected only after rigorous review and under exceptional cases when the board provide a meritorious justification for re-election (SEC, 2016, p. 25). Lastly, the positions of the Chairman of the Board and CEO should be held by separate individuals to ensure *"appropriate balance of power, increased accountability, and better capacity for independent decision-making"* (SEC, 2016, p. 25).

Although the new code does not specify the age limit of the directors, the Department of Finance (DOF) issued an order stating that one of the ideal qualifications of an independent director is that he/she must not be more than 80 years of age[10] (DOF, 2015). This same DOF (2015) order provides for a *"fit and proper rule"* for directors of insurance companies and public companies. The Bangko Sentral ng Pilipinas (BSP, 2006) has its version of this *"fit and proper rule,"* which applies not only to directors of banks, but also to its senior management[11]. This requirement ensures that an effective board stems from having directors who are "*fit and proper"* to do their function. Furthermore, though the new code does not require a minimum number of female directors in the board, as in the case of Malaysia (Securities Commission Malaysia, 2011), companies are encouraged to elect female directors, particularly female independent directors and female senior managers (SEC, 2015, p. 43).

3 Sample, Data Source, and Variables

The sample consists of companies listed in the Philippine Stock Exchange (PSE). The sectors chosen are primarily based on how the sector affects the general public. For example, the failure of a publicly listed bank may bring significant negative consequences and ripples into the Philippine economy, since the country is very dependent on banks for its financial intermediary functions. Due to this criterion, banks, utility (electricity and energy, telecommunication, industrial-energy companies), and property companies are the first sectors included. Food companies are included because they sell tangible, staple commodities in contrast to services provided by banks and utility companies. Holding companies are added as most of the bigger PLCs are under the umbrella of a holding company. Lastly, transportation and logistics companies are included because their operations are different from the other sectors included in the sample.

The *"advance search"* feature in the PSE website was employed to generate a list of all PLCs per sector[12]. Based on market capitalization (from largest to smallest), a list of companies per sector was then generated. The aim was to get the top 10 companies per sector.

After enumerating the top 10 companies per sector, the SEC 17-A of each of the listed company was retrieved from the PSE website. If the SEC 17-A report was not available in the PSE website, then the next possible sources explored are the company's website and the Google search engine. If the SEC 17-A report of any of the top 10 companies per sector could not be found[13], then the next company listed served as the substitute. However, if the next two substitute companies' SEC 17-A report could not be found, then no more substitute company was generated.

SEC 17-A is generally submitted to the SEC within 105 calendar days after the end of the fiscal year covered by the report (SEC, 2000)[14]. The new code becomes effective starting January 1, 2017 (SEC, 2016). Hence, the relevant corporate governance variable data for the first study done in December 2018 are gathered from the 2017 SEC 17-A reports. A deadline for the collection of data is set on November 15, 2018 in order to generate the first study's findings. The current study is an

[10] *"An independent director is not more than eighty (80) years old, unless otherwise found fit to continue serving as such by SEC or IC (Insurance Commission)"* (DOF, 2015). Hence, as long as the director is physically fit and mentally alert, he/she can continue being part of the board.

[11] Republic Act No. 8791 *"The General Banking Law of 2000,"* with amendments from the BSP – Circular No. 513 (BSP, 2006), Circular No. 840 (BSP, 2014), and Circular No. 970 (BSP, 2017).

[12] The sectors of listed companies in this study are based on the PSE classification.

[13] In order to generate the 2017 results in December 2018, a deadline for the collection of data is set on November 15, 2018. For example, as of this date, the 2017 SEC 17-A report of Asia United Bank Corporation (AUB), Double Dragon Properties (DDPR), Emperador Inc. (EMP), Universal Robina Corporation (URC), PAL Holdings, Inc. (PAL), and 2Go Group Inc. (2Go) cannot be found, hence, these companies are not included in the companies investigated. Moreover, Starmalls, Inc. (STR) is no longer listed in the PSE.

[14] If the company's year-end is December 31, the 105-day deadline falls on April 15.

update of the first study. Hence, only the 2018 SEC 17-A reports of companies included in the first study are collected. This allows comparison of findings between the two years, 2017 and 2018.

The SEC 17-A report is used as the primary data source because it is the official report to be submitted to both the SEC and the PSE. Hence, using the SEC 17-A report to gather the required corporate governance variables being investigated in this study facilitates the data gathering and allows the determination of whether all PLCs provide the same corporate governance information. Table 2 provides a list of the sectors included in the sample, as well as the respective companies under each sector. There is a total of 54 PLCs included in the sample[15].

Table 2. Companies Included per Sector

Banks (10)	Holding Companies (12)	Property Companies (10)
BDO Universal Bank (BDO)	Aboitiz Equity Ventures, Inc. (AEV)	Anchor Land Holdings, Inc. (ALHI)
Bank of the Philippine Islands (BPI)	Ayala Corporation (AC)	Ayala Land, Inc. (ALI)
China Banking Corporation (CHIB)	Alliance Global Group, Inc. (AGI)	Belle Corporation (BEL)
East West Banking Corporation (EW)	ATN Holdings, Inc. (ATN)	Cebu Landmaster, Inc. (CLI)
Metropolitan Bank and Trust Company (MBT)	DMCI Holdings, Inc. (DMC)	Filinvest Land, Inc. (FLI)
Philippine Business Bank (PBB)	GT Capital Holdings, Inc. (GTCAP)	Global-Estate Resorts, Inc. (GERI)
Philippine National Bank (PNB)	JG Summit Holdings, Inc. (JGS)	Megaworld Corporation (MEG)
Rizal Commercial Banking Corporation (RCBC)	Lopez Holdings Corporation (LPZ)	Robinsons Land Corporation (RLC)
Security Bank Corporation (SECB)	LT Group, Inc. (LTG)	Shang Properties, Inc. (SHNG)
Union Bank of the Philippines (UBP)	Metro Pacific Investments Corporation (MPIC)	SM Prime Holdings, Inc. (SMPH)
	San Miguel Corporation (SMC)	
	SM Investments Corporation (SMIC)	
Food Companies (7)	***Transportation and Logistics Companies (5)***	***Utilities – Power (5), Telecommunication (2), and Industrial (3)***
Agrinurture, Inc. (ANI)	Asian Terminals, Inc. (ATI)	Aboitiz Power Corporation (APC)
Del Monte Pacific Ltd. (DELM)	Cebu Air, Inc. (CEB)	First General Corporation (FGEN)
Jollibee Food Corporation (JFC)	Chelsea Logistics Holdings Corporation (CLC)	First Philippine Holdings Corporation (FPH)
Macay Holdings, Inc. (MACAY)	International Container Terminal Services, Inc. (ICT)	Manila Electric Company (MER)
Max's Group, Inc. (MAXS)	MacroAsia Corporation (MAC)	Phinma Energy Corporation (PHEN)
San Miguel Foods and Beverages, Inc. (FB)		Globe Telecom, Inc. (GLO)
Shakey's Pizza Asia Ventures, Inc. (PIZZA)		Philippine Long Distance Corporation (PLDT)
		Petron Corporation (PCOR)
		Pilipinas Shell Petroleum Corporation (SHLPH)
		Phoenix Petroleum Philippines, Inc. (PNX)

[15] Energy Development Corporation (EDC) is included in the samples for the first study prepared in December 2018. However, since this company was delisted in November 2018, it is excluded in both the first and current study for comparison purpose.

The corporate governance variables pertaining to the profile of independent directors investigated are the following:

1. Proportion of Independent Directors = Number of independent directors/ Board size
2. Age of Independent Directors
3. Gender of Independent Directors
4. Educational Background of Independent Directors
5. Highest Educational Attainment of Independent Directors
6. Tenure of Independent Directors = Years as independent director
7. Number of directorships in other PLCs
8. Separation of Chairman of the Board and the CEO

These variables are investigated because the new code (2016, p. 7, 22-26), which puts emphasis on the establishment of a competent and effective board, prescribes the following:

- The Board should have a policy on board diversity, not only in terms of gender but also of age, ethnicity, culture, skills, competence, and knowledge (Recommendation 1.4);
- The non-executive directors of the Board should concurrently serve as directors to a maximum of five PLCs to ensure that they have sufficient time to fully prepare for meetings (Recommendation 4.2);
- The Board should have at least three independent directors, or such number as to constitute at least one-third of the members of the board, whichever is higher (Recommendation 5.1);
- The Board's independent directors should serve for a maximum cumulative term of nine years (Recommendation 5.3); and
- The positions of Chairman of the Board and CEO should be held by separate individuals and each should have clearly defined responsibilities (Recommendation 5.4).

The corporate governance variables enumerated are considered to be the minimum requirements to ensure PLCs have independent and competent independent directors that will look after the long-term viability of the company they serve, as well as the rights of the minority shareholders. The results provide the initial status of compliance to the new code during its first two years of implementation – 2017 and 2018. Since the data on these variables are tabulated by sector, the results can also show whether similarities and differences exist among the various variables by sector.

4 Findings

4.1 Board Size by Sector

The size of the board[16] is dependent on various factors, such as the corporation's size, risk profile, and complexity of operations. From Table 3 Panels A and B, Philippine-listed banks consistently have the biggest board size. This may be due to the many other committees that banks have to establish, aside from the mandatory Audit Committees and Corporate Governance Committees[17] (PwC & GGAPP, 2016). This finding confirms the results of Adams and Mehran (2003) that bank holding companies' boards are larger and have more committees.

[16] Some companies presented their list of directors together with their executives/officers. It was, therefore, difficult to determine if these executives/officers were part of the board, serving as executive directors. In such case, the author only included the directors and excluded the executives/officers since it was not certain whether these executives/officers served as executive directors.
[17] According to the 2016 survey prepared by PwC and GGAPP, aside from the board committees recommended by the new code, organizations have instituted other committees such as executive committee, finance committee, and information technology (IT) steering committee to focus on specific areas of corporate governance and management oversight.

Table 3. Board Size

Panel A. Board Size per Sector in 2017

Number of Directors	7 to 8	9 to 10	11 to 12	13 to 14	15 & above	Total
Banks	0	2	2	1	5	10
Holding Companies	4	4	1	2	1	12
Property Companies	1	7	2	0	0	10
Food Companies	1	4	1	1	0	7
Transportation and Logistics Companies	2	2	1	0	0	5
Electricity and Energy Companies	0	3	1	1	0	5
Telecommunication Companies	0	0	1	1	0	2
Industrial-Energy Companies	0	0	2	0	1	3
Total	8	22	11	6	7	54

Source: SEC 17-A reports of the companies enumerated in Table 2

Panel B. Board Size per Sector in 2018

Number of Directors	7 to 8	9 to 10	11 to 12	13 to 14	15 & above	Total
Banks	0	2	4	0	4	10
Holding Companies	4	2	4	0	2	12
Property Companies	1	6	3	0	0	10
Food Companies	2	2	2	0	1	7
Transportation and Logistics Companies	2	2	1	0	0	5
Electricity and Energy	0	2	2	0	1	5
Telecommunication	0	0	1	1	0	2
Industrial-Energy	0	0	2	0	1	3
Total	9	16	19	1	9	54

Source: SEC 17-A reports of the companies enumerated in Table 2

The number of companies with 11-12 directors increased from 11 in 2017 to 19 in 2018. Majority of the companies have 9-12 directors from 33 in 2017 to 35 in 2018, a slight improvement.

In terms of average board size in 2017, Philippine banks have the highest number of board members at 13, followed by telecommunication and industrial-energy companies at 12. In 2018, these three sectors remain to have the highest average board size at 12. This confirms the findings in existing literature that banks generally have larger boards to accommodate more committees (Adams & Mehran, 2003; Belkhir, 2009). Property and transportation and logistics companies maintained the smallest average board size among the various sectors in both years. Table 4 provides a comparison of the average board size per sector.

Table 4. Average Board Size per Sector

Sector	Average Board Size	
	2017	2018
Banks	***13***	***12***
Holding Companies	10	10
Property Companies	9	9
Food Companies	10	11
Transportation and Logistics Companies	9	9
Electricity and Energy Companies	10	11
Telecommunication Companies	12	12
Industrial-Energy Companies	12	12

Source: SEC 17-A reports of the companies enumerated in Table 2

4.2 Number of Independent Directors and Proportion of Independent Directors to Board Size

The original (2002) and revised (2009, 2014) Philippine Code of Corporate Governance specified the minimum number of independent directors that companies should have from two to three, respectively. It is only in the new code that the minimum number of independent directors increased to three, and the proportion of independent directors to board size increased from at least 20% to at least one-third. Table 5 shows the number of independent directors by sector. It shows that majority of the companies in all sectors comply with having three independent directors. As shown in Table 5 Panels A and B, majority of the banks consistently have more than three independent directors. This confirms the findings of Adams and Mehran (2003, p. 133) that bank boards have slightly more outside directors.

Table 5. Number of Independent Directors

Panel A. Number of Independent Directors by Sector in 2017

Sector	2 IDs	3 IDs	More than 3 IDS	Total
Banks	1	3	6	10
Holding Companies	2	9	1	12
Property Companies	3	6	1	10
Food Companies	3	3	1	7
Transportation & Logistics Companies	3	2	0	5
Electricity and Energy Companies	1	3	1	5
Telecommunication Companies	0	2	0	2
Industrial-Energy Companies	1	2	0	3
Total	14	30	10	54

Source: SEC 17-A reports of the companies enumerated in Table 2

Panel B. Number of Independent Directors by Sector in 2018

Sector	2 IDs	3 IDs	More than 3 IDs	Total
Banks	0	2	8	10
Holding Companies	2	8	2	12
Property Companies	2	7	1	10
Food Companies	3	2	2	7
Transportation and Logistics Companies	1	3	1	5
Electricity and Energy Companies	1	2	2	5
Telecommunication Companies	0	2	0	2
Industrial-Energy Companies	1	1	1	3
Total	10	27	17	54

Source: SEC 17-A reports of the companies enumerated in Table 2

Recommendation 5.1 of the new code states *"at least three independent directors, or such number as to constitute at least one-third of the members of the board, whichever is higher"* (SEC, 2016, p. 23). It is, therefore, not surprising that in terms of compliance with the one-third proportion of independent directors shown in Table 6, the banking sector has the highest compliance rate at 70% and 90% in 2017 and 2018, respectively. The high compliance rate of banks may be due to stringent rules and examination by the BSP. In 2017, the highest proportion of independent directors to board size is 50% by BDO, followed by 47% by BPI and RCBC. In 2018, UBP has the highest proportion of independent directors at 56%, followed by RCBC and BDO at 47% and 45%, respectively.

Improvement in compliance with the one-third proportion of independent directors in 2018 is seen in the following sectors: banks, holding companies, property, and transportation and logistics companies. It is quite alarming that both the telecommunication and industrial-energy companies in the sample do not comply with the minimum of one-third proportion of independent directors as set by the new code in both years. Three banks did not meet the one-third proportion of independent directors in 2017 – CHIB, PBB, and UBP. However, it is noteworthy to point out that although UBP has only three independent directors, there are 11 non-executive directors in their board. As of 2018, only CHIB remains non-compliant of this requirement.

Table 6. Compliance with the One-Third Proportion of Independent Directors to Board Size per Sector

Sector	Compliance with one-thirdrequirement	
	2017	2018
Banks	**3 out of 10 (30%) banks did not comply**	**1 out of 10 (10%) banks did not comply**
Holding Companies	8 out of 12 (66%) holding companies did not comply	6 out of 12 (50%) holding companies did not comply
Property Companies	5 out of 10 (50%) property companies did not comply	4 out of 10 (40%) property companies did not comply
Food Companies	5 out of 7 (71%) food companies did not comply	5 out of 7 (71%) food companies did not comply
Transportation and Logistics Companies	4 out of 5 (80%) transportation and logistics companies did not comply	1 out of 5 (20%) transportation and logistics companies did not comply
Electricity and Energy Companies	2 out of 5 (40%) electricity and energy companies did not comply	2 out of 5 (40%) electricity and energy companies did not comply
Telecommunication Companies	Both (100%) telecommunication companies did not comply	Both (100%) telecommunication companies did not comply
Industrial-Energy Companies	All three (100%) industrial-energy companies did not comply	All three (100%) industrial-energy companies did not comply

Source: SEC 17-A reports of the companies enumerated in Table 2

4.3 Average Age of Independent Directors by Sector

Table 7 Panels A and B show that very few directors are below 50 years of age, and that these young directors are part of the property and food companies. Majority of the directors are in their 60s and 70s. In order to gain the required experience, knowledge, and expertise, directors need to be of a certain age bracket[18]. One company, SHLPH, did not disclose the age of its directors in both 2017 and 2018. Aside from SHLPH, LPZ may have inadvertently missed indicating the age of one of its independent directors, Lilia R. Bautista, in 2018.

Table 7. Age of Independent Directors

Panel A. Age of Independent Directors by Sector in 2017

Age	below 40 y.o.	40-49 y.o.	50-59 y.o.	60-69 y.o.	70-79 y.o.	80 y.o. & up	ND*	Total
Banks	0	0	6	**15**	**20**	5	0	46
Holding Companies	0	0	6	**5**	**17**	7	0	35
Property Companies	0	2	3	**13**	**5**	5	0	28
Food Companies	3	2	5	**2**	**7**	0	0	19
Transportation and Logistics Companies	0	1	1	**5**	**4**	1	0	12
Electricity and Energy Companies	0	0	2	**5**	**6**	2	0	15
Telecommunication Companies	0	0	2	**3**	**0**	1	0	6
Industrial-Energy Companies	0	0	0	**0**	**4**	1	3	8
Total	3	5	25	**48**	**63**	22	3	169

*ND – Not disclosed
Source: SEC 17-A reports of the companies enumerated in Table 2

18 Philippine companies prefer to hire independent directors who are industry experts. Such experts usually retire around 65, pushing up the average age of the country's directors (Jiao & Dormido, 2019).

Panel B. Age of Independent Directors by Sector in 2018

Age	below 40 y.o.	40-49 y.o.	50-59 y.o.	60-69 y.o.	70-79 y.o.	80 & up	ND*	Total
Banks	0	0	5	**16**	**22**	6	0	49
Holding Companies	0	0	4	**6**	**19**	6	1	36
Property Companies	0	1	4	**16**	**4**	4	0	29
Food Companies	2	2	6	**4**	**7**	0	0	21
Transportation and Logistics Companies	0	1	0	**7**	**4**	3	0	15
Electricity and Energy Companies	0	0	5	**4**	**4**	3	0	16
Telecommunication Companies	0	0	2	**3**	**0**	1	0	6
Industrial-Energy Companies	0	0	2	**0**	**3**	1	3	9
Total	2	4	28	**56**	**63**	24	4	181

*ND – Not disclosed
Source: SEC 17-A reports of the companies enumerated in Table 2

Despite the issuance of the DOF (2015) that ideally no directors should be 80 years old and up, a number of directors in the sample, as presented in Table 8, are 80 years of age and above[19]. The results as tabulated in Table 8 confirm the findings of Jiao and Dormido (2019), that older directors dominate banks, holding firms, and mining and oil companies, with younger directors in technology and retail. Although 24 directors age 80 and above seem to be quite a sizable number, one such director[20] is seated in seven of the sample companies, while three such directors[21] are seated in two of the sample companies. Hence, eliminating duplication, there are only 15 independent directors who are 80 and above instead of the 24 tabulated in 2018. There is one independent director, Lamberto U. Ocampo, who is 93 years old.

Table 8. Independent Directors Age 80 and Above in 2018

Sector (Number of IDs 80 and above)	IDs Age 80 and above
Banks (6)	
• BDO (2)	Jose F. Buenaventura and Jimmy T. Tang
• EB (1)	Carlos R. Alindada
• PBB (1)	Paterno H. Dizon
• RCBC (2)	Juan B. Santos and Lilia R. Bautista
Holding Companies (7)	
• AEV (1)	Jose C. Vitug
• LPZ (2)	Cesar E.A. Virata and Lilia R. Bautista
• LTG (2)	Wilfrido E. Sanchez and Robin C. Sy
• MPIC (2)	Artemio V. Panganiban and Edward S. Go
Property Companies (4)	
• BEL (1)	Cesar E.A. Virata
• FLI (1)	Lamberto U. Ocampo*
• RLC (2)	Artemio V. Panganiban and Emmanuel C. Rojas Jr.
Food Companies (0)	

[19] Philippine companies have the region's oldest directors and the longest board tenures, particularly in the banking, property, and retail sectors (Jiao & Dormido, 2019). The average age of board members is also the highest in Southeast Asia at 65.4 years compared with a regional average of 58.7 years (Jiao & Dormido, 2019).
[20] Artemio V. Panganiban is 81 years old and sits as an independent director in the boards of seven of the sample companies: MPIC, RLC, Meralco, FPHC, PLDT, PCOR, and ATI.
[21] Lilia R. Bautista is 82 years old and sits as an independent director in the boards of RCBC and LPZ. Cesar E. A. Virata is 87 years old and sits as an independent director in the boards of LPZ and BEL. Juan B. Santos is 80 years old and sits as an independent directors in the boards of RCBC and FPH.

Sector (Number of IDs 80 and above)	IDs Age 80 and above
Transportation and Logistics Companies (3)	
• ATI (1)	Artemio V. Panganiban
• CEB (1)	Cornelio T. Peralta
• ICT (1)	Cesar A. Buenaventura
Electricity and Energy Companies (3)	
• FPH (2)	Artemio V. Panganiban and Juan B. Santos
• MER (1)	Artemio V. Panganiban
Telecommunication Companies (1)	
• PLDT (1)	Artemio V. Panganiban
Industrial-Energy Companies (1)	
• PCOR (1)	Artemio V. Panganiban

*Mr. Lamberto U. Ocampo is 93 years old as stated in the 2018 SEC 17-A report
Source: SEC 17-A reports of the companies enumerated in Table 2

4.4 Gender of Independent Directors by Sector

Similar to the findings of the SEC in its 2015 Philippine Corporate Governance Blueprint report, male directors dominate the board. Out of 169 total directors in the 2017 sample, only 26 (15%) are female. In all sectors, male directors consistently dominate the board. Similar results are garnered in 2018. The industrial-energy companies have consistently reported the highest proportion of female independent directors. Hence, in terms of gender diversity, Philippine companies have a long way to go.

Table 9. Gender of Independent Directors

Panel A. Gender of Independent Directors by Sector in 2017

Sector	Male	Female	Total	% Male	% Female
Banks	39	7	46	85%	15%
Holding Companies	31	4	35	89%	11%
Property Companies	23	5	28	82%	18%
Food Companies	15	4	19	79%	21%
Transportation and Logistics Companies	11	1	12	92%	8%
Electricity and Energy Companies	13	2	15	87%	13%
Telecommunication Companies	5	1	6	83%	17%
Industrial-Energy Companies	**6**	**2**	**8**	**75%**	**25%**
Total	143	26	169	85%	15%

Source: SEC 17-A reports of the companies enumerated in Table 2

Panel B. Gender of Independent Directors by Sector in 2018

Sector	Male	Female	Total	% Male	% Female
Banks	43	6	49	88%	12%
Holding Companies	32	4	36	89%	11%
Property Companies	23	6	29	79%	21%
Food Companies	18	3	21	86%	14%
Transportation and Logistics Companies	14	1	15	93%	7%
Electricity and Energy Companies	13	3	16	81%	19%
Telecommunication Companies	5	1	6	83%	17%
Industrial-Energy Companies	**6**	**3**	**9**	**67%**	**33%**
Total	154	27	181	85%	15%

Source: SEC 17-A reports of the companies enumerated in Table 2

4.5 Educational Background of Independent Directors by Sector

Majority of the independent directors in the sample have bachelor's degrees in accounting, management, and other business courses, economics, and engineering. Due to the technical nature of their operations, independent directors with engineering degree feature quite prominently in the transport and logistics and electricity and energy companies.

Table 10. Educational Background of Independent Directors by Sector in 2018

Sector	First	Second	Third
Banks	Accounting*	Economics	Engineering
Holding Companies	Not Disclosed	Accounting* and Economics	Law
Property Companies	Accounting* and Not Disclosed	Economics	Others
Food Companies	Others	Accounting* and Not Disclosed	Economics
Transportation and Logistics Companies	Engineering	Economics and Law	Accounting* and Others
Electricity and Energy Companies	Accounting*	Engineering	Economics
Telecommunication Companies	Accounting*	Others	**
Industrial-Energy Companies	Accounting*	Economics	**

*Accounting, management, and other business courses
**Given the small sample size of these two sectors, only the top two bachelor's degrees are tabulated
Source: SEC 17-A reports of the companies enumerated in Table 2

4.6 Highest Educational Attainment of Independent Directors by Sector

More than 50% of the independent directors have a master's degree, mostly from abroad rather than from the Philippines. Table 11 Panels A and B show that banks and food companies source their independent directors from the academe. Hence, these two sectors report the highest percentage of independent directors with PhDs. There are a number of sample companies that do not disclose the highest education attainment of its independent directors.

Table 11. Highest Educational Attainment by Sector

Panel A. Highest Educational Attainment by Sector in 2017

Sector	Bachelor	Masters	PhD	ND*	Total
Banks	11	29	6	0	46
Holding Companies	4	22	1	8	35
Property Companies	8	17	1	2	28
Food Companies	6	5	3	5	19
Transportation and Logistics Companies	5	7	0	0	12
Electricity and Energy Companies	6	7	2	0	15
Telecommunication Companies	2	4	0	0	6
Industrial-Energy Companies	3	3	1	1	8
Total	45	94	14	16	169

ND = Not Disclosed
Source: SEC 17-A reports of the companies enumerated in Table 2

Panel B. Highest Educational Attainment by Sector in 2018

Sector	Bachelor	Masters	PhD	ND*	Total
Banks	13	32	3	1	49
Holding Companies	4	24	1	7	36
Property Companies	9	18	0	2	29
Food Companies	3	8	3	7	21
Transportation and Logistics Companies	6	9	0	0	15
Electricity and Energy Companies	4	11	1	0	16
Telecommunication Companies	1	4	0	1	6
Industrial-Energy Companies	2	5	1	1	9
Total	42	111	9	19	181

ND = Not Disclosed
Source: SEC 17-A reports of the companies enumerated in Table 2

4.7 Tenure of Independent Directors by Sector

"Corporate directors in the Philippines sit on boards for an average of 10.6 years, more than four years beyond the average 6.5 years in Asia-Pacific boards" (Jiao & Dormido, 2019, para. 3). Moreover, companies with the longest board tenures in the country are mostly led by prominent families. Although it may take years for an independent director to acquire the necessary knowledge and experience about a certain industry or company's operations, the maximum cumulative nine years tenure is imposed to ensure that independent directors remain independent of the company.

As shown in Table 12 Panels A and B, 76% and 74%[22] of the independent directors in the sample are within the maximum cumulative tenure of nine years for 2017 and 2018, respectively. This means that 24% and 26% of the independent directors in the sample has already breached the nine-year tenure limit.

Table 12. Tenure of Independent Directors

Panel A. Tenure of Independent Directors by Sector in 2017

Tenure	1-5 years	6-9 years	10-15 years	16-20 years	More than 20 years	ND*	Total
Banks	29	6	5	4	2	0	46
Holding Companies	12	12	6	5	0	0	35
Property Companies	16	5	3	1	1	2	28
Food Companies	10	2	2	2	0	3	19
Transportation and Logistics Companies	5	3	4	0	0	0	12
Electricity and Energy Companies	6	6	1	0	1	1	15
Telecommunication Companies	5	0	0	1	0	0	6
Industrial-Energy Companies	3	3	0	0	0	2	8
Total	86	37	21	13	4	8	169

*ND – Not disclosed
Source: SEC 17-A reports of the companies enumerated in Table 2

[22] The percentage is computed by adding the number of directors under the 1-5 years and 6-9 years columns divided by the total number of directors less *"Not Disclosed"* items. For example, in 2017, there are 86 and 37 independent directors under 1-5 years and 6-9 years for a total of 123. The denominator is computed using the total of 169 less 8 *"Not Disclosed"* items or 161. Hence, the percentage in 2017 is 76% computed using 123 divided by 161.

Panel B. Tenure of Independent Directors by Sector in 2018

Tenure	1-5 years	6-9 years	10-15 years	16-20 years	more than 20 years	ND*	Total
Banks	24	13	4	6	2	0	49
Holding Companies	11	12	8	2	3	0	36
Property Companies	14	5	4	2	1	3	29
Food Companies	13	4	1	1	0	2	21
Transportation and Logistics Companies	8	2	4	1	0	0	15
Electricity and Energy Companies	5	5	3	0	1	2	16
Telecommunication Companies	4	1	0	1	0	0	6
Industrial-Energy Companies	4	2	1	0	0	2	9
Total	83	44	25	13	7	9	181

*ND – Not disclosed
Source: SEC 17-A reports of the companies enumerated in Table 2

Below is a list of the sectors and companies with all their independent directors within the nine-year maximum tenure limit[23]:

- Banks – MBT, PBB, and UBP;
- Holding Companies – LTG, SMC, and SMIC;
- Property Companies – ALI, ALHI, CLI, GERI, and SHNG;
- Food Companies – ANI, MACAY, FB, and PIZZA;
- Transport and Logistics Companies – CLC;
- Electricity and Energy Companies – APC and FGEN; and
- Telecommunication Companies – GLO.

4.8 Number of Directorship in other PLCs

Non-executive directors are only allowed to have a maximum of five directorships in other PLCs (SEC, 2016). This is to ensure that these directors can devote and commit their time and full attention on the matters of the companies which they serve (SEC, 2016). It is explicit in the new code that a director should notify the board where he/she is an incumbent director before accepting a directorship in another company (SEC, 2016, p. 23).

As shown in Table 13 Panels A and B, only banks comply with the requirement of maximum directorship in five PLCs. It appears that BSP has been stringent in ensuring compliance with the various requirements of the new code. Although the property and food companies do not have directorships beyond five PLCs in 2017, they have companies with undisclosed data. Hence, it cannot be conclusively considered that these two sectors are completely compliant with the number of directorships in other PLCs. In 2018, RLC has no disclosure of the directorships in other PLCs of its independent directors. This omission is observed because one of its independent directors, Artemio V. Panganiban, who sits in various PLCs, has no other directorships indicated in its SEC 17-A.

[23] For ease in the computation of years in service, the month is not considered. The computation of tenure years is simply 2017 or 2018 less the year the independent director is first appointed as such plus 1. For example, in computing the tenure years in 2018, an independent director who is first elected in 2010 has nine years of service.

Table 13. Number of Directorship in Other PLCs

Panel A. Number of Directorship in Other PLCs in 2017

Number of Directorship in other PLCs	None	1	2	3	4	5	More than 5	ND*	Total
Banks	34	8	2	0	1	1	0	0	46
Holding Companies	9	8	9	3	1	2	3	0	35
Property Companies	13	6	2	2	1	0	0	4	28
Food Companies	7	4	4	0	0	1	0	3	19
Transportation and Logistics Companies	6	3	1	1	0	0	1	0	12
Electricity and Energy Companies	3	0	3	2	2	0	2	3	15
Telecommunication Companies	2	2	0	1	0	0	1	0	6
Industrial-Energy Companies	1	2	2	0	0	0	2	1	8
Total	75	33	23	9	5	4	9	11	169

*– Not disclosed
Source: SEC 17-A reports of the companies enumerated in Table 2

Panel B. Number of Directorship in Other PLCs in 2018

Number of Directorship in other PLCs	None	1	2	3	4	5	More than 5	ND*	Total
Banks	34	11	2	0	1	1	0	0	49
Holding Companies	12	6	7	5	1	4	1	0	36
Property Companies	13	6	2	2	1	0	0	5	29
Food Companies	12	4	2	0	1	1	1	0	21
Transportation and Logistics Companies	8	2	2	1	0	0	2	0	15
Electricity and Energy Companies	5	1	3	2	3	0	2	0	16
Telecommunication Companies	2	1	0	1	1	0	1	0	6
Industrial-Energy Companies	0	3	4	0	1	0	1	0	9
Total	86	34	22	11	9	6	8	5	181

*ND – Not disclosed
Source: SEC 17-A reports of the companies enumerated in Table 2

4.9 Separate Chairman and CEO

Although separating the roles of chairman of the board and the CEO/President to two different persons can somehow ensure board independence in terms of segregation of strategy and policy formulation from its implementation, such prescription can also have its disadvantages, particularly when the company cannot find a suitable CEO/President. In a critical and tough business environment, a unified chairman and CEO assures efficient and effective decision-making by the board. The chairman and CEO has in-depth knowledge of the operations of its company.

Though the separate chairman and CEO setup is prescribed by the new code (2016, p. 26), Recommendation 5.5 provides that *“a lead independent director be elected by the board among its independent directors if the chairman of the board is not independent, including if the positions of the chairman and CEO are held by one person.”* Table 14 does not contain two sectors – banks and industrial-energy companies. Companies in these two sectors have separate chairman and CEO. Although AC, GERI, and DELM have unified chairman and CEO, they have appointed a lead independent director according to the requirement of the new code. It appears that a number of companies with unified chairman and CEO have yet to designate a lead independent director. It is worthy to note that Andrew L. Tan and Federico R. Lopez sit simultaneously as chairman and CEO of two listed companies. Interestingly, the chairman and CEO of ANI, Antonio L. Tiu is the youngest at 43 years old.

Table 14. Unified Chairman and CEO with or without Lead Independent Directors in 2018

Companies	Chairman and CEO (Age)	Independent Chair?	Lead Independent Director?
Holding Companies			
AC	Jaime Augusto Zobel de Ayala (59)	No	Yes
ATN	Arsenio T. Ng (60)	No	No
DMC	Isidro A. Consunji (70)	No	No
SMC	Eduardo M. Cojuangco, Jr. (83)	No	No
Property Companies			
GERI	Andrew L. Tan (69)	No	Yes
MEG	Andrew L. Tan (69)	No	No
Food Companies			
ANI	Antonio L. Tiu (43)	No	No
DELM	Rolando C. Gapud (77)	Yes	Yes
Transport and Logistics Companies			
ICT	Enrique K. Razon, Jr. (59)	No	No
MAC	Dr. Lucio C. Tan (84)	No	No
Electricity and Energy Companies			
FGEN	Federico R. Lopez (57)	No	No
FPH	Federico R. Lopez (57)	No	No
Telecommunication Companies			
PLDT	Manuel V. Pangilinan (72)	No	No

Source: SEC 17-A reports of the companies enumerated in Table 2

4.10 Summary of Findings

1. Considering that it is the second year of implementation, some sectors have significantly improved in their compliance with the recommendations of the new code in 2018 from 2017.
2. In terms of board independence as shown in Table 6, the banking sector has the highest compliance rate in both years, with only one out of 10 (10%) banks not complying with the one-third proportion of independent director of the new code in 2018[24].
3. Many of the independent directors in order to gain sufficient experience and knowledge are usually 70 to 79 years of age. There are few directors who are younger than 50 years old. However, there are a number of independent directors who are 80 years old and above, which goes against the ideal qualification as specified by the Department of Finance (2015). In 2018, there are 24 independent directors who are 80 years and above. However, if duplication is eliminated, only 15 independent directors are 80 years and above. Only one independent director in the sample is 93 years old, Lamberto U. Ocampo.
4. Similar to many Asian countries, male directors still dominate the board.
5. The top three educational degrees of the independent directors in the sample in 2018 are accounting, economics, and engineering. Independent directors with engineering background are prevalent in the transport and logistics and the electricity and energy companies, given the technical nature of their operations.
6. Many of the independent directors have a master's degree, whether from the Philippines or abroad.
7. All sectors have independent directors serving for more than the maximum cumulative nine-year limit.
8. Only independent directors of banks comply with the maximum five directorships in other PLCs requirement of the new code. Moreover, all banks have separate chairman and CEO.

[24] This finding is supported by the relatively few items non-complied reported in the 2018 Integrated Annual Corporate Governance Report (I-ACGR) submitted by the bank sample.

4.11 Other Findings

1. The contents of the SEC 17-A reports submitted by the PLCs do not contain uniform and consistent information, particularly on corporate governance variables investigated in this study.
    a. Specifically, many of the companies do not specify or indicate who among their directors are considered non-executive directors. This makes it difficult to determine if they have complied with Recommendation 1.2, which requires majority of the board should be non-executive directors.
    b. Some companies combine the directors and executives in one list, making it confusing to determine board size. This is so because some executives can be executive directors.
    c. Not all companies provide the board committees, their members and duties in their SEC 17-A. Although this information may be available in the company's website, it is more convenient to have this information available in the SEC 17-A report.
    d. Not all companies provide meeting attendance information, as well as details on annual orientation and training programs provided to their directors.
    e. Although the new code adopts a *"comply or explain"* approach, the explanation for non-compliance with prescriptions of the new code is required to be made available to the public (SEC, 2018). The SEC (2018) has provided a template for the compliance or non-compliance with the recommendations of the new code. This report is referred to as the Integrated Annual Corporate Governance Report (I-ACGR) (SEC, 2018). Publicly listed companies are required to submit this to the SEC annually on or before May 30[25]. For those recommendations which the company did not comply, an explanation has to be provided[26] (SEC, 2018). Since it is a *"comply or explain"* approach, non-compliance to certain prescriptions does not automatically result in sanctions and penalties. The SEC needs to evaluate the explanation first before any sanctions and penalties can be imposed. However, late filing or non-submission of this report at the designated due date definitely results in sanctions and penalties[27].
    f. While some companies provide a *"Corporate Governance"* section in their SEC 17-A, this section usually contains different information on corporate governance. By requiring the identification of any areas of non-compliance and the reasons for non-compliance to be stated in the *"Corporate Governance"* section of the SEC 17-A report, the SEC can provide the public with the required information and can facilitate its monitoring if all relevant information are found in one report.

    If all the relevant corporate governance variables that the SEC monitors can be found in one report, SEC 17-A, and if a uniform template is provided, then monitoring can be done more efficiently and effectively by the SEC.
2. All PLCs are required to establish an Audit Committee and the role of this committee is quite crucial. In fact, the setting up of an Audit Committee is one of the first requirements of the earlier codes of corporate governance, originating from the Sarbanes and Oxley Act of 2002. As per the new code (2016, p. 16), all the members of the Audit Committee are required to have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and

[25] The I-ACGR is a separate submission from the companies' annual report or SEC 17-A.

[26] The 2018 I-ACGR of the banks and holding companies' samples are retrieved either from the company's website or from the PSE website. Majority of the banks in the sample do not comply with one prescription, which is reporting the remuneration of each director individually. The explanations for this non-compliance largely point to the protection of the personal safety and security of the individual director. Among the holding companies included in the sample, some of the more common prescriptions not complied with are: (1) that the corporate secretary should be a separate individual from the compliance officer; and (2) the separation of chairman and CEO, and the individual remuneration of directors.

[27] As of the writing of this paper, the author has not found the scales of fines and penalties related to the late filing or non-submission of this report. SEC Memorandum Circular No. 3 Series of 2017 (SEC, 2017) does not include fines and penalties related to late-filing, non-submission or wrong information in the I-ACGR. The author is not sure whether late filing, non-submission or wrong information in the I-ACGR falls under SEC Memorandum Circular No. 8 Series of 2009 (SEC 2009b), which covers the scale of fines for non-compliance with the financial reporting requirements of SEC.

finance[28]. However, it appears unclear whether this requirement is being complied with by all sectors. This is important because the new code specifies that independence and competence should go hand in hand. Appendix B provides a summary of the Audit Committee Chairman per sector as disclosed in the SEC 17-A report[29].

Although not all companies provide Audit Committee information, improvement in this disclosure is noted in 2018. For the banks, EW and MBT started to provide the Audit Committee information in 2018. For property companies, BEL and SHNG have complied together with other sectors, companies such as PIZZA for food, PHEN and PNX for industrial-energy.

Appendix B shows that except for banks, the qualifications of the Audit Committee chairpersons do not appear to comply with the new code's injunction that they must have the training appropriate to the nature of the committee's mandate. Perhaps the previous business exposure and experience of these Audit Committee chairpersons somehow compensate for their educational backgrounds in such unrelated fields as philosophy, industrial pharmacy, chemical and civil engineering. Another observation that can be drawn is that the various restrictions imposed on independent directors, as listed in Appendix A, may somehow limit the number of qualified Audit Committee members with the relevant knowledge and background in accounting, auditing, and finance.

3. Directors' remunerations on an individual basis are required to be disclosed as per Recommendation 8.4[30]. This is to foster accountability and transparency. However, only two companies, MER and GLO, provided for this specific information in their SEC 17-A reports. Many of these companies showed the aggregate remuneration of directors and officers/executives combined. Moreover, the aggregate remuneration is presented in different ways by these companies. Interestingly, two companies under the leadership of Manuel V. Pangilinan, MPIC and MER, offer stock options to their directors. On the other hand, Ayala-owned companies, AC and ALI, provide a sizable annual retainer's fee to their directors. Appendix C provides an overview of the remuneration disclosure of PLCs in 2018. Information on this table can be found in the Executive Compensation section of the SEC 17-A report.

5 Conclusion

Given that 2017 and 2018 are the first two years of implementation of the new code, it is not surprising that numerous departures from the letter and spirit of its provisions are found in the study. It is reassuring, however, that the Philippine banks, which is possibly the single industry where the Philippine public has the largest financial interest, have the highest compliance rate in terms of the corporate governance practices investigated[31]. It appears that the Philippine banking regulator, the BSP, has been very conscientious in its monitoring of this particular industry. The only variable which the banking industry does not comply with is the tenure limit. The other Philippine sectors, however, need to enhance their compliance with good governance practices under the new code, particularly in terms of proportion of independent directors, age, gender diversity, separation of chairman/CEO, and qualifications of the chairpersons of their Audit Committees.

As aptly observed in the corporate governance chapter co-authored by Chua Bun Pho and Rodriguez (2020, p. 171):

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[28] Another committee that requires at least one member to have relevant thorough knowledge and experience on risk and risk management by the new code is the Board Risk Oversight Committee (BROC).

[29] Those PLCs that do not indicate the Audit Committee Chairperson in their SEC 17-A report are excluded from the table. Although the identity of the Audit Committee Chairperson can be found in the company's annual report, they remain excluded because the goal is to show that the contents of the SEC 17-A reports are not the same for all PLCs.

[30] Almost all the I-ACGRs examined for the banks and holding companies' samples are non-compliant of this prescription.

[31] For banks and other financial institutions, the BSP has issued its own corporate governance best practices. Aside from the *"fit and proper rule"*, BSP issued BSP Circular No. 840 (2014) *"Amendment to the guidelines on the qualifications of a director"* and BSP Circular No. 970 (2017) *"Enhanced corporate governance guidelines for BSP-supervised financial institutions amending the manual of regulations for non-bank financial institutions."*

> *'the new code has high expectations from independent directors in terms of protecting the interests of the shareholders, particularly the minority owners, and other stakeholders. It is, however, important to realize that despite the increase in the proportion of independent directors to the total board size, independent directors remain a minority in the board. Hence, independent directors can easily be out-voted. Moreover, the requirement of the new code of at least three independent directors or such number as to constitute at least one-third of the members of the board is below the global best practice of independent directors filling at least 50% of the board seats."*

According to Barton et al. (2004, p. 56), the requirement that a majority of the directors be independent can be unrealistic as the *"pool of qualified independent directors is quite small in many Asian countries."* Moreover, where non-competition and confidentiality provisions are difficult to enforce, family-controlled companies may be reluctant to divulge too much of their strategies to outside directors (Barton et al, 2004). Such definitely defeats the purpose and oversight roles of independent directors. In fact, Chen et al. (2011, p. 115) find that good governance practices that are adopted from the OECD Principles cannot truly mitigate the negative effect of controlling-shareholder expropriation. This is because most of these good governance practices are primarily designed to resolve conflicts between shareholders and the management, and not conflicts between controlling and minority shareholders. Chen et al. (2011) suggest that improving the true independence and monitoring power of independent directors, as well as the strengthening of the legal and financial market infrastructures are the real solutions for minority shareholder expropriation. Echoing the same sentiment, Berglof and Claessens (2004, p. 1) state that *"enforcement more than regulations, laws-on-the-books or voluntary codes is key to effective corporate governance, at least in transition and developing countries."*

6 Limitations of the Study and Direction for Future Research

There are some limitations of the study. First and foremost is that the results are from the first two years of implementation of the new code. Hence, it is possible that many of the sample companies have not complied with all the requirements yet. Corporate governance variables investigated are limited, and hence, can be expanded to provide more meaningful analysis of board effectiveness and competence in the Philippines. Extant literature has documented that other corporate governance variables such as board diversity, insiders versus outsiders combination, chairman and CEO duality, CEO age, CEO compensation, directors' educational and professional affiliations contribute to board effectiveness (Pathan et al., 2007; Victor & Peter, 2004). Encoding of educational background can be further enhanced to indicate the specific university or universities attended. To provide a more complete picture of the *"independence and objectivity"* of an independent director, the year in which he/she is first elected as such in the company should also be indicated. Moreover, adding a variable to indicate whether an independent director had previously served in public office, such as but not limited to any regulatory agencies or government-owned entities, can help in establishing the reason why he/she is recruited. More importantly, the major limitation of this study is that the corporate governance variables being studied and investigated do not necessarily assure the *"independence and objectivity"* of the independent directors. These variables cannot vouch for the *"character, integrity, and moral values"* of the board members, but can merely suggest that possessing these qualities can help improve the monitoring and advising roles and functions of the board.

This study can be extended further to include all the PLCs in the PSE not only to see the extent of compliance, but also to find out which sectors respond more quickly and seriously to the requirements of the regulators. There may be differences by sector, and it would be interesting to find out why these differences exist.

This study can also be a comparative study, highlighting similarities and/or differences between the profile on independent directors by the Philippines and other Asian countries. Moreover, empirical studies investigating whether and how these variables can affect firm performance can also be done.

Note too that the study covers only the PLCs. Justifiably so, but the SEC has recently issued a circular stating that corporate governance codes may be issued to cover corporations that are not listed but are corporations with public interest. As more and more data come in, it may be interesting to find out the extent of compliance by PLCs and the non-PLCs.

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Appendix A
Qualifications of an Independent Director (SEC, 2016)

An independent director refers to a person who, ideally:

a. Is not, or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;
b. Is not, and has not been in the three years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;
c. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairman *"Emeritus," "Ex-Officio"* Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;
d. Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;
e. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives, include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
f. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
g. Is not a securities broker-dealer of listed companies and registered issuers of securities. *"Securities broker-dealer"* refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three year immediately preceding the date of his election;
i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
j. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
k. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Related companies refer to (a) covered entity's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

Appendix B
Audit Committee (AC) Chairman per Sector as Disclosed in the SEC 17-A

Companies	AC Chairman	Qualifications
Banks		
BDO	Jose F. Buenaventura (2017 and 2018)	Lawyer, Senior Partner at Romulo Mabanta Sayoc delos Angeles Law Office
BPI	Xavier Loinaz (2017 and 2018)	Former CEO/President of BPI
CHIB	Alberto S. Yao (2017 and 2018)	CEO/President of various unlisted companies; Bachelor in Business Administration
EW	Carlos R. Alindada (2018)	Former Chairman and Managing Partner of SGV
MBT	Edgar O. Chua (2018)	Current President/CEO of Cavitex Holdings Inc.
PNB	Edgar A. Cua (2017 and 2018)	Held various managerial and staff position at ADB; Masters in Economics and Urban Planning and Regional Environment
RCBC	Melito S. Salazar (2017 and 2018)	Former Member of the Monetary Board of BSP; Former Undersecretary of Department of Trade and Industries
SECB	James J. K. Hung (2017 and 2018)	Chairman of Asia Securities Global Group (HK) and Xingya Real Estate Development Corporation (China)
UBP	Carlos Bell T. Raymond, Jr. (2017) and Roberto G. Manabat (2018)	Retired from Eli Lilly, a US-based pharmaceutical company CPA, first General Accountant of SEC
Holding Companies		
AEV	Ret. Justice Jose C. Vitug (2017 and 2018)	Lawyer; Former Associate Justice of the Supreme Court; Masters in National Security Administration
AGI	Alejo L. Villanueva, Jr. (2017 and 2018)	Professional consultant in the fields of training and development, public relations
AC	Xavier P. Loinaz (2017 and 2018)	Former President of BPI
GTCAP	Wilfredo A. Paras (2017) and Renato Valencia (2018)	Industrial Pharmacist; Masters in Business Administration (MBA) Former President/CEO of SSS and Chairman/CEO of UBP
MPIC	Edward S. Go (2017 and 2018)	Former Chairman and CEO of China Banking Corporation
SMIC	Tomasa H. Lipana (2017 and 2018)	Former Chairperson and Senior Partner of Isla, Lipana & Co.
SMC	Margarito B. Teves (2017 and 2018)	Former Secretary of Department of Finance; Former CEO/President of Land Bank of the Philippines
Property Companies		
ALI	Jaime C. Laya (2017 and 2018)	Former Governor of the BSP; PhD in Financial Management
BEL	Gregorio U. Kilayko (2018)	Former Chairman of ABN Amro's banking operations in the Philippines; founding head of ING Baring's stock brokerage and investment banking business in the Philippines
FLI	Val Antonio B. Suarez (2017 and 2018)	Lawyer; Managing Partner of Suarez & Reyes Law Office; Former CEO/President of the PSE
RLC	Omar Byron T. Mier (2017 and 2018)	Former CEO/President of PNB
SHNG	Maximo G. Licuaco III (2018)	President of Filstar Distributors Corporation (licensee of Hallmark cards and exclusive distributor of and BIC products)
SMPH	Jose L. Cuisia, Jr. (2017 and 2018)	Former Governor of the BSP; Former CEO/President of Philamlife
Food Companies		
ANI	Atty. Gloriosa Y. Sze (2017 and 2018)	CPA-Lawyer; Partner at Lim and Yutatco-Sze Law Firm
JFC	Monico V. Jacob (2017 and 2018)	Lawyer; CEO/President of STI
MACAY	Roberto F. Anonas, Jr. (2017 and 2018)	Professor of UA&P; MBA

Companies	AC Chairman	Qualifications
PIZZA	Fernan Victor P. Lukban (2018)	Consultant, mentor and guest lecturer in UA&P; well-recognized consultant in family business, strategy, entrepreneurship and governance
SMFB	Carmelo L. Santiago (2017 and 2018)	Founder/Owner of Melo's Restaurant and Wagyu Restaurant
Transportation and Logistics Companies		
CLC	Miguel Rene A. Dominguez (2017)	Vice President of Alsons Agribusiness Unit; AB Economics
ATI	Teodoro L. Locsin, Jr. (2017) and Roberto C.O. Lim (2018)	Editor; Publisher and TV host; Speechwriter of former presidents Lawyer, former Undersecretary of Aviation and Airports at the DOT
ICTSI	Octavio Victor R. Espiritu (2017 and 2018)	Former CEO/President of FEBTC; Masters in Economics
MAC	Johnip G. Cua (2017 and 2018)	Former CEO/President of P&G; Bachelor in Chemical Engineering
Electricity and Energy Companies		
APC	Carlos C. Ejercito (2017 and 2018)	CEO/President of Mount Grace Hospitals, Inc.; Former Chairman of UCPB; Former CEO/President of Unilab
FGEN	Jaime I. Ayala (2017 and 2018)	Former CEO/President of ALI; Senior Managing Director of AC
FPHC	Juan B. Santos* (2017 and 2018)	Former Chairman of SSS; Former Secretary of Trade and Industry; Former Chairman/CEO of Nestle Philippines
MER	Artemio V. Panganiban* (2017 and 2018)	Former Chief Justice of the Supreme Court
PHEN	David. L. Balangue (2018)	Chairman of the Philippine Financial Reporting Standards (PFRS) Council
Telecommunication Companies		
PLDT	Pedro E. Roxas (2017 and 2018)	Chairman/CEO of Roxas and Company, Inc.
GLO	Cirilo P. Noel (2017 and 2018)	CPA-Lawyer; Senior Advisor to E&Y Global; Former Chairman and Managing Partner of SGV
Industrial-Energy Companies		
PCOR	Reynaldo G. David (2017 and 2018)	CPA; Former CEO/President of DBP
PNX	Carolina Inez Angela S. Reyes (2018)	Corporate marketing executive, owner and co-CEO of Reyes Barbeque founded by her husband
SHLPH	Cesar A. Buenaventura* (2017 and 2018)	Chairman of Buenaventura Echauz and Partners; Chairman of Mitsubishi Hitachi Power System Philippines; Masters in Civil Engineering

* 80 years old and above
Source: SEC 17-A reports of the companies enumerated in Table 2

Appendix C
Directors' Remuneration in 2018

Companies	Remuneration Details	Aggregate
Banks		
BDO	Php10,000 per board meeting and Php5,000 per committee meeting	Php1.04 billion (directors and officers combined)*
BPI	No specification but directors' compensation is not to exceed 1% of previous net income before tax	Php71.8 million (directors only)
CHIB	Php500 per board and committee meeting; directors' compensation is not to exceed 4% of previous net earnings	Php2.31 billion (directors and officers combined)
EW	Php120,000 per board meeting and Php60,000 per committee or special meeting	Php20.1 million (directors only)
MBT	Average of Php228,730.77 per month per director	Php422.24 million (directors and officers combined)
PBB	Php20,000 per board meeting, Php5,000 per committee meeting, and Php5,000 monthly gasoline allowance	Php487.92 million (directors and officers combined)
PNB	Reasonable per diem plus non-cash benefits such as healthcare and life insurance	Php43.0 million (directors only)
RCBC	Reasonable per diem plus profit sharing	Php8.36 million (directors only)
SECB	Directors' fees, bonuses and allowances	Php10.5 million (directors only)
UBP	Chairman: Php150,000 per board meeting and Php85,000 per committee meeting NEDs: Php120,000 per board meeting and Php60,000 per committee meeting	Php3 billion (directors and officers combined)
Holding Companies		
AC	Retainer's fee of Php3 million, Php200,000 per board meeting, and Php100,000 per committee meeting	No disclosure
AEV	Chairman: Monthly allowance of Php180,000, Php150,000 per board meeting, and Php100,000 per committee meeting Other Directors: Monthly allowance of Php120,000, Php100,000 per board meeting, and Php80,000 per committee meeting	Php376.32 million (directors and officers combined)
AGI	Reasonable per diem per board meeting	No disclosure
ATN	Php5,000 per meeting	No disclosure
DMC	Reasonable per diem allowance	Php20.2 million (directors and officers combined)
GTCAP	Reasonable per diem, transportation allowance, and bonuses	Php29.93 million (directors only)
JGS	Reasonable per diem	Php258.16 million (directors and officers combined)
LTG	Php30,000 monthly allowance, Php25,000 per board meeting, and Php15,000 per committee meeting	Php19.8 million (directors and officers combined)
LPZ	Php20,000 per board meeting and Php10,000 per committee meeting	Php72.28 million (directors and officers combined)
MPIC	Php100,000 per board meeting, Php50,000 per committee meeting, and stock options	Php311.75 million (directors and officers combined)
SMC	Php50,000 per board meeting and Php20,000 per committee meeting	Php876.7 million (directors and officers combined)
SMIC	Php100,000 per board meeting and Php20,000 per committee meeting	Php511 million (directors and officers combined)
Property Companies		
ALI	Retainer's fee of Php1 million, Php200,000 per board meeting, and Php100,000 per committee meeting	Php1.14 billion (directors and officers combined)
ALHI	Reasonable per diem	Php6.3 million (directors only)
BEL	Independent Directors: Php50,000 per meeting Other Directors: Php20,000 per meeting	Php127.24 million (directors and officers combined)

Companies	Remuneration Details	Aggregate
CLI	No disclosure	No disclosure
FLI	Php50,000 per meeting	Php59.94 million (directors and officers combined)
GERI	Performance-based compensation scheme with stock options	Php41.8 million (directors and officers combined)
MEG	Reasonable per diem	Php700,000 (directors only)
RLC	No disclosure	Php128.5 million (directors and officers combined)
SHNG	No per diem	Php96.26 million (directors and officers combined)
SMPH	Regular standard per diem	Php549 million (directors and officers combined)
Food Companies		
ANI	Php5,000 per meeting	Php8.32 million (directors and officers combined)
DELM	US$43,200 per annum per director	US$183,600 (directors only)
JFC	Php60,000 per meeting plus performance-based incentive	Php959.13 million (directors and officers combined)
MACAY	No disclosure	Php6.28 million (directors only)
MAXS	Php75,000 per board meeting and Php35,000 per committee meeting	Php209 million (directors and officers combined)
FB	Php10,000 per meeting Breakdown of 2018 Directors' Remuneration: Php220,000 for Executive Directors Php410,000 for Non-Executive Directors Php640,000 for Independent Directors	Php1.27 million (directors only)
PIZZA	Php117,647 per annum per director	Php74.69 million (directors and officers combined)
Transport and Logistics Companies		
ATI	Chairman: Php60,000 per board meeting Other Directors: Php50,000 per board meeting	Php3.04 million (directors only)
CEB	Reasonable per diem	Php160.36 million (directors and officers combined)
CLC	Php30,000 per meeting	Php39.5 million (directors and officers combined)
ICT	No disclosure	US$7.7 million (directors and officers combined)
MAC	Php20,000 to Php50,000 per board and committee meeting	Php104.4 million (directors and officers combined)
Electricity and Energy Companies		
APC	Chairman: Php150,000 per board meeting and Php100,000 per committee meeting NEDs: Php100,000 per board meeting and Php80,000 per committee meeting	Php328.84 million (directors and officers combined)
FGEN	Php50,000 per board meeting	Php725.15 million (directors and officers combined)
FPH	Php20,000 per board meeting	Php53.5 million (directors only)
MER	Php140,000 per board meeting, Php24,000 per committee meeting, and stock options	Php23.5 million (directors only) *
PHEN	Allowance, per diem, and bonuses	Php41.02 million (directors and officers combined)
Telecommunication Companies		
GLO	Php200,000 per board meeting and Php100,000 per committee meeting	Php21.7 million (directors only) *
PLDT	Php250,000 per board meeting and Php125,000 per committee meeting	Php63 million (directors only)

Companies	Remuneration Details	Aggregate
Industrial-Energy Companies		
PCOR	Per diem, directors' fees, and gasoline allowance	Php304.8 million (directors and officers combined)
PNX	Php30,000 per meeting	Php127.3 million (directors and officers combined)
SHLPH	Chairman: Php1.8 million retainer's fee per year, Php200,000 per board meeting, and Php100,000 per committee meeting NEDs: Php1.2 million retainer's fee per year, Php200,000 per board meeting, and Php100,000 per committee meeting	Php61.74 million (directors only)

* *"Directors and officers combined"* means all directors and officers as a group
** Only MER and GLO provided individual board member remuneration in their 2018 SEC 17-A report
Source: SEC 17-A reports of the companies enumerated in Table 2