Corporate Governance and Director Independence: Evidence from the Philippines

Aliza Racelis
University of the Philippines Business school

1. Introduction

In the typical Western-style corporation, where control is separated from ownership, there exists moral hazard which comes in many guises, from low effort to private benefits, from inefficient investments to accounting and market value manipulations, etc. Governance mechanisms are usually put in place whereby managers act in the best interests of the owners and society. One of the routes taken to alleviate insider moral hazard is the monitoring of insiders by current shareholders, by potential shareholders, or by debt holders. Recent corporate governance failures around the world, however, have uncovered problems that reinforce the perception that managers are largely unwatched (Tirole, 2005).

With the enactment by US Congress of the Sarbanes-Oxley Act (SOX) of 2002 after major corporate collapses, there has been a stricter corporate legal environment, for instance, the emergence of the independent-director requirement and the prohibition of accounting firms' provision of consulting services to auditing clients (Romano, 2005). SOX sought to resolve one of the causes of these major corporate debacles: Boardroom failures. Under SOX, Boards of Directors, specifically Audit Committees, are charged with establishing oversight mechanisms for financial reporting in U.S. corporations on behalf of investors. Those scandals identified Board members who either did not exercise their responsibilities or did not have the expertise to understand the complexities of the businesses. In many cases, Audit Committee members were not truly independent of management.

Why the focus on boards? Since the Board of Directors is primarily responsible for the governance of the corporation, it needs to be structured so that it provides an independent check on management. As such, it is vitally important that a number of board members be independent from management (Philippines Securities and Exchange Commission, 2009). Corporations have responded by raising the number of independent director's —i.e. individuals who are independent of the firm in terms of day-to-day operations and other relationships; with this rise, greater attention has been paid by shareholders and regulators to the role played by the firm's board of directors in solving agency problems. Although it remains to be seen whether there is a correlation between board quality and firm performance, the recent attention directed to boards has caused some changes to occur (Kim and Nofsinger, 2007).

The more notable corporate governance reforms relating to boards have included: (1) configuring boards largely, if not exclusively, of independent, outside directors; (2) separating the positions of board chair and chief executive officer; (3) imposing age and term limits for directors; and (4) providing executive compensation packages that include contingent forms of pay. Notably, these reforms are being sought in multiple country contexts, including the United States, United Kingdom, Germany, and Australia (Daily, et al., 2003). Many Asian countries started to adopt a code of corporate governance in the early 2000s in compliance with recommendations by international organizations like the

Organization for Economic Cooperation and Development (OECD) and the World Bank.

The Asian Corporate Governance Roundtable, through the Institute for Corporate Directors (ICD), has taken great strides in measuring and assessing corporate governance in Asia. In fact, the ICD has come up with both a Corporate Governance Scorecard for private firms in the Philippines and a State Governance Scorecard for Philippine government-owned and controlled corporations **(Racelis, 2012).**

In the Philippines, central to corporate governance reform was the issuance by its SEC of Memorandum Circular No. 2, Series of 2002, otherwise known as the **Code of Corporate Governance** (hereinafter referred to as "the Code"). After a few years, the SEC issued SEC Memorandum Circular No. 6 Series of 2009, referred to as the revised code of corporate governance. This revised version of the Code is merely an update of the original version. Some sections were modified to better phrase some provisions. These revisions are considered minor as the true essence and spirit of the original Code remains intact (Wong, 2009).

The Code considers the Board of Directors to be primarily responsible for the governance of the corporation. The main role of the Board is to act as an independent check on management. In order to effectively exercise its monitoring and oversight functions over management, it is essential that a number of board members should be independent from management (Wong, 2009). The Code's focus on board governance and independence can be found in Article 3, which requires, from 2002 onward, that companies "have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2)" (Securities and Exchange Commission, 2009). This requirement seems light or less stringent when compared to, say, the United Kingdom's requirement in 2000 that "not less than one-third of the board should be non-executive directors", or even India's stringent corporate governance requirement that boards have a minimum of 50 percent independent directors (Liu and Yang, 2008; Sarkar, 2009).

This paper is an exploratory study of Philippine companies' response to the SEC Code mandate on board independence, specifically in the following points: (1) proportion of the board directors who are independent, outside directors; and (2) separation of the positions of board chair and chief executive officer. It shall likewise provide recommendations for the future on the basis of an analysis of the nature of such response.

2. Literature Review

Corporate governance refers to both the structure and process by which the public corporations control agency problems. Corporate governance mechanisms provide shareholders some assurance that managers will strive to achieve outcomes that are in the shareholders' interests. Shareholders have available both internal and external governance mechanisms to help bring the interests of managers in line with their own. (Echanis, 2006; Shleifer & Vishny, 1997). Internal mechanisms include an effectively structured board, compensation contracts that encourage a shareholder orientation, and concentrated ownership holdings that lead to active monitoring of executives. The market for corporate

control serves as an external mechanism that is typically activated when internal mechanisms for controlling managerial opportunism have failed. (Daily, et al., 2003)

To understand board independence as a corporate governance mechanism, it is important to know the history behind the underlying theoretical justifications and corresponding metaphors for the role of management and the board. With the growing separation between owners and a rising class of professional managers in the typical Western-style Corporation, management should be expected to serve as agents for them and therefore require some oversight. The role of the board of directors stems from this oversight duty—to represent the interest of the shareholders of the firm and to hold management accountable to the objectives of the corporation (Du Plessis, 2005).

Over time, governance atrophied and the board had become a mere support system for management. In the large, widely-held corporation, in which typically the president and members of the board own little stock, the de jure powers of control are dispersed among thousands of owners. And yet the president, in the absence of control or influence by the owners of the enterprise, typically does have the de facto powers to control the enterprise; and with these powers of control it is the president who determines in large part what the board of directors does or does not do (Mace, 1971).

The concern with self-serving management's effect on share-price and the perceived need for professional oversight brought reformers down a path to where they advocated a deepening distance between management and the board. The board-management relationship had taken on more of an air of forensic adversity than of strategic partnering, and reform became grounded in the belief that the independence of directors was synonymous with professional conduct (Du Plessis, 2005).

A director is labeled "independent" if she is not employed by the firm, does not supply services to the firm, or more generally does not have a conflict of interest in the accomplishment of her oversight mission (Tirole, 2005). Inside directors are any directors who are company employees, whereas outside directors are those who are not. Outside directors are usually separated into affiliated and independent directors. Affiliated directors are those who have family ties to top management or business relationships with the corporation. Independent directors lack such ties or relationships. They are more likely to make independent judgments in the boardroom (Liu and Yang, 2008)

Governance theory views the corporate director as an objective and shareholder-delegated monitor of corporate decision making. Thus, director (board) independence is viewed as important to improving corporate governance and insuring against managerial self-dealing by monitoring and controlling management on behalf of shareholders. Board independence is also seen as reducing information asymmetry between managers and investors by (1) forcing reticent managers to release information, and (2) vouching for the information's credibility, i.e., improving information (earnings) quality by combining the board member's knowledge as an insider and objectivity as an information intermediary (Krishnan, et al., 2011).

Various studies provide differing evidence on whether director independence is an effective remedy for governance scandals and crises. The independent director system has long been a key to board-related cor-porate governance reforms in well-established economies. East Asian economies embraced the concept at the turn of the millennium. Japan, South Korea, and China all established the independent director system between 1999 and 2003. In Taiwan, a new amendment to the country's Securities and Exchange Act (SEA) was enacted as law in January of 2007. The amendment consisted of several legal components crucial to corporate governance reform, the key element of which was the independent director system. A set of rules in the amendment provides the legal basis to regulate the appointment of independent directors to the corporate boards of public companies. In the specific case of Taiwan, the design and implementation of the independent director system is intended not only to promote better practice but to prevent further failure in governing corporations (Liu and Yang, 2008). In India, it has been recommended that boards have a minimum of 50 percent independent directors, and it has been suggested that the scope of such requirement be extended to all unlisted public companies above a prescribed size (Sarkar, 2009).

Another issue that has arisen in corporate governance is whether it is right that chairs of boards be at the same time chief executive officers. The board of directors in principle monitors management on behalf of shareholders. This process tends to be largely influenced by the ownership pattern of the company, whether it is diversified or concentrated, and whether some of the directors also occupy executive positions in the company. In the case of concentrated ownership situations, it is usual to have controlling shareholders in executive and board positions; in such circumstances, they actually wear two hats, one as senior executives in the corporation and the other as directors with all the attendant responsibilities. This is one of the major reasons why functional directors subordinate to the CEO in the executive hierarchy are less than effective in their directorial roles at board meetings, as many of them feel obliged to toe the 'party line' as handed down from the top (Balasubramanian, 2009).

In the Philippines, SEC Memorandum Circular No. 2, Series of 2002, otherwise known as the Code of Corporate Governance, sought to respond to the indications contained in SOX. The Code supplements and complements the Securities Regulation Code and the Corporation Code of the Philippines. While there are several areas of focus of the Code, Article 3 focuses on Board Governance, and highlights the following provisions in relation to board independence:

"All companies covered by this Code shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2). All other companies are encouraged to have independent directors in their boards.

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board" (Securities and Exchange Commission, 2009).

In the following sections, an attempt is made to analyze whether and how Philippine companies listed on the Stock Exchange have responded to these requirements over the decade after the issuance of the original Code in 2002.

3. Board Independence in the Philippines

Similar to the Sarkar (2009) India study, this paper discusses the important issue of board independence in the context of the data on key board characteristics of top companies listed on the Philippine Stock Exchange, 10 years after the enactment by the Philippines' Securities and Exchange Commission of its "Code of Corporate Governance". The reported statistics, taken from the Thomson Reuters Eikon/Datastream data service, provide a snapshot of the boards of 76 Philippine companies that compose the Thomson Reuters Index, at the close of the 2011-12 fiscal years. The listing of the 76 companies is found in **Appendix I**.

Table 1 reports the structure of a typical board based on our sample. Under Article 3 of the Code, all these companies were required to have at least two (2) independent directors on the board after 2002 or 20% of the total number of directors, whichever is lesser. Based on end of 2012 data from Thomson Reuters, an average board consists of around 11 members, with minimum board size being three (3) and maximum being as high as 22. The firms in the sample are considered big, with market capitalization ranging from USD 6 million to USD 15.6 billion. These board sizes seem to be comparable to those of US and UK companies (see **Appendix 2**) but pale (in terms of size) in comparison with the typical board size of Japanese firms.

As regards compliance with Article 3, Section A of the Code (board governance and independence), **Table 2** shows that a majority (70 of the firms or 92%) of the firms complied with the minimum requirement of two (2) independent directors. However, it can be observed that, overall; there has been just mere compliance with the Code's mandate of minimum board independence. The average number of independent directors is 2.5 which represent only about 22% of the average board size. This is quite different from the situation in some Asian countries, for instance, India, where about 95 percent of the companies surveyed had already complied with the requirement of "at least 50% of the board directors should be independent" by the year 2007. In the U.S., the proportion of independent directors on company boards steadily increased from around 20 percent in 1950 to around 75 percent in 2005 (Sarkar, 2009). These comparisons are apparent in **Appendix 3** where, in Australia and France, there seems to be a preference for and tendency towards greater proportions of independent directors, but the opposite is true (practically nil are outside directors) in Germany and Japan. In any case, in non-Japan East Asia, the close-to-half independent director's trend seems to dominate, as it does in the U.K.

Table 1

Structure of a typical board (Philippines top 76 listed firms)

No. of firms investigated	76
Average board size	11
Smallest board size	3
Largest board size	22
Lowest market capitalization (USD)	$6 million
Highest market capitalization (USD)	$15.6 billion

Table 2

Board Independence (Philippines top 76 listed firms)

Description	No.	Percent
No. of companies which complied	70	92%
No. of companies which have not complied with Code	6	8%
No. of companies which just merely complied with minimum of 2 independent directors	36	More than half
Average no. of independent directors	2.5	
Average Proportion (no. of independent directors)		22%

Table 3 reports the number and proportion of the companies surveyed whose board chairmen are also the chief executive officers vis-à-vis those with non-executive chairs. This matter is important, since an executive chairmanship obviously strengthens the insiders' hold on the board of directors. In the U.S., as in France, the chairman of the board (who, due to his powers, exercises a disproportionate influence on board meetings) is most often the firm's CEO, although the fraction of large corporations with a split-leadership structure has risen from an historical average of about one-fifth to one-third in 2004 (Tirole, 2005). While the Code does not mandate that the post of Chair be separated from that of CEO in listed firms, a roughly two-thirds proportion of the bigger Philippine firms embracing the reform of having non-executive chairs seems to be a step in the right direction.

Table 3

Executive vs. Non-executive Chairmen (Philippines top 76 listed firms)

	No.	**Percent**
No. of companies in which Chairman is also CEO	28	37%
No. of companies with Non-executive Chairs	48	63%
TOTAL	76	

Table 4 below shows the proportions of Philippine company boards (in the sample) who are: executive directors, affiliated non-executive directors, and outside (non-affiliated) directors. Board objectivity and independence are sought to be enhanced by inducting a large proportion of non-executive directors who would also qualify as non-aligned with, and independent of, the company, its controlling shareholders, and/or executive management. Many leading corporations in the U.S. and the U.K., two countries where diversified ownership structures are most prevalent, have embraced the practice of having no more than one or two executive directors including the chief executive on their boards, all the rest being non-aligned (Balasubramanian, 2009). In the case of the Philippines, an overall 27.3% proportion of the board being made up of executive directors still has room for improvement.

Table 4

Board Objectivity and Effectiveness (Philippines top 76 listed firms)

	No.	Percent
No. of executive directors (average)	3	27.3%
No. of non-executive affiliated directors (average)	5	45.4%
No. of independent (outside, unaffiliated) directors (average)	3	27.3%
NO. OF DIRECTORS (average)	11	100.0%

5. Analysis and Discussion

Though the Philippines response to the global problem of corporate governance is adequate in terms of the promulgation of rules and regulations, regulatory bodies, however, need to be reformed and strengthened to improve implementation and enforcement of the corporate governance rules and regulations (Wong, 2009).

The fact that a majority of the big listed companies on our sample just merely met the minimum board independence requirement might mean that our corporate leaders may be merely paying lip service to "corporate governance reform". The other possibility is that, with the SEC having set such a light or non-stringent requirement, the regulators are not too convinced about the need of the market for stricter board independence mandates.

In the case of Taiwan, an interesting and important finding is that more than half of existing listed companies have merely reappointed their existing board outsiders as independent directors or independent supervisors. This phenomenon may possibly defeat the whole purpose of introducing an independent director system (Liu and Yang, 2008). In another study, it was found that, while formal board independence increased in the post-SOX period, the proportion of formally independent board members with social ties to the CFO/CEO also increased during this time period. Potentially, CFOs/CEOs (firms) may have picked more socially connected directors in the post-SOX period as a way out of the mandated independence requirements (Krishnan, et al., 2011).

In the 2009 Asian Corporate Governance Association (ACGA) report, the Philippines placed only 10th out of 11 Asian countries assessed, scoring particularly

poorly in corporate governance rules and practices, enforcement, and corporate governance culture (Allen, 2009). The same report highlighted unusual improvements in two cases: An Indian Company has a strong independent and international element on its board of directors, and a Japanese company took on two independent external directors on its board and one foreign executive director. Perhaps Philippine regulators and corporate managers need to have a similar seriousness in the matter of board independence and objectivity.

One should strictly implement the Code's definition of independence: all regulation on independent boards will have little meaning unless investors at home and abroad have the confidence that independent directors are truly what they are meant to be. This acquires special significance in places where social networks are strong and where, because of the dominance of business groups, there is a potential for appointing the same set of individuals as 'independent' directors on the boards of member companies (Sarkar and Sarkar, 2004).

6. Recommendations and Areas for Further Research

The SEC-listed firms committed themselves, in 2002, to pushing for corporate governance reform and implementation, as is obvious from the closing section of the Code: "Corporations shall promulgate and adopt corporate governance rules and principles in accordance with this Code. Said rules shall be in manual form and available as reference by the directors." While the theory and principle are known and accepted, there may exist a practical skepticism over the eventual benefits of the independent director system.

That over half of the surveyed big listed firms just merely met the minimum non-stringent requirement of two (2) independent directors for each company may be reflective of the lack of conviction about the usefulness and significance of a larger proportion of outside directors for monitoring purposes. There is also the possibility that skepticism dominates that is based on knowledge by corporate executives that independent boards do not improve performance and that boards with too many outsiders may, in fact, have a negative impact on performance. There also may be a sense that "anyway, this is all emergency legislation, enacted under conditions of limited legislative debate, during a media frenzy involving several high-profile corporate fraud and insolvency cases" (Romano, 2005).

The Philippines continues to struggle with two inherent weaknesses in its legal and regulatory framework: (1) The weak enforcement power of our regulatory bodies – This is primarily due to the lack of funding and qualified personnel; (2) The Philippine judiciary system remains ineffective in protecting the rights of shareholders and minority interest as it continues to be slow in handing down final resolutions and decisions in court cases. Accordingly, the Philippines consistently has a poor showing, vis-à-vis its Asian neighbors, in terms of corporate governance rules and practices, enforcement, and corporate governance culture as mentioned above (Allen, 2009; Wong, 2009).

According to the Asian Corporate Governance Association report, investors are looking for: (1) Genuinely independent directors; (2) Independent chairman: if possible, although this seems hard to achieve given large family blockholders; (3) Board composition: this should reflect the business needs of the company; and (4) Board structure/committees: less box-ticking and more thought as to how board

committees are structured and operated (Allen, 2009). The method by which independent directors and supervisors are elected and compensated is the key to the effectiveness of the independent director system. It is crucial to loosen the link between controlling shareholders and independent directors and supervisors. Refining policies on the methods of electing and compensating independent directors and supervisors should be the core topic for further improvement of the independent director system (Liu and Yang, 2008).

Both researchers and practitioners have focused largely on the conflicts of interests between managers and shareholders and on the conclusion that more independent oversight of management is better than less. Independent governance structures (e.g., outsider-dominated boards, separation of the CEO and board chair positions) are both prescribed in agency theory and sought by shareholder activists. Were independent governance structures clearly of superior benefit to shareholders? It behooves us to show, via further scholarly research, whether indeed these board configurations are associated with better firm financial performance (Daily, et al., 2003).

7. References

Allen, J. (2009), "Corporate Governance in Asia" [PDF document] Presented at AGSM Webinar, March 31, 2009 Retrieved from http://www.acga-asia.org/public/files/ACGA_Presentation_AGSM_March31_2009.pdf

Balasubramanian, N. (2009), "Some Inherent Challenges to Good Corporate Governance," Indian Journal of Industrial Relations, 44(4): 554-575.

Daily, Catherine M., Dan R. Dalton, and Albert A. Cannella Jr. (2003), "Corporate Governance: Decades of Dialogue and Data," The Academy of Management Review, 28(3): 371-382.

Du Plessis, Charl (2005), "The Recurring Governance Crisis: Director Independence and the Disconnect Between Structural Reform and Conduct," Business & Professional Ethics Journal, 24(4): 83-111.

Echanis, Erlinda (2006), "Philippine Corporate Governance: Issues and Reforms," Philippine Management Review, 13: 21-41.

Kim, Kenneth, and John Nofsinger (2007) Corporate Governance, 2nd Ed Pearson/Prentice-Hall, Inc., New Jersey

Krishnan, Gopal V., K. K. Raman, Ke Yang, and Wei Yu (2011), "CFO/CEO-Board Social Ties, Sarbanes-Oxley, and Earnings Management," Accounting Horizons, 25(3): 537–557.

Liu, John S. and Chyan Yang (2008), "Corporate Governance Reform in Taiwan: Could the Independent Director System Be an Effective Remedy?" Asian Survey, 48(5): 816-838.

Mace, Myles L. (1971), Directors: Myth and Reality, Massachusetts: Harvard Business School Press.

Racelis, Aliza (2012), "Ethics and Governance Issues in Sustainability in Asia: Literature Review and Research Proposals," Synergeia, 4(1). 155-174

Racelis, Aliza D. (2013). Developing a Virtue Ethics Scale: Exploratory Survey of Philippine Managers Asian Journal of Business and Accounting 6(1): 15-35.

Romano, Roberta (2005), "The Sarbanes-Oxley Act and the Making of Quack Corporate Governance," The Yale Law Journal, 114(7): 1521-1611.

Sarkar, Jayati (2009), "Board Independence and Corporate Governance in India: Recent Trends and Challenges Ahead," Indian Journal of Industrial Relations, 44(4): 576-592.

Sarkar, Jayati and Subrata Sarkar (2004), "Board Independence and Corporate Governance: Which Way Forward?" Economic and Political Weekly, 39(48): 5074-5076.

Securities and Exchange Commission (2009, June 18). Philippines SEC Memorandum Circular No. 6 Series of 2009, revised code of corporate governance.

Shleifer, A. & Vishny, R. W. (1997) "A survey of corporate governance," The Journal of Finance, 52(2): 737-783.

Tirole, Jean (2005), the Theory of Corporate Finance, Princeton: Princeton University Press.

Wong, Debbie (2009), "An Assessment of Corporate Governance Reforms in the Philippines: 2002-2009," Philippine Management Review, 16: 24-57.

Appendix I

Sample Firms: List of 76 Philippine companies composing the Thomson Reuters Index:

Name	PSE Ticker Name	Mcap (USD)
TR PHILIPPINES IDX	.TRXFLDPHP	192,119,393,422.37
A Soriano Corp	ANS.PS	201,975,068.23
Aboitiz Equity Ventures Inc	AEV.PS	6,402,539,910.25
Aboitiz Power Corp	AP.PS	5,914,757,590.57
ABS-CBN Corp	ABS.PS	729,648,774.52
Alliance Global Group Inc	AGI.PS	5,463,969,223.90
Alsons Consolidated Resources Inc	ACR.PS	181,646,264.00
Atlas Consolidated Mining and Development Corp	AT.PS	709,603,091.36
Atok-Big Wedge Co Inc	AB.PS	1,205,046,772.14
Ayala Corp	AC.PS	8,027,916,242.06
Ayala Land Inc	ALI.PS	9,950,829,557.19
Bank of the Philippine Islands	BPI.PS	7,885,672,539.74
BDO Unibank Inc	BDO.PS	7,030,243,743.62
Belle Corp	BEL.PS	1,243,858,465.76
Bloomberry Resorts Corp	BLOOM.PS	2,201,367,479.02
Cebu Air Inc	CEB.PS	932,128,231.39
Cebu Holdings Inc	CHI.PS	259,439,443.23
Century Properties Group Inc	CPG.PS	304,395,203.99
China Banking Corp	CHIB.PS	1,924,553,079.25
COL Financial Group Inc	COL.PS	205,666,936.14
DMCI Holdings Inc	DMC.PS	3,164,880,249.45
EEI Corp	EEI.PS	316,904,188.97
Empire East Land Holdings Inc	ELI.PS	292,588,687.31
Energy Development Corp	EDC.PS	2,507,506,640.49
Filinvest Development Corp	FDC.PS	1,054,524,182.85
Filinvest Land Inc	FLI.PS	952,179,011.43
First Gen Corp	FGEN.PS	1,581,706,598.98
First Philippine Holdings Corp	FPH.PS	933,551,777.26
Global-Estate Resorts Inc	GERI.PS	375,673,865.34
Globe Telecom Inc	GLO.PS	4,923,528,821.34
GMA Network Inc	GMA7.PS	652,102,894.10
GT Capital Holdings Inc	GTCAP.PS	3,200,565,885.21
Holcim Philippines Inc	HLCM.PS	2,086,369,973.81
International Container Terminal Services Inc	ICT.PS	4,087,433,336.87
JG Summit Holdings Inc	JGS.PS	6,279,886,044.12
Jollibee Foods Corp	JFC.PS	3,579,581,340.85
Lafarge Republic Inc	LRI.PS	1,506,561,432.37

Leisure & Resorts World Corp	LR.PS	173,439,819.28
Lepanto Consolidated Mining Co	LCB.PS	453,759,219.44
Lopez Holdings Corp	LPZ.PS	542,495,801.71
Manila Electric Co	MER.PS	8,585,683,171.47
Manila Mining Corp	MA.PS	137,198,885.86
Manila Water Co Inc	MWC.PS	1,506,736,703.38
Megawide Construction Corp	MWIDE.PS	528,610,337.62
Megaworld Corp	MEG.PS	2,241,184,416.83
Metro Pacific Investments Corp	MPI.PS	3,173,092,648.36
Metropolitan Bank & Trust Co	MBT.PS	5,413,185,076.50
Nickel Asia Corp	NIKL.PS	901,881,740.17
Pepsi Cola Products Philippines Inc	PIP.PS	488,862,805.37
Philex Mining Corp	PX.PS	1,133,752,127.88
Philex Petroleum Corp	PXP.PS	412,287,793.05
Philippine Long Distance Telephone Co	TEL.PS	14,671,532,012.93
Philippine National Bank	PNB.PS	2,152,596,884.00
Philippine Stock Exchange Inc	PSE.PS	550,015,085.81
Philodrill Corp	OV.PS	155,108,169.25
PhilWeb Corp	WEB.PS	469,647,204.35
Phinma Corp	PHN.PS	71,760,819.86
Puregold Price Club Inc	PGOLD.PS	2,319,449,055.90
Republic Glass Holdings Corp	REG.PS	40,172,476.30
RFM Corp	RFM.PS	370,108,927.11
Rizal Commercial Banking Corp	RCB.PS	1,694,199,600.07
Robinsons Land Corp	RLC.PS	1,911,202,067.34
San Miguel Corp	SMC.PS	5,084,065,035.63
San Miguel Pure Foods Co Inc	PF.PS	839,206,072.94
Seafront Resources Corp	SPM.PS	6,023,790.28
Security Bank Corp	SECB.PS	1,754,396,747.10
Semirara Mining Corp	SCC.PS	2,277,630,211.34
Shang Properties Inc	SHNG.PS	373,958,247.97
SM Development Corp	SMDC.PS	1,618,900,659.36
SM Investments Corp	SM.PS	15,582,438,248.30
SM Prime Holdings Inc	SMPH.PS	6,540,961,946.83
STI Education Systems Holdings Inc	STI.PS	180,732,127.73
Trans Asia Oil and Energy Dev Corp	TA.PS	243,486,818.36
Union Bank of the Philippines Inc	UBP.PS	2,066,715,038.46
Universal Robina Corp	URC.PS	6,298,365,668.67
Victorias Milling Company Inc	VMC.PS	92,334,114.50
Vista Land & Lifescapes Inc	VLL.PS	1,108,389,473.40

IJEMR –October 2013-Vol 3 Issue 10 - Online - ISSN 2249–2585 Print - ISSN 2249-8672

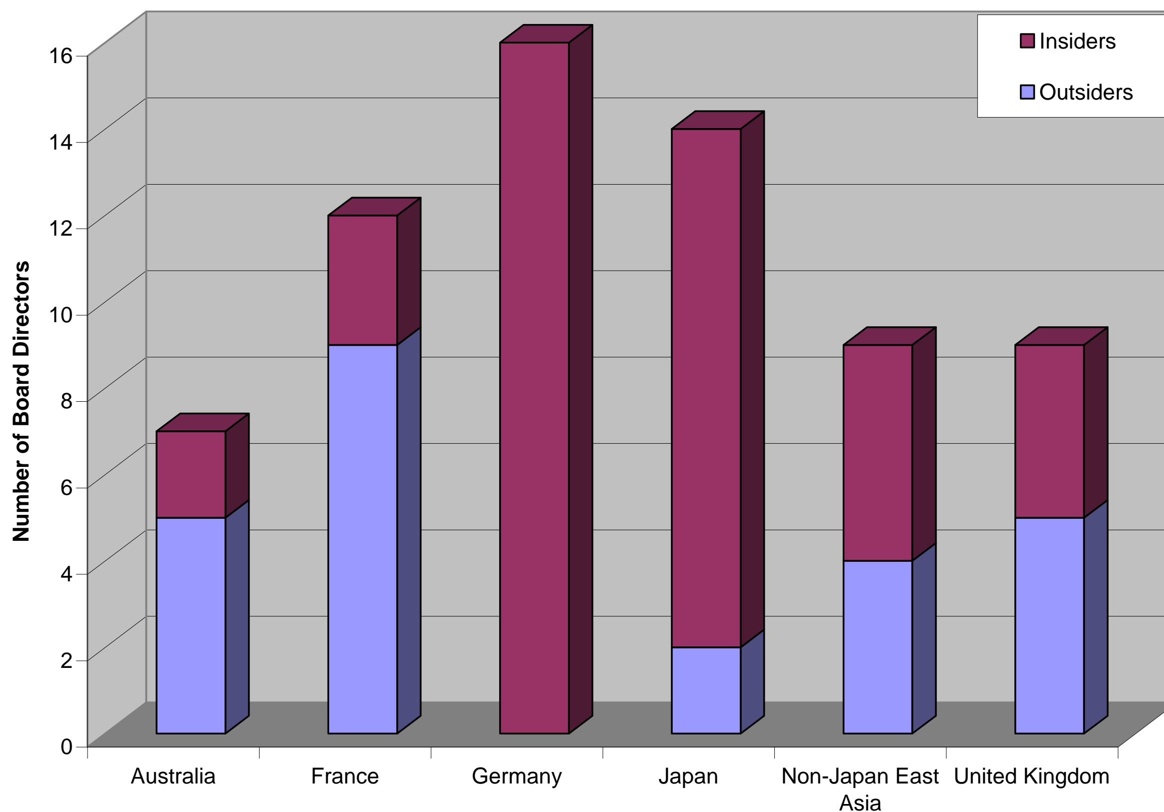
Appendix II

Number of Members on Boards of Directors
(Source: Institute of Fiscal & Monetary Policy, 1996; reproduced in “Comparing of Financial Systems”, Franklin Allen & Douglas Gale, Chap. 4 ‘Corporate Governance’, MIT Press, 2001.)

UNITED STATES			UNITED KINGDOM			JAPAN			FRANCE			GERMANY		
Ford	15	(10)	Glaxo	16	(7)	Toyota	60	(1)	Saint Gobain	16		Hoechst	21	11
IBM	14	(11)	Hanson	19	(8)	Hitachi	36	(3)	AGF	19	(5)	BASF	28	10
Exxon	12	(9)	Guinness	10	(6)	Matsushita	37	(6)	Usinor Sacilor	21	(5)	Robert Bosch	20	11
Mobil	16	(10)	British Airways	10	(6)	Nissan	49	(5)	Alcatel Alsthom	17		Krupp	22	7
Philip Morris	16	(4)	Allied Domecq	12	(4)	Toshiba	40	(3)	Elf Aquitaine	11		Bayer	22	11
RJR Nabisco	9	(6)	G.Metropolitan	14	(1)	Honda	37	(3)	Renault	18		DaimlerBenz	20	8
Texaco	13	(11)	BTR	10	(4)	Sony	41	(6)	Thomson	8		Volkswagen	20	7
Johnson&J	14	(12)	Ass.BritFoods	7	(1)	NEC	42	(5)				Thyssen	23	27
GAP	11	(8)	Brit. Steel	8	(0)	Fujitsu	36	(7)				Siemens	20	15
						MitsubishiElec	37	(3)						
						MitsubishiMotor	43	(4)						
						Mitsu.HeavyInd	43	(3)						
						Nippon Steel	53	(1)						
						Mazda	45	(8)						
						Nippon Oil	22	(0)						

Appendix III

Average Board Size and Independence around the World, 2004



Source: Kim, Kenneth, and John Nofsinger (2007), Corporate Governance, 2nd Ed. Pearson/Prentice-Hall, Inc., New Jersey