

**“Exploring and Assessing Philippine Corporate Governance Practices”
A Round Table Discussion
March 8, 2006**

S U M M A R Y

1.) There is a need to increase the quality of the independent directors and auditors to increase foreign investments (R. Hills)

Mr. Roderick Hills said that there is a need to increase the standard of the independent directors as well as auditors to encourage foreign capital in the country. Independent directors and auditors are key players in promoting corporate governance. By increasing the quality as well as the independence of these positions, corporate governance is strengthened. Since foreign investors perceive corporate governance as a key determinant when they invest, it follows that when Philippine corporations strictly encourage corporate governance then foreign capital will increase.



2.) Increasing accounting standards in the country strengthens corporate governance.

Mr. Roderick Hills noted that in the United States, audits are a commodity and financial statements are becoming obsolete.

Mr. Gregorio Navarro noted that the ASC and the Auditing practice Council represent a loose coalition, but only large foreign and local companies (that are publicly-listed) are able to comply, while most Philippine companies (SMEs) are unable to do so.

Mr. Ramon R. del Rosario, Jr. said that there is a need to increase awareness on the roles, responsibilities and independence of the audit committee because it fosters integrity within the organization.

3.) Adopting similar provisions of the “Sarbanes-Oxley Act” in the Philippines

Rep. Jesli Lapus proposed that the “Corporate Reform Act of 2004,” similar to the U.S.A’s Sarbanes-Oxley Act, as a means to “jump-start” the awareness and regulatory interest in promoting corporate governance within the business community as well as the government.

4.) SEC’s “Self-Rating Form” and “compliance drive for awareness”

Chairperson Fe Barin said that the SEC is currently monitoring corporate governance through the “Self-Rating Form.” Validating the answers of the respondents is hampered by the lack of manpower. Farin also noted that she is interested in a “compliance drive for awareness.”

5.) International standards must consider local practices and culture

International standards must be used as a benchmark for Philippine corporate governance, and not lowered to accommodate Philippine corporate practices. Moreover, it is said that by promoting international standards of corporate governance, there is high probability of increasing foreign investments.

6.) There is a need to encourage the “demand” for corporate governance among corporations to effectively enforce regulations by the government (R. Hills)

Mr. Roderick Hills said that there must be an incentive for people to comply. Hills cited the example of the creation of an independent quality of financial statements, which can result to an increase in profits due to investments, or the nomination of independent directors that may help in business decisions as well as the protection of the company from misconduct.

7.) There is a need to strengthen corporate governance in unregulated sectors. (Rep. Jesli Lapus)

Rep. Jesli Lapus noted that the banking sector is already highly regulated as compared to manufacturing sectors, and that regulators need to refocus on sectors that are not currently regulated.

8.) Although there is an understanding on the core values that need to be promoted, conflicts arise in the practice of these values. (J. Cuisia and R. de Ocampo)

For example, despite the common perception that creating multiple financial statements is a form of misconduct, there has been no attempt to stop this practice.

9.) Case-writing projects with the Management Association of the Philippines (MAP) and Financial Executives Institute of the Philippines (FINEX) (G. Navarro)

Possible collaboration between MAP/FINEX and the Hills Program on Governance will be explored in order to accelerate the case writing process.