

# 2019 Third-Party Board Evaluation

In 2019, the SM Prime Board with the support of the Corporate Governance Committee engaged the Institute of Corporate Directors to conduct a Third-Party Board Evaluation assessing the performance of the Board as a whole, its Committees, the Board Chairman and individual directors. This is in line with the Board's efforts to improve its performance and practice Good Corporate Governance principles. Specifically, Principle 6 of the Revised Code of Corporate Governance (SEC Circular Memorandum 19, 2016) that requires that the Company's evaluation should be supported and facilitated by third party every three years. To wit:

*"The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body and assess whether it possesses the right mix of backgrounds and competencies."*

*It recommended that: "Every three years, the assessment should be supported by an external facilitator." (Recommendation 6.1)*

The Third-Party Board Evaluation led by Fellows of the Institute of Corporate Directors namely, Mr. Rex Drilon and Dr. Aniceto Fontanilla, aims to assess the Board's Structure and Composition, Board member's understanding of their Responsibilities and Duties, Processes that support the Board's functions, and Dynamics of the Board. This was done through questionnaires with quantitative and qualitative questions accomplished by each member of the Board. The process was also supported by individual interviews with all the members of the Board which were completed September to October 2019.

The following are the results of the evaluation as stated in its formal report;

*"The Board of Directors of SM Prime Holdings Inc. (SMPH), based on ICD's evaluation, is a highly functioning Board committed to implement Corporate Governance Best Practices. SMPH is a model for other Philippine publicly listed companies. The Board Evaluation validates and supports the consistent high rating SMPH received in the ASEAN Corporate Governance Scorecard (ACGS)."*

The results of the assessment including the recommendations to further strengthen the Board's function were presented by the Corporate Governance (CG) Committee in its meeting last February 17, 2020. The CG Committee will take the lead to address the action items and will monitor its progress. The Board aims to complete the same within the year 2020.



## **Certification**

ICD certifies that an independent Third Party Board Evaluation for 2019 was conducted for

### **SM PRIME HOLDINGS, INC.**

The third party Board evaluation was conducted through 1) questionnaire answered by every Director and 2) individual interviews with the Directors.

The scope includes structure and composition, responsibilities and duties, board processes, dynamics and relationships, and corporate governance practices related to the strategy, policy, oversight, and accountability functions giving insights on the effectiveness of the Board, the Committee, the Chairperson, and the Directors.

31 January 2020  
at Makati City, Philippines



**Leonardo Jose M. Berba**  
*Chief Executive Officer*

