Rule 20 – Disclosures to Stockholders Prior to Meetings

20.1. Applicability

This Rule shall apply to all corporations covered by the reporting requirements of Section 17 of the Code and to any person who shall solicit votes for any stockholders’ meeting or securing the written assent of stockholders in lieu of such meeting pursuant to Section 16 of the Corporation Code.

20.2. Definitions

20.2.1. As used in this Rule and SEC Form 20-IS, the following terms shall have the following meanings:

20.2.1.1. Employee Benefit Plan means any purchase, savings, option, profit sharing, bonus, incentive, pension or similar plan primarily for the benefit of employees, directors, trustees or officers.

20.2.1.2. Entity that exercises fiduciary powers means any entity that holds securities in a nominee’s name or on behalf of a beneficial owner.

20.2.1.3. Information statement means the statement required by this Rule.

20.2.1.4. Proxy refers to the proxy, consent or authorization referred to in Section 20 of the Code.

20.2.1.5. Record date means the date on which the holders of securities entitled to vote at the meeting in person or by written consent or authorization shall be determined.

20.2.2. Solicitation

20.2.2.1. The terms solicit and solicitation shall include:

20.2.2.1.1. Any request for a proxy or authorization;

20.2.2.1.2. Any request to execute or not to execute, or to revoke, a proxy or authorization; or

20.2.2.1.3. The furnishing of a form of proxy or other communication to security holders under circumstances reasonably calculated to result in the procurement, withholding or revocation of a proxy.
20.2.2.2. The terms shall not apply to:

20.2.2.2.1. The performance by any person of ministerial acts on behalf of a person soliciting a proxy; or

20.2.2.2.2. Any solicitation made otherwise than on behalf of the Issuer where the total number of persons solicited is not more than nineteen (19).

20.3. Obligations of an Issuer Proposing to Hold a Stockholders’ Meeting

20.3.1. In the conduct of annual or other stockholders’ meetings, the Issuer shall transmit either a written or verifiable soft copy of the information statement and proxy form (in case of a proxy solicitation) containing the information specified under SEC Form 20-IS, and a management report under SRC Rule 20.4, if applicable, to every security holder of the class entitled to vote.

20.3.2. The proxy form shall be prepared in accordance with SRC Rule 20.5.

20.3.3. Filing Requirements

20.3.3.1. Preliminary copies of the information statement and proxy form shall be filed with the Commission at least ten (10) business days prior to the date definitive copies of such material shall be first sent or given to security holders.

20.3.3.2. Upon filing the preliminary information material, the Issuer shall pay a filing fee in such amount that the Commission may determine.

20.3.3.3. Copies of the definitive information statement, proxy form and all other materials, if any, shall be filed with the Commission prior to the date such material/s shall be first sent or given to security holders. One (1) copy of the material/s shall at the same time be filed with, or mailed for filing to, any Exchange in which any class of securities of the Issuer is listed for trading.

20.3.3.4. The information statement, proxy form and management report referred to in SRC Rule 20.4, if applicable, shall be distributed to security holders at least fifteen (15) business days prior to the date of the stockholders’ meeting; Provided, that in case any changes are made within the
said fifteen (15) business days, the company shall comply with the following requirements:

20.3.3.4.1. Publish in a national newspaper of general circulation the order of the Commission granting the request of the company to make such changes within the said period;

20.3.3.4.2. Submit its updated Definitive Information Statement, proxy form and Management Report within five (5) business days from the approval by the Commission of the said changes; and

20.3.3.4.3. Distribute relevant portions of the Definitive Information Statement, proxy form and Management Report which have been updated pursuant to the changes made at least five (5) business days before the date of the stockholders’ meeting.

20.3.3.5. Copies of the information statement and management report shall likewise be uploaded in the Issuer’s website for downloading by interested parties.

20.3.4. If the solicitation or distribution shall be made personally in whole or in part, copies of all written instructions or other materials which (i) discuss, review or comment on the merits of any matter to be acted upon and (ii) which shall be furnished by the persons making the solicitation in connection with the solicitation shall be filed with, or mailed for filing to, the Commission by the person on whose behalf the solicitation shall be made not later than the date any such material is first sent or given to such individuals.

20.3.5. If any information statement, proxy form or other materials (if applicable) filed pursuant to this Rule is amended or revised, copies of such amended or revised material shall be filed in accordance with this Rule and marked to indicate clearly and precisely the changes made.

20.4. Report to be Furnished to Stockholders

20.4.1. If the information statement shall relate to an annual (or special meeting in lieu of the annual) meeting of stockholders at which directors shall be elected, it shall be accompanied or preceded by a management report to such stockholders containing the following:

20.4.1.1. Consolidated audited financial statements and interim unaudited financial statements (if applicable), as required by SRC Rule 68, as amended;
20.4.1.2. Information concerning disagreements with accountants on accounting and financial disclosures;

20.4.1.3. Management’s discussion and analysis or plan of operation;

20.4.1.4. Brief description of the general nature and scope of the business of the Issuer and its subsidiaries;

20.4.1.5. Identity of each of the Issuer's directors and executive officers, including their principal occupation or employment, name and principal business of any organization in which such persons are employed;

20.4.1.6. Market price of and dividends on the Issuer’s common shares;

20.4.1.7. Discussion on compliance with leading practices on corporate governance; and

20.4.1.8. Undertaking in bold face prominent type to provide without charge to each person solicited, upon written request of any such person, a copy of the Issuer's annual report on SEC Form 17-A and the name and address of the person to whom such written request is to be directed. At the discretion of management, a charge may be made for exhibits, provided the charge is limited to reasonable expenses incurred by the Issuer in furnishing the exhibits.

20.4.2. Any information required to be disclosed in the information statement, which is also contained in the Issuer’s annual report, need not be provided in the said statement. Reference to the page of the annual report shall, however, be made.

20.4.3. In case of a special meeting where the Issuer has already distributed to its stockholders its annual report on SEC Form 17-A for the fiscal year preceding the date of its annual stockholders’ meeting, it shall no longer be required to comply with SRC Rule20.4.1 except with respect to the disclosure of updated financial and non-financial information.

20.4.4. Copies of the management report for distribution to security holders shall be filed with the Commission prior to the date on which such report shall be first sent or given to security holders.

20.4.5. The distribution of the management report to security holders shall be considered as compliance with Section 75 of the Corporation Code in
regard to the presentation of a financial report of operations, including financial statements, to the stockholders at their regular meeting.

20.5. Requirements as to Form of Proxy and Delivery of Information to Security Holders

20.5.1. The form of proxy shall:

20.5.1.1. Indicate in bold face on whose behalf the solicitation is being made;

20.5.1.2. Provide a specifically designated blank space for dating the proxy form;

20.5.1.3. Identify clearly and impartially each separate matter intended to be acted upon;

20.5.1.4. Be in writing, signed by the stockholder or his duly authorized representative; and

20.5.1.5. Be filed with the corporate secretary before the scheduled meeting.

20.5.2. Appropriate means shall be provided in the proxy form to give the person solicited the opportunity to specify his choice between approval or disapproval of, or abstention with respect to, each separate matter referred to therein intended to be acted upon, other than election to office. A proxy may confer discretionary authority with respect to matters as to which a choice is not specified by the security holder provided the form of proxy states in bold face how it is intended to vote the shares represented by the proxy in each such case.

20.5.3. A proxy form that provides for the election of directors shall state the names of persons nominated for election as directors. The form shall clearly provide any of the following means for security holders to withhold authority to vote for each nominee:

20.5.3.1. A box opposite the name of each nominee which may be marked to indicate that the authority to vote for such nominee is withheld;

20.5.3.2. An instruction in bold face which indicates that the security holder may withhold the authority to vote for any nominee by lining through or otherwise striking out the name of the nominee; or
20.5.3.3. Designate blank spaces in which the shareholder may enter the names of nominees to whom the shareholder chooses to withhold the authority to vote.

20.5.4. Any proxy form executed by the security holder in such manner as not to withhold the authority to vote for the election of any nominee shall be deemed to grant such authority, provided the form so states in prominent bold face.

20.5.5. A proxy may confer discretionary authority to vote with respect to any of the following:

20.5.5.1. Matters that are to be presented at the meeting but which, at a reasonable time before the solicitation, are not known to the persons making the solicitation; Provided, that a specific statement to that effect is made in the information statement or proxy form;

20.5.5.2. Approval of the minutes of the prior meeting;

20.5.5.3. Election of any person to any office for which a bona fide nominee is named in the information statement and such nominee is unable to serve or for good cause will not be able to serve; or

20.5.5.4. Matters incidental to the conduct of the meeting.

20.5.6. No proxy shall confer authority:

20.5.6.1. To vote for any person to any office for which a bona fide nominee is not named in the information statement or any material attached to it;

20.5.6.2. To vote with respect to more than one meeting (and any of its adjournment), unless a specific statement is made in the information statement and proxy form that the proxy is valid for more than one meeting; Provided, that no proxy shall be valid and effective for a period longer than five (5) years from the date of the proxy; or

20.5.6.3. To consent to or authorize any action other than the action proposed to be taken in the information statement or matters referred to above.

20.5.7. The proxy form shall provide, subject to reasonable specific conditions, that the shares represented by the proxy will be voted and that, where the person solicited specifies by means of a ballot provided pursuant to
this Rule a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the stated specifications made.

20.5.8. No person making a solicitation covered by this Rule shall solicit:

20.5.8.1. Any undated or post-dated proxy; or

20.5.8.2. Any proxy which provides that it shall be deemed to be dated as of any date subsequent to the date on which it is signed by the security holder.

20.6. Obligations of an Issuer to Provide a List of, or Mail Meeting Material/s to Security Holders

20.6.1. If a record or beneficial holder of securities of the class entitled to vote at the meeting makes a written request to be provided with a list of stockholders or to mail the meeting materials, the Issuer shall grant the request either by providing the list or mailing the materials to the requesting stockholder.

20.6.2. If the Issuer opts to mail the materials for the requesting stockholder, the Issuer shall:

20.6.2.1. Promptly advise the requesting stockholder of the number of record holders and beneficial holders to whom the materials will be sent;

20.6.2.2. Inform the requesting stockholder of the estimated cost of mailing an information statement, proxy form or other materials to such holders; and

20.6.2.3. Promptly mail the materials to the stockholders.

20.7. Providing Copies of Material to Beneficial Owners

20.7.1. If the Issuer or solicitor knows that the securities of any class entitled to vote at a meeting for which SEC Form 20-IS is furnished are held of record by a broker, dealer, investment house, voting trustee, bank, association, or other entity that exercises fiduciary powers in a nominee’s name or otherwise, the Issuer or solicitor shall, by first class mail, electronic mail, facsimile, or other equally prompt means, inquire from such record holders at least twenty (20) business days prior to the record date of the meeting:
20.7.1.1. Whether other persons are the beneficial owners of such securities and, if so, the number of copies of the information statement necessary to supply such material to such beneficial owners; and

20.7.1.2. In the case of an annual (or special meeting in lieu of the annual) meeting at which directors are to be elected, the number of copies of the management report to security holders necessary to supply such report to beneficial owners to whom such reports are to be distributed by such record holder.

20.7.2. The Issuer or solicitor shall supply, in a timely manner, each record holder for whom the inquiries required by SRC Rule 20.7.1 are made with copies of the information statement and/or the management report to security holders in such quantities, assembled in such form and at such place(s), as the record holder may reasonably request in order to send such material to each beneficial owner of securities to be furnished with such material by the record holder.

20.7.3. At the request of any record holder that is supplied with the information statement and/or annual reports to security holders pursuant to SRC Rule 20.7.1, the Issuer shall reimburse the record holder for its reasonable expenses for the mailing of such material to the beneficial owners.

20.8. Special Provisions Applicable to Solicitation of Votes Other Than by the Issuer

20.8.1. This Rule applies to solicitations by any person or group of persons other than the Issuer in regard to any item/s to be taken up in an annual or special stockholders’ meeting.

20.8.2. Notwithstanding the provisions of SRC Rule 20.3, a solicitation subject to this Rule may be made without furnishing the security holders an information statement on SEC Form 20-IS, provided that:

20.8.2.1. The following information are stated in the communication that shall be attached to and distributed with the proxy form prepared in accordance with SRC Rule 20.5:

20.8.2.1.1. The name of the solicitor and person who shall shoulder the expenses, and the mode of solicitation;

20.8.2.1.2. In case of election of directors, the name/s of the nominee/s, including his business experience for the past five (5) years, involvement in legal proceedings, family relationship with any other nominee, incumbent
director or officer, and his interest, direct or indirect, in security holdings or related businesses;

20.8.2.1.3. A discussion of the reason/s for the solicitation of votes against the proposed action/s by the Issuer;

20.8.2.1.4. A brief description of any substantial interest, direct or indirect, in security holdings or related businesses of each solicitor or participant to the solicitation in any matter to be acted upon at the meeting, and with respect to each solicitor the following information or its fair and accurate summary:

20.8.2.1.4.1. Name and business address of the solicitor;

20.8.2.1.4.2. Present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is carried on;

20.8.2.1.4.3. Amount of each class of securities of the Issuer which the solicitor owns beneficially, directly or indirectly;

20.8.2.1.4.4. Amount of each class of securities of the Issuer which the solicitor owns of record but not beneficially;

20.8.2.1.4.5. All securities of the Issuer purchased or sold by the solicitor within the past two (2) years, the dates on which they were purchased or sold and the amount purchased or sold on each date;

20.8.2.1.4.6. If the solicitor is, or was within the past year, a party to any contract, arrangement or understanding with any person with respect to any security of the Issuer, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or of profit, division of losses or profits, or the giving or withholding of proxies. If so, name the parties to such contracts, arrangements or understandings and give their details; and

20.8.2.1.4.7. Amount of each class of securities of any parent or subsidiary of the Issuer which the solicitor owns beneficially, directly or indirectly.

20.8.2.1.5. If specially engaged employees, representatives or other persons have been or are to be employed to solicit security holders, the [i] material features of any contract or arrangement for such solicitation and the identity of the parties, [ii] their cost or anticipated cost, and [iii] approximate
number of such employees or employees of any other person (naming such other person) who will solicit security holders; and

20.8.2.1.6. The total amount estimated to be spent and the total expenditures in furtherance of, or in connection with, the solicitation of security holders.

20.8.2.2. All matters to be taken up in the meeting shall be described and reflected in the proxy form and its attachments.

20.8.3. Copies of the proxy form with its attachments shall be filed with the Commission at least fifteen (15) business days prior to the date such materials shall be distributed, sent or given to any security holder.

20.8.4. The prescribed filing fees for each proxy solicitation other than by the Issuer shall be paid to the Commission.

20.9. False or Misleading Statements

20.9.1. No information subject to this Rule shall be made containing any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which has become false or misleading.

20.9.2. The fact that a statement or other material has been filed with or examined by the Commission shall not be considered a finding by the Commission that such material is accurate or complete, or not false or misleading, or that the Commission has passed upon the merits of or approved any statement contained therein or any matter to be acted upon by security holders. No representation contrary to the foregoing shall be made.

20.10. Obligation of Issuers in Communicating with Beneficial Owners

20.10.1. If the Issuer knows that securities of any class entitled to vote at a meeting with respect to which the Issuer intends to solicit proxies, consents or authorizations are held of record by a broker, dealer, investment house, voting trustee, bank, association, or other entity that exercises fiduciary powers in nominee name or otherwise, the Issuer shall by first class mail, electronic mail, facsimile, or other equally prompt means, inquire of such record holders at least twenty (20) business days prior to the record date of the meeting:
20.10.1.1. Whether other persons are the beneficial owners of such securities and if so, the number of copies of the proxy and other soliciting material necessary to supply such material to such beneficial owners; and

20.10.1.2. In the case of an annual (or special meeting in lieu of the annual) meeting at which directors are to be elected, the number of copies of the management report to security holders necessary to supply such report to beneficial owners to whom such reports are to be distributed by such record holder.

20.10.2. The Issuer shall supply, in a timely manner, each record holder of whom the inquiries required by SRC Rule 20.10.1 are made with copies of the information statement, proxy form (if applicable), other proxy soliciting material, and/or the management report to security holders, in such quantities, assembled in such form and at such place(s), as the record holder may reasonably request in order to send such material to each beneficial owner of securities who is to be furnished with such material by the record holder.

20.10.3. Upon the request of any record holder that is supplied with the said documents pursuant to SRC Rule 20.10.2, the Issuer shall reimburse the record holder for its reasonable expenses in completing the mailing of such material to beneficial owners.

20.11. Other Procedural Requirements

20.11.1. Annual Meeting

20.11.1.1. Regular meeting of stockholders for the election of Directors and Officers of the corporation shall be held annually on the date fixed in the by-laws, or if not so fixed, on any date in April as determined by the Board of Directors. If the date of the annual meeting falls on a legal holiday, the annual meeting shall be held in the next succeeding business day which is not a legal holiday.

20.11.1.2. The annual stockholders’ meeting shall be held in the city or municipality where the principal office of the corporation is located, and if practicable in the principal office of the corporation. Metro Manila shall, for purposes of said meeting, be considered a city or municipality.

20.11.1.3. Written notice, stating the date, time and place of the annual meeting shall be sent to all stockholders of record at least two (2) weeks prior to the scheduled annual stockholders’ meeting, unless a different period is required by the by-laws. The distribution to stockholders of information
statement (SEC Form 20-IS) within the prescribed period under this Rule shall be sufficient compliance with the notice requirement.

20.11.1.4. If for any justifiable and valid reason, the annual stockholders’ meeting has to be postponed, the corporation shall notify the Commission in writing of such postponement within ten (10) days from the date of such postponement.

20.11.1.5. No postponement of annual stockholders’ meeting shall be allowed except for justifiable reasons to be stated in writing signed under oath by the President or Secretary of the corporation.

20.11.1.6. The Commission en banc may, motu proprio, or upon the written request of any stockholder, direct the calling of an annual stockholders’ meeting under its supervision, if the corporation fails or refuses to call said meeting for any justifiable reason.

20.11.1.7. The Commission may send its representatives/observers to stockholders’ meetings, under such terms and conditions it deems appropriate.

20.11.1.8. Unless otherwise provided by the by-laws, the stock and transfer book shall be closed at least twenty (20) days before the scheduled date of the annual stockholders’ meeting to enable the corporation to prepare a list of stockholders entitled to vote.

20.11.1.9. A copy of the list of stockholders entitled to vote shall be made available at the company’s principal office at least fifteen (15) days prior to the date of the annual stockholders’ meeting and the corporation shall furnish a copy thereof to any stockholder who may request the same at the expense of said stockholder.

20.11.2. Proxy

20.11.2.1. The corporate by-laws shall be controlling in determining the proper procedure to be followed in the execution and acceptance of proxies, provided that the minimum required formalities prescribed under Section 58 of the Corporation Code and SRC Rule 20 shall be complied with.

20.11.2.2. The notice of stockholders’ meeting shall also set the date, time and place of the validation of proxies, which in no case shall be less than five (5) days prior to the annual stockholders’ meeting to be held. The presence of any stockholder who may wish to be present in person or through counsel shall be allowed.
20.11.2.3. Failure to affix documentary stamps shall not affect the validity of the proxy. The only adverse effect of such failure is that the same cannot be recorded as a public document and cannot be admitted or used as evidence in Court until the required documentary stamp is affixed and cancelled.

20.11.2.4. Unless required by the corporate by-laws, a proxy need not be notarized.

20.11.2.5. If the name of the proxy is left in blank, the person to whom it is given or the issuer corporation receiving the proxy is at liberty to fill in any name he/it chooses.

20.11.2.6. If a duly accomplished and executed proxy is undated, the postmark or, if not mailed, its actual date of presentation shall be considered.

20.11.2.7. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.

20.11.2.8. If the by-laws provide for a cut-off date for the submission of proxies the same should be strictly followed. In the absence of a provision in the by-laws fixing a deadline, proxies shall be submitted not later than ten (10) days prior to the date of the stockholders meeting.

20.11.2.9. Where the corporation receives more than one (1) proxy from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxies are mailed on the same date, the one bearing the latest time of day of postmark is counted. If the proxies are not mailed, then the time of their actual presentation is considered. That which is presented last will be recognized.

20.11.2.10. Where a proxy is given to two (2) or more persons in the alternative in one instrument, the proxy designated as an alternate can only act as proxy in the event of non-attendance of the other designated person.

20.11.2.11. Where the same stockholder gives two (2) or more proxies, the latest one given is to be deemed to revoke all former proxies.

20.11.2.12. A proxy shall be valid only for the meeting for which it is intended.
20.11.2.13. Executors, administrators, receivers and other legal representatives duly appointed by the court may attend and vote on behalf of the stockholders without a need of any written proxy.

20.11.2.14. If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholdings of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies. The number of persons to be designated as proxies may be limited by the By-laws.

20.11.2.15. In case of shares of stock owned jointly by two (2) or more persons, the consent of all co-owners shall be necessary to appoint or revoke a proxy.

20.11.2.16. For persons owning shares in an "and/or" capacity, any one of them may appoint and revoke a proxy.

20.11.2.17. Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.

20.11.2.18. No member of the Stock Exchange and no broker/dealer shall give any proxy, consent or authorization, in respect of any security carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given to the broker, he had duly obtained the written consent of the persons in whose account the shares are held.

20.11.2.19. A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she had refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders’ meeting and election.

20.11.2.20. There shall be a presumption of regularity in the execution of proxies and shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge.

20.11.2.21. In the validation of proxies, a special committee of inspectors shall be designated or appointed by the Board of Directors which
shall be empowered to pass on the validity of proxies.  \[GSIS –vs– Rosete (Meralco), April 16, 2009\]

20.11.22. Any violation of this Rule on Proxy shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code and Section 54 of the Code, and shall render the proceedings null and void.