YEAR 2000 STATEMENT

SEC-MMOD MEMORANDUM CIRCULAR NO. 21, September 17, 1999

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WHEREAS, the Commission on 06 October 1998 has issued Memorandum Circular No. 9, Series of 1998 re: Year 2000 ("Y2K") Compliance. In furtherance therewith, the Commission finds it urgently necessary to sustain the efforts of the subject entities to become Y2K ready and likewise maintain the investors' trust and confidence in the Philippine economy;

WHEREAS, business entities are required to disclose material (forward-looking) information that will virtually affect investment decision. Prospective investors should be informed of the company's Y2K status through the eyes of the management;

WHEREAS, pursuant to R.A. 8747 otherwise known as the "Philippine Year 2000 Disclosure and Readiness Act", the Commission, in accordance with its mandate to protect public interest and the investing public, shall assist the Presidential Commission on Year 2000 Compliance in its awareness drive; and

WHEREAS, it is imperative to address the apprehensions among investors on Y2K issues namely: a) the investors' risks involved, (b) projected company's operational losses, c) contingent liabilities or civil damages, and (d) business as a going concern.

In view thereof, subject entities are hereby required to submit its Year 2000 Statement to this Commission in the following form and contents:

1. Form — The Statement shall be in form of Management Discussion and Analysis (MD&A). MD&A does not require categories of specific information because a company has to consider its own circumstances in preparing its MD&A.

2. Contents — For Year 2000 disclosure to be meaningful, companies must address the following categories of information in their MD&A:

- The company's state of readiness— The company should describe its Year 2000 issues in sufficient detail to allow investors to fully understand the challenges that it faces and to provide answers to important questions such as "will we be ready?" and "how far along are we?" A full description of a company's Year 2000 readiness should include, at the very least, the following elements. First, the discussion should address both information technology (IT) and non-IT systems. The latter typically include embedded technology such as microcontrollers and are more difficult to assess and repair than IT systems. Second, companies should disclose where they are in the process of becoming ready for the Year 2000. The status of the company's progress and the estimated timetable for completion are vital information and should be disclosed. The third essential component is a description of the company's Year 2000 issued, relating to third parties with which it has a material relationship. Due to the interdependence of computer systems, another company's Year 2000 issues may affect the company's disclosure obligations. It is important to disclose the nature and level of importance of material third-party relationships as well as the status of assessing third-party risks.

- The costs to address the company's Year 2000 issues — Companies must disclose material historical and

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estimated costs of remediation. This includes costs directly related to fixing Year 2000 issues, such as modifying software and hiring Year 2000 solution providers. In most cases, the replacement cost of a non-compliant IT system should be disclosed as an estimated Year 2000 cost.

- The risks on the company of Year 2000 issue — Companies must include a reasonable description of their most reasonably likely worst case Year 2000 scenarios. The essence of MD&A is whether the consequences of a known event, trend, or uncertainty are likely to have a material effect on the company's results of operations, liquidity, and financial condition. If a company does not know the answer, this uncertainty must be disclosed, as well as the efforts made to analyze the uncertainty and how the company; intends to handle this uncertainty. For example, companies must disclose estimated material lost revenue due to Year 2000 issues, if known.

- The company's contingency plans — Companies must describe how they are preparing to handle the most reasonably likely worst case Year 2000 scenarios. This information will help investors evaluate the company's Year 2000 exposure by answering the important question — "what will the company do if it is not ready?" Under this category of information, the company must describe its contingency plans. We recognize that describing contingency plans may be particularly challenging. Many companies have not yet established a contingency plan. In this case, the company should disclose that it does not have a contingency plan, whether it intends to create one, and the timetable for doing so.

- Other suggested disclosures

Providing the minimum level of disclosures set forth in the foregoing categories may not be enough in certain cases. Each company must consider if its own Year 2000 circumstances require disclosure of other matters. The following suggestions are intended to help companies meet their disclosure obligations and should, therefore, be considered:

- Disclose historical and estimated costs related to their Year 2000 issues, even if disclosure of the peso amounts is not required because these amounts are not material.

- As of the end of the reporting period, disclose how much of the total estimated Year 2000 project costs have already been incurred.

- Identify the source of funds for Year 2000 costs, including the percentage of the IT budget used for remediation. This allows investors to determine whether Year 2000 funds will be deducted from the company's income.

- Explain if other IT projects have been deferred due to the year 2000 efforts, and the effects of this delay on financial condition and results of operations.

- Describe the use of any independent verification and validation processes to assure the reliability of their risk and cost estimates. The use of independent verification may be particularly important in the testing phase.

- Use of a chart to provide Year 2000 disclosure. The chart may help investors track a company's progress over time, as it is updated, and make peer comparisons based on the same data. In addition, a chart can reduce lengthy Year 2000 disclosure that otherwise may overwhelm other disclosure.

- Include a breakdown of the costs, such as disclosure of costs to repair software problems, and costs to replace problem systems and equipment.

Sigznature and Filing of Year 2000 Statement — Five copies of the Year 2000 Statement shall be filed with the Commission. At least one copy shall simultaneously be filed with the Philippine Stock Exchange if the company's securities are listed therein.

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The company must state the contact unit/person to whom the Commission and the investors can address their concerns re Year 2000 issues.

The Year 2000 Statement shall be signed by the President or the Chairman of the Board and must be notarized.

Penalty — Late filing or non-compliance shall be a ground for the imposition of a penalty of fine in the amount of fifty thousand (P50,000.00) pesos as basic penalty plus five hundred (P500.00) pesos for every day of delay, without prejudice to other regulatory actions like suspension or revocation of registration.

Effectivity — This Circular shall take effect immediately.

Adopted: 17 Sept. 1999

(SGD.) PERFECTO R. YASAY, JR.
Chairman

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