



## CORPORATE GOVERNANCE REPORT 2013

As PLDT celebrated its 85<sup>th</sup> year of operations and corporate life, it reaffirmed its commitment to the highest standards of corporate governance as articulated in our Articles of Incorporation, By-Laws, Manual on Corporate Governance (CG Manual), Code of Business Conduct and Ethics (Code of Ethics), and pertinent laws, rules and regulations. PLDT is well aware that responsible business conduct and a corporate culture anchored on the values of accountability, integrity, fairness and transparency, indubitably bring about benefits for the Company and all its stakeholders.

PLDT adopts the corporate governance rules and regulations of the Philippine Securities and Exchange Commission (PSEC) and the Philippine Stock Exchange (PSE) inasmuch as PLDT is a public and listed Philippine corporation. PLDT also complies with the corporate governance standards of the United States, since its American Depositary Shares are listed and traded in the New York Stock Exchange (NYSE). Finally, as an associated company of First Pacific Company Ltd. (First Pacific), which is listed in the Hong Kong Stock Exchange, PLDT also refers to the corporate governance standards of Hong Kong for guidance and benchmarking purposes.

The voluntary adoption by PLDT of these high standards of corporate governance reflects its acceptance of the duty to create value for its shareholders, fulfil its obligations to various other stakeholders, and live up to a brand of corporate governance that constantly challenges the Company's leadership and employees to observe responsible professional conduct and behavior that strives for more than just mere compliance.

### Board of Directors

Our Board of Directors is responsible for establishing and sustaining good corporate governance practices pursuant to its overarching duty to foster the long-term success of the Company and secure its sustained competitiveness.

In accordance with our CG Manual, our Board has undertaken to: act within the scope of power and authority of the Company and the Board as prescribed in the Articles of Incorporation, By-Laws, and legislative franchise of the Company and in existing laws, rules and regulations; exercise their best care, skill, judgment and observe utmost good faith in the conduct and management of the business and affairs of the Company; and act in the best interest of the Company and for the common benefit of the Company's stockholders and other stakeholders.

### Structure and Composition

Our Board is composed of thirteen (13) qualified and competent members, each of whom has committed to the independent, diligent, responsible and judicious exercise of his/her duties.

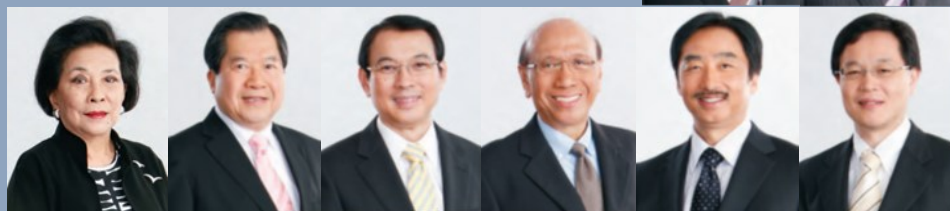
The composition of the Board and the qualifications and grounds for disqualification of directors are provided in our CG Manual. Diversity and complementation of skills, expertise, experience and knowledge is desired and encouraged in order to enrich the collective processes and practices of our Board. Our directors, each of whom is a business owner or leader, and/or holds senior management positions, have extensive experience in their respective fields or industries, such as telecommunications, ICT, infrastructure, power, petroleum, banking, insurance, real property development, agriculture, food manufacturing and fast-food business. This enables them to contribute and add value in the Board's performance of its functions, including the formulation of corporate vision and strategies, assessment of enterprise risks and adequacy and effectiveness of financial reporting and internal control systems.

Our CG Manual does not impose limitations or restrictions respecting race or gender in reference to the qualifications of our directors. With regard to directorships of individual directors in other stock or non-stock corporations, our Board has not set a "one size fits all" quantitative limit which may not give due regard to differences in individual capabilities and nature of directorships. Our Board has instead adopted a performance-based standard that other directorships should not compromise the capacity of a director to serve or perform his/her duties and responsibilities to the Company diligently and efficiently.

Our CG Manual requires that at least 20% of membership of our Board of Directors, and in no case less than two (2) members thereof, must be independent directors. Three (3) independent directors in the persons of Mr. Pedro E. Roxas, Mr. Alfred V. Ty and Former Chief Justice Artemio V. Panganiban are currently serving in our Board. All of these independent directors were selected pursuant to the specific independence criteria set out under applicable laws and rules, our Articles of Incorporation and our CG Manual. Under our CG Manual, an independent director is, broadly, "a person who is independent of Management

#### PLDT DIRECTORS (from left to right)

Manuel V. Pangilinan—Chairman of the Board  
Napoleon L. Nazareno—President and CEO, Executive Director  
Ray C. Espinosa—Executive Director  
Ma. Lourdes C. Rausa-Chan—Executive Director



PLDT DIRECTORS (from left to right)  
Helen Y. Dee — Non-Executive Director  
James L. Go — Non-Executive Director  
Tony Tan Caktiong — Non-Executive Director  
Juan B. Santos — Non-Executive Director  
Setsuya Kimura—Non-Executive Director  
Hideaki Ozaki—Non-Executive Director



PLDT DIRECTORS (from left to right)  
Pedro E. Roxas —Independent Director  
Alfred V. Ty —Independent Director  
Artemio V. Panganiban —Independent Director



and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could or reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company.” Our independent directors are subject to an initial term limit of five (5) years. After completion of five (5) consecutive years of service, an independent director shall no longer be eligible for re-election as such, unless said independent director has undergone a “cooling-off” period of two (2) years. Thereafter, he/she may again qualify for election as an independent director annually, for five (5) more consecutive years, after which he/she is perpetually barred from being elected as an independent director. The application of this term limit is reckoned from January 2, 2012. Moreover, an independent director may not be elected, as such, to more than five (5) listed or public companies comprising the PLDT conglomerate (*i.e.* its parent company, subsidiaries or affiliates).

In 2013, there were only three (3) directors who held executive positions in the Company: Mr. Napoleon L. Nazareno as President and CEO; Atty. Ray C. Espinosa as Head of Regulatory Affairs; and Atty. Ma. Lourdes C. Rausa-Chan as Corporate Secretary, General Counsel and Chief Governance Officer.

The position of Chairman of the Board is separate from that of the Chief Executive Officer (CEO). PLDT Chairman

Manuel V. Pangilinan and PLDT President and CEO Napoleon L. Nazareno nonetheless share the responsibility of ensuring good corporate governance and principled performance in their respective areas of responsibility and influence. These two individuals are unrelated.

Except for our executive directors, our directors do not receive any form of compensation such as stock options, performance incentives and bonuses from the Company. However, all of our directors are entitled to a reasonable *per diem* for their attendance in Board and Board Committee meetings.

#### *Board Responsibilities*

The Board has a duty to keep abreast with the statutory and regulatory requirements affecting the Company and its operations as well as industry developments and trends. In this regard, at the start of the service of a new director, the Chairman, President and CEO, Chief Financial Officer, Corporate Secretary and Chief Governance Officer give a newly appointed director a briefing on the Company’s structure, business, operating and financial highlights, responsibilities of the Board and its Committees and how each operates. The new director is also furnished with copies of all relevant information about Company policies applicable to the directors, including the Company’s Articles, By-Laws, Annual Report, CG Manual, Code of Ethics, and the charters of the Board Committees. Updates on business and governance policies and requirements principally from the PSEC, PSE, US SEC, and NYSE, and new laws applicable or relevant to the Company and its business, particularly on financial reporting and disclosures and corporate governance, are presented in Board meetings and/or furnished to the directors.

PLDT also conducts regular and continuing training for our directors as well as knowledge-sharing and updating on compliance, corporate governance and business ethics matters. PLDT organizes Annual Corporate Governance Enhancement Sessions which provide an opportunity for

our leadership to interact with international experts and keep abreast with global developments and best practices in corporate governance and business ethics. All of the current directors have undergone corporate governance orientation and a majority of the Board have attended at least one of the seven (7) corporate governance enhancement sessions organized since 2007. Regular updates on corporate governance trends and developments are also provided to our directors through various communication initiatives. Finally, our directors are updated on the latest technology trends and developments that have an impact on the Company's strategy through technology briefings organized by the Technology Strategy Committee.

To enable our directors to fully apprise themselves of relevant and material information, our CG Manual assures that our directors, both new and currently serving, have access to independent professional advice, at the Company's expense, as well as access to Management as they may deem necessary to carry out their duties.

Our Board meets monthly and determines the schedule of such meetings at the beginning of the year. At least one meeting is devoted to discussions with senior management on the strategic plans and budget, and the enterprise risk report prepared by senior management through the Group Enterprise Risk Management Department (ERMD). As necessary, our Board reviews the Company's Vision and Mission together with senior management. Once every quarter, our Board reviews the quarterly financial reports. Periodic reviews of the reports of Board Committees, business operations updates from the heads of our three (3) business segments and network and technology strategic plans are likewise performed.

The Board has a duty to respect, uphold and facilitate the exercise of the rights of the stockholders. These rights are: right to vote; pre-emptive right; right to inspect corporate books and records including minutes of Board meetings and stock registries, subject to certain conditions; right to receive information which is required to be disclosed by the Company pursuant to the Corporation Code or Securities Regulation Code; right to dividends; and appraisal right. Stockholders are also given the opportunity to participate, by voting, in case of the following:

amendments to the Company's By-Laws (constitution) are proposed; authorization of additional shares; and the transfer of all or substantially all assets, which in effect results in the sale of the company.

Pursuant to its aforementioned duty, the Board promotes transparency and fairness in the conduct of the annual and special stockholders' meetings of the Company. Stockholders are encouraged to personally attend such meetings, raise questions, and exercise their voting rights. Within a reasonable period of time before the meeting, stockholders are apprised of their right to appoint a proxy, in case they could not personally attend such meetings, and give their voting instructions in the proxy form provided. In connection with this, appropriate steps to remove excessive or unnecessary costs and other administrative impediments to stockholders' participation in meetings, whether in person or by proxy, are undertaken. Relevant and timely information are made available to the stockholders in printed form and through the Company's website to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The Board also ensures the timely disclosure and appropriate filing with the PSEC, PSE and, as applicable, US Securities and Exchange Commission (US SEC) and NYSE, of material information and/or transactions that could potentially affect the market price of the Company's shares and such other information which are required to be disclosed pursuant to relevant laws and regulations.

It is the Board that leads the Company's corporate social responsibility (CSR) initiatives. Through the Board, the Company's resources and expertise are harnessed to respond to pressing societal issues. The PLDT Group and the PLDT Smart Foundation have continuing projects in the areas of environment and education. Remarkable efforts have also been undertaken in the field of disaster response and rehabilitation, especially in relation to the many natural calamities that hit the Philippines in 2013. The PLDT Group continues to leverage on its business expertise to develop and implement innovative projects in health, community and livelihood development, and youth development and sports.



Our Board looks to ensure the continuity of executive leadership as a critical factor in sustaining the success of the PLDT Group. To this end, a succession planning process referred to as Leadership Succession Planning and Development has been established. This enterprise-wide process covers senior management positions, including the President and CEO. The Board's involvement in Leadership Succession Planning and Development is performed through its Executive Compensation Committee (ECC), which reviews and updates the criteria for employment and promotion, as well as any training and development plans for senior management, keeps track of their performance and development, and reviews their potential career paths.

Our directors take part in an annual assessment process which reviews and evaluates the performance of the whole Board, the Board Committees and the individuals that comprise these bodies. The assessment also includes an opportunity to evaluate the performance of the CEO. This process has proven to be useful in identifying the Board's strengths and areas for improvement and in eliciting individual directors' feedback and views on the Company's strategies, performance and future direction.

Our Board held twelve (12) meetings in 2013. The Chairman of the Board, the President and CEO, and five (5) other directors attended all Board meetings. At least two (2) independent directors were present in all the meetings. In each meeting, a quorum of at least two-thirds (2/3) of the Board members was present. The respective Chairmen of the Audit, Executive Compensation, and Governance and Nomination Committees were present in the annual stockholders' meeting held on June 14, 2013. Except for two directors, all of the other directors attended more than seventy five per cent (75%) of the meetings. The total amount of *per diem* provided for the Board of Directors in 2013 was Php 25.6 million.

## Board Committees

### Advisory Committee

Our Board is ably assisted by an Advisory Committee. The diversity of the expertise, knowledge and experience of these advisors serves to complement that of the Board. The Advisory Committee provides guidance and suggestions, as necessary, on matters deliberated upon during Board meetings. The total *per diem* given to the members of the Advisory Committee in 2013 was Php 12.6 million.

PLDT Board of Directors Attendance 2013		
Manuel V. Pangilinan	12/12	100%
Napoleon L. Nazareno	12/12	100%
Helen Y. Dee	8/12	67%
Ray C. Espinosa	12/12	100%
James L. Go	12/12	100%
Setsuya Kimura	12/12	100%
Hideaki Ozaki	8/12	67%
Artemio V. Panganiban**	10/10	100%
Ma. Lourdes C. Rausa-Chan	12/12	100%
Pedro E. Roxas*	11/12	92%
Juan B. Santos	12/12	100%
Tony Tan Caktiong	10/12	83%
Alfred V. Ty*	10/12	83%
* Independent director **Elected as independent director on April 23, 2013. Former Chief Justice Panganiban previously served on the PLDT Advisory Committee as an independent member.		

Advisory Committee Attendance 2013	
Artemio V. Panganiban*	3/3
Oscar S. Reyes	12/12
Roberto R. Romulo	11/12
Benny Santoso	12/12
Washington Z. SyCip	7/12
Orlando B. Veja	12/12
Jose Ramon T. Villarin**	6/8
Christopher H. Young	12/12
* Elected as an independent director on April 23, 2013 ** Appointed as an independent member of the Advisory Committee effective April 23, 2013. Resigned effective September 30, 2013.	

PLDT's other Board Committees, namely the Audit Committee (AC), the Governance and Nomination Committee (GNC), the Executive Compensation Committee (ECC), and the Technology Strategy Committee (TSC), have continued to function pursuant to their mandates in their respective charters.

These committees provide valuable assistance in the performance of the Board's responsibilities and aid in ensuring compliance with the principles of good corporate governance.

These committees have been granted by their respective charters with the appropriate and necessary resources and authority to discharge their responsibilities. This includes the authority to engage and obtain advice from external counsels, experts or consultants as they may deem appropriate, without need for Board approval. The Chairman of any of the committees or any of the committee members or advisors may meet separately with Management to discuss any matter that the committee or its members believe should be discussed privately. Each committee may also request any officer, executive or employee of the Company, the Company's external counsel or third party consultants to attend a meeting of the committee or to meet with any member, advisor or consultant of the said committee.

#### *Audit Committee*

The AC provides support to the Board in discharging its oversight responsibilities for the integrity of the Company's accounting and financial reporting principles and policies, and system of internal controls, as well as the integrity of the Company's financial statements and the independent audit thereof; compliance with legal and regulatory requirements; assessment and management of enterprise risks including credit, market, liquidity, operational and legal risks; and audit process, and the performance of the Company's internal audit organization and external auditor (including the external auditor's qualifications and independence).

The AC has clear oversight responsibilities and powers over the following areas:

- external auditors;
- internal auditors;
- financial reporting principles and policies and system of internal control;
- enterprise risks; and
- legal and regulatory compliance.

The AC is composed of three (3) independent directors as voting members, and four (4) advisors. Each member is fi-

nancially literate and one of the advisors is a certified public accountant with financial management expertise.

The AC covered the following matters in 2013 with regard to PLDT's external auditors, SGV & Co. and their audit and non-audit services. The AC discussed the external auditor's report on the results of the integrated audit of PLDT's and its subsidiaries' 2012 financial statements prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and International Financial Reporting Standards (IFRS), and on the internal controls over financial reporting (ICFR), as well as the results of internal and external quality reviews required on SGV & Co. Also passed upon were SGV & Co.'s required communications (to the AC) including their independence from PLDT, within the meaning of the Securities Act of the PSEC and the US SEC. The AC performed a review of SGV & Co.'s integrated plan for the audit of PLDT's and its subsidiaries' 2013 financial statements and review of ICFR, as well as significant accounting and regulatory developments. The AC also evaluated SGV & Co.'s performance for 2012, and resolved to re-appoint SGV & Co. as PLDT's external auditors for the year 2013.

The AC also reviewed and approved the following non-audit engagements of SGV & Co.:

- International Standard on Assurance Engagements No. 3402, "Assurance Reports on Controls at a Service Organization", Type B Service Audit of ePLDT's Vitro Data Center;
- Review of the tabulation and registration modules relating to PLDT's stockholders meeting system;
- Business Continuity Management System Consultancy Services for PLDT, Smart and Sun;
- Interim Audit of Digitel Information Technology Services, Inc.'s financial statements as at and for the period ended June 30, 2013;
- Accounting and Tax Advisory, and Business Model Review to the Ayala-First Pacific consortium (of which Smart is a member) in connection with Automated Fare Collection System;
- In connection with PLDT's planned retail bond offering circular:

- \* Review of PLDT's reissued consolidated financial statements as at December 31, 2012, 2011 and January 1, 2011 and for each of the three (3) years ended December 31, 2012, 2011 and 2010, after effecting the new accounting standards that became effective January 1, 2013, exclusively for the purpose of inclusion in the said offering circular;
- \* Review of PLDT's consolidated financial statements as at September 30, 2013 and for the nine (9)-month periods ended September 30, 2013 and 2012, which will also form part of the said offering circular;
- \* Issuance of comfort letters; and
- The engagement of Ernst & Young (E&Y) India by SPi India for the issuance of certain certifications for Laserwords Private Ltd., and the engagement of E&Y Singapore by Smart to perform Audit and Tax services for Smart's Singapore-based subsidiaries.

Relative to the internal auditors, the AC reviewed, noted or approved the Internal Audit and Fraud Risk Management Group (IAFRMG)'s performance report for the year 2012, PLDT's Internal Audit Plan for 2013 (original and updated) and its alignment with business risks, IAFRMG Head's statement of compliance with the International Standards for the Professional Practice of Internal Auditing, and required confirmation of the organizational independence of PLDT's internal audit organization, the retention of the existing Internal Audit Charter until the next review in 2014, and Smart and Digitel's Updated Internal Audit Plan for 2013.

In addition, the AC discussed the Internal Audit's report on PLDT Group's Sarbanes-Oxley – Section 404 (SOX 404) Compliance – Management's Overall Assessment and Conclusions as of December 31, 2012, and periodic status reports regarding the PLDT Group's SOX 404 readiness and compliance as of yearend 2012 and as of yearend 2013, the major internal audit and fraud risk management activities and accomplishments, including the Internal Audit organizational updates, and the highlights of the Committee of Sponsoring Organizations of the Treadway Commission's 2013 Updated Internal Control – Integrated Framework.

Relative to financial reporting and controls, the AC, together with PLDT Finance officers and SGV & Co., reviewed PLDT's audited financial statements for 2012 (prepared in accordance with PFRS and IFRS) as well as the final results and report of SGV & Co. on its integrated audit of 2012 PFRS and IFRS financial statements and ICFR, the PLDT Group's 2012 Annual Report on Form 17-A (for PSEC filing) and on Form 20-F (for US SEC filing), and also PLDT's unaudited consolidated financial results and reports for the three months ended March 31, 2013, the six (6) months ended June 30, 2013, and the nine (9) months ended September 30, 2013.

With respect to governance, general internal controls and risk management, the AC reviewed and approved the 2012 PLDT AC Report for inclusion in the Annual Report; conducted the self-evaluation of the AC's performance for the year 2012; discussed with the Corporate Secretary, Chief Legal Counsel and Chief Governance Officer the status of Company's compliance with regulations and applicable laws, updates on significant legal matters, and the periodic status reports on whistleblowing complaints and complaints on retaliation received by the Corporate Governance Office. It also reviewed and noted the Enterprise Risk Management (ERM) Officer's update reports on the PLDT Group's enterprise risk management activities and discussed with the ERM Officer the PLDT Group's Top Risks for 2013 and E&Y's global risks that are the relevant to the telecommunications industry, and the ERM assessment results for the Consumer (Individual) Wireless Business.

The AC also discussed with PLDT business and operational unit heads concerned the following:

- Information Systems (IS)/Information Technology (IT) measures for mitigating business risks pertaining to data security, data privacy, and resilience of systems;
- Updates on the occupancy of the Company's office buildings and related workplace solutions;
- Updates on PLDT's customer experience survey results and related activities;
- Updates on Smart's customer experience self-care program, assessments and transformation, including initiatives and solutions covering the using and paying stages

for data services, and network performance optimization in specific areas;

- Updates regarding network quality at PLDT and Smart; and
- Updates on the initiatives regarding quality of service specially in the areas of customer care and operations, and rehabilitation of outside plant equipment.

The AC had eight (8) meetings for the year 2013 and a total of Php 3.75 million was paid as *per diem* to its members (all of whom are independent directors) and advisors who attended the meetings.

Audit Committee Attendance 2013	
Pedro. E. Roxas *	8/8
Artemio. V. Panganiban **	4/4
Alfred. V. Ty*	7/8
Advisors	
Corazon. S. Dela Paz-Bernardo	8/8
Roberto R. Romulo	8/8
James L. Go	8/8
Setsuya. Kimura	7/8
Corazon. S. Dela Paz-Bernardo	8/8
* Acting AC Chairman starting Sept. 25, 2012; Mr. Roxas was formally appointed as AC Chairman on May 7, 2013. ** Appointed as AC member on May 7, 2013.	

#### *Governance and Nomination Committee*

In the performance of its governance function, the GNC assists the Board in developing and implementing the Board's performance evaluation process; reviews and assesses the adequacy and effectiveness of the Company's corporate governance structures, principles and policies; establishes the appropriate evaluation system for monitoring and assessing compliance with the corporate governance policies; oversees the continuing corporate governance communication and education programs; and considers, resolves and/or submits its recommendations to the Board on corporate governance issues.

With respect to its nomination function, the GNC is responsible for the following nomination-related matters: pre-screening nominees for directors and qualifications of independent directors; preparing a recommendation to the Board on the final list

of qualified nominee directors and independent directors; recommending qualified directors or independent directors in case of a vacancy; recommending qualified persons as members of Board Committees; and evaluating qualifications of persons nominated for Board-appointed positions.

The GNC is composed of five (5) voting members, three (3) of whom are independent directors and the other two (2) are non-executive directors. The GNC also has two (2) non-voting members: the Human Resources Group Head and the Chief Governance Officer of the Company.

In 2013 the GNC reviewed and assessed PLDT's Expanded Whistleblowing Policy, the Policy on Gifts, Entertainment and Sponsored Travel and the Supplier/Contractor Relations Policy. It determined that the said policies did not require any amendment or revision and approved certain recommendations to strengthen the implementation of these policies. The GNC also reviewed, noted or approved the following:

- Content for the corporate governance training and continuing education program, including the Directors' and Officers' Corporate Governance Enhancement Sessions conducted through the selected speakers: Mr. Winthrop M. Swenson (for directors and Advisory Committee members); and Prof. Gretchen A. Winter (for officers and middle management);
- Theme for PLDT's corporate governance communication materials, as well as the design and theme for the second edition of the Corporate Governance Handbook and Corporate Governance Primer, and items intended as corporate governance incentive items and their respective designs;
- Results of the Test Run of the PLDT Governance and Ethics Survey and the need to further enhance its implementation;
- Implementation of the Periodic Conflict of Interest (COI) Disclosure System; and COI Disclosures of key personnel;
- Cases reported through the Expanded Whistleblowing (EWB) system (which includes cases received and handled by PLDT subsidiaries);
- Annual Corporate Governance Report and PSE Corporate



Governance Disclosure Report for year 2012;

- Updates on certain related party transactions; and
- Updates on various proposed corporate governance reports/scorecards/awards, such as the PSEC Annual Corporate Governance Report, ASEAN Corporate Governance Scorecard and PSE Bell Awards.

The GNC also assisted the Board in implementing the Board Assessment for 2012 performance, which included the performance evaluation of the Board Committees and individual directors.

In the performance of its nomination function, the GNC screened nominees for independent directors to fill the single vacancy in the Board of Directors, pre-screened candidates nominated to become directors, pre-screened the qualifications of candidates for independent directors, and submitted to the Board the final list of qualified director and independent director nominees for election at the Annual Stockholders' Meeting held on June 14, 2013. It also reviewed and confirmed the Human Resource Group's evaluation of the qualifications of officers and recommended their re-appointment as such at the Organizational Meeting of the Board of Directors held on June 14, 2013.

Finally, the GNC submitted the following reports to the Board of Directors: (a) Consolidated Report on the 2012 Board and Board Committees Assessment; (b) GNC Annual Report of Activities for 2012; and (c) GNC Self-Assessment for 2012 Performance.

The GNC held four (4) meetings in 2013 and a total of Php 1.95 million was paid as *per diem* to its members who attended the meetings.

Governance and Nomination Committee Attendance 2013	
Manuel V. Pangilinan	4/4
Artemio V. Panganiban**	4/4
Pedro E. Roxas*	4/4
Alfred V. Ty*	3/4
Setsuya Kimura	4/4
Non-voting members	
Menardo G. Jimenez, Jr.	4/4
Ma. Lourdes C. Rausa-Chan	3/4
* Independent director ** Former Chief Justice Artemio Panganiban was elected as independent director effective April 23, 2013 and GNC member on May 7, 2013.	

### Executive Compensation Committee

The ECC's primary purposes or functions are to: provide guidance to and assist the Board in developing a compensation philosophy or policy consistent with the culture, strategy and control environment of the Company; oversee the development and administration of the Company's executive compensation programs, including long term incentive plans and equity based plans for officers and executives; and assist the Board in the performance evaluation of and succession planning for officers, including the CEO, and in overseeing the development and implementation of professional development programs for officers.

The ECC is composed of five (5) voting members, three (3) of whom are independent directors, while the other two (2) are non-executive directors. The ECC also has one non-voting member, who is the head of the Human Resources Group of the Company.

In 2013, the ECC discussed and recommended to the Board the approval of the new 2012-2014 Long Term Incentive Program (LTIP) targets. The LTIP is a merit-based performance incentive mechanism designed to align the interests of officers and executives with those of the shareholders. The ECC also discussed and approved the pay-out of the 2012 Variable Pay for officers and executives, the 2013 Variable Pay targets and the corresponding Variable Pay pay-out level, the 2013 merit increase for officers and executives, and the new salary structure for officers and executives which starts in 2014.

The ECC held three (3) meetings in 2013 and a total of Php 1.125 million was paid as *per diem* to its members who attended the said meetings.

Executive Compensation Committee Attendance 2013	
Manuel V. Pangilinan	3/3
Artemio V. Panganiban *	1/1
Pedro E. Roxas*	3/3
Alfred V. Ty*	2/3
Setsuya Kimura	3/3
Menardo G. Jimenez Jr. (non-voting member)	3/3
* Independent director ** Former Chief Justice Artemio Panganiban was elected as independent director effective April 23, 2013 and ECC member on May 7, 2013.	

### *Technology Strategy Committee*

The TSC's primary purposes are to assist and enable the Board to: review and approve the strategic vision for the role of technology in the Company's overall business strategy, including the technology strategy and roadmap of the Company; fulfil its oversight responsibilities for the Company's effective execution of its technology-related strategies; and ensure the optimized use and contribution of technology to the Company's business and strategic objectives and growth targets.

The TSC is composed of seven (7) members. Under the charter of the TSC, at least one member of the TSC must have at least a general knowledge or understanding of the technologies relevant to the Company's line of business.

In 2013, the TSC discussed the overview of Technology Group Strategy, Multimedia Service Delivery Platforms and PLDT Multimedia Monetization Programs, Technology Service Delivery Infrastructure Roadmap and Updates, Current Network Quality Situation and Programs, improving capabilities to deliver more services in data, multi-media and next generation solutions, expanding PLDT's service footprint, and enhancing customer experience. Also presented and discussed were technology and operational plans and strategies to fortify the network to ensure availability and faster restoration of service in case of service interruptions brought about by the effects of natural calamities in the light of the lessons learned from the recent super typhoon Yolanda (International Name: Haiyan).

The TSC had two (2) meetings in 2013 and a total of Php 975,000.00 was given as *per diem* to its members who attended the meetings.

Technology Strategy Committee Attendance 2013	
Manuel V. Pangilinan	0/2
Napoleon L. Nazareno	2/2
Ray C. Espinosa	2/2
Setsuya Kimura	2/2
Oscar S. Reyes	2/2
James S. Go	2/2
Orlando B. Veja	2/2

### **Executive implementation**

Our Board exercises oversight on Management in accordance with the standards set forth in our CG Manual. The roles of Management and other offices and posts involved in ensuring implementation of the corporate governance policies and requirements are discussed below.

#### *President and Chief Executive Officer*

The President and CEO provides leadership for Management in developing and implementing business strategies, plans and budgets. He ensures that the business and affairs of the Company are managed in a sound and prudent manner and that operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts. The President and CEO, with the assistance of the rest of PLDT's Management, also has the responsibility to provide the Board with a balanced, understandable and accurate account of the Company's performance, financial condition, results of operations, and prospects, on a regular basis.

#### *Corporate Secretary*

The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and Board Committees, as well as other official records of the Company. The Corporate Secretary is expected to work fairly and objectively with the Board, Management and stockholders and shall inform the directors of the schedule and agenda of Board meetings and ensure that Management provides the Board with complete and accurate information that will enable the directors to arrive at intelligent or informed decisions on matters that require their approval. The Corporate Secretary is expected to attend all Board meetings, except for exceptional and justifiable causes that prevent attendance, and must ensure that all Board procedures, rules and regulations are strictly followed by the directors. The current Corporate Secretary is also the Chief Governance Officer of the Company.

### *Internal Audit Organization*

Our internal audit organization determines whether our structure of risk management, control and governance processes, as designed and represented by Management, are adequate and functioning to ensure that:

1. Risks are appropriately identified managed, and/or reported;
2. Significant financial, managerial, and operating information are accurate, reliable and timely;
3. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
4. Resources are acquired economically, used efficiently and adequately protected;
5. Programs, plans and objectives are achieved;
6. Quality and continuous improvement are fostered in our control processes; and
7. Significant legislative or regulatory issues impacting us are recognized and addressed appropriately.

To provide for the independence of the internal audit organization, its personnel report to the head of the internal audit organization, being the Chief Audit Officer/Internal Audit Head, who reports functionally to the AC and administratively to the President and CEO. The Chief Audit Officer is accountable to Management and the AC in the discharge of his duties and is required to:

1. Provide annually an assessment on the adequacy and effectiveness of our processes for controlling our activities and managing our risks;
2. Report significant issues related to the processes of controlling our activities, including potential improvements to those processes, and provide information concerning such issues; and
3. Periodically provide information on the status and results of the annual internal audit plan and the sufficiency of our internal audit organization's resources.

The Company's internal audit organization has a charter approved by the AC that complies with the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors, in the discharge of its scope of

work and responsibilities.

### *External Audit*

The Company's external auditor is appointed by the AC which reviews its qualifications, performance and independence. To ensure objectivity in the performance of its duties, the external auditor is subject to the rules on rotation and change, every five (5) years; general prohibitions on hiring of staff of the external auditor; and full and appropriate disclosure and prior approval by the AC of all audit and non-audit services and related fees for such services. Approval of non-audit work by the external auditor is principally tested against the standard of whether such work will conflict with its role as an independent auditor or would compromise its objectivity or independence as such.

### *Enterprise Risk Management*

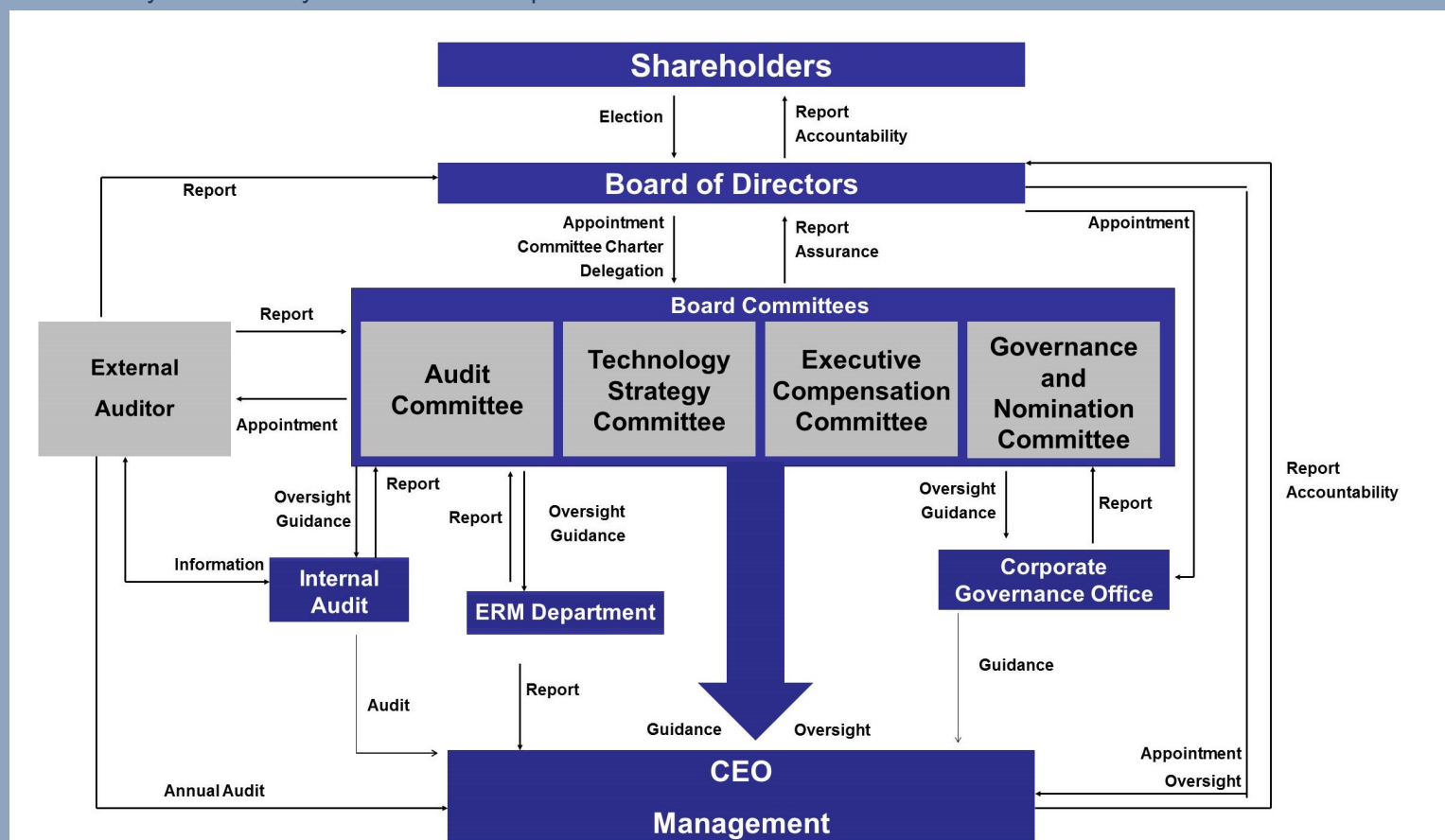
Also working in coordination with our internal audit organization and AC is the PLDT Group Enterprise Risk Management (ERM) Department (ERMD). The complex and dynamic business environment that the PLDT Group operates in gives rise to a variety of risks. The ERMD is in charge of managing an integrated risk management program with the goal of identifying, analysing and managing the PLDT Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus sustain competitive advantage. The ERM process used by the ERMD is based on the ISO 31000 standard on risk management. The implementation of the ERM process ensures that high-priority risks are well understood and effectively managed across all functions and units within the PLDT Group.

### *Chief Governance Officer*

Our corporate governance compliance system established in the CG Manual includes the designation by the Board of a Chief Governance Officer who reports to the Chairman of the Board and the GNC. The primary responsibilities of the Chief Governance Officer include monitoring compliance with the provisions and requirements of corporate governance laws, rules and regulations, reporting violations and recommending the imposition of disciplinary actions, and adopting measures to prevent the repetition of such violations.

In addition, the Chief Governance Officer assists the Board and the GNC in the performance of their governance functions, including their duties to oversee the formulation or review and implementation of the corporate governance structure and policies of the Company, the establishment of an evaluation system to verify and measure compliance with the

The PLDT Manual on Corporate Governance (CG Manual) is the basis for the establishment of, and provides operational guidance to, all PLDT corporate governance structures as shown in the chart.



CG Manual in relation to related laws, rules and regulations, and to oversee the conduct of a self-assessment of the performance and effectiveness of the Board, the Board Committees, and individual Board members in carrying out their functions.

#### *Corporate Governance Office*

The CGO is responsible for the continuing development, drafting, issuance and review of appropriate corporate governance policies, attending to reports received through the whistleblowing facility, addressing queries and providing opinions or guidance on corporate governance matters to operating units, initiating enforcement actions to ensure compliance with corporate governance policies, and maintaining a corporate governance education and communication program that sees to the development of the proper knowledge, skills, attitudes, and habits that would promote voluntary observance of corporate governance policies.

## Code of Business Conduct and Ethics (Code of Ethics)

Our CG Manual establishes the framework and structure of our corporate governance program. It is our **Code of Ethics**, however, that animates our professional conduct principally through the call to live out and observe the values of accountability, integrity, fairness and transparency to promote and produce a culture of good corporate governance. It provides standards that govern and guide all business relationships of PLDT, its directors, officers and employees.

Some of the key standards in the PLDT Code of Ethics are stated below.

- Compliance with applicable laws, rules and regulations;
- Ethical handling of conflicts of interest, corporate opportunities and confidential information;



- Protection and proper use of Company assets;
- Fair dealing with employees, customers, service providers, suppliers, and competitors;
- Compliance with reporting and disclosure obligations to the relevant regulators and to investors;
- Compliance with disclosure and financial reporting controls and procedures;
- Assessment and management of risks involved in business endeavors; and
- Adoption of international best practices of good corporate governance in the conduct of the Company's business.

The Company, through our Board, has adopted enabling policies which provide specific guidelines that complement the Code of Ethics.

#### *Conflict of Interest Policy*

This policy aims to ensure that work-related actions of PLDT's directors, employees and consultants are based on sound business principles and judgment devoid of bias or partiality. It enjoins all of them to be aware of the possibility of such bias and partiality in dealings with various entities or individuals in the course of or in relation to their work. The policy likewise mandates that if they find themselves in a possible conflict of interest situation, they should promptly disclose the matter to the relevant authorities. If warranted, the person concerned should also obtain appropriate approvals and inhibit himself from any action, transaction or decision involving an existing or potential conflict of interest.

#### *Policy on Gifts, Entertainment and Sponsored Travel*

This policy provides safeguards so that the custom of giving gifts is handled in accordance with the values of integrity, accountability, fairness and transparency. It aims to prevent the occurrence of situations or actions that could significantly affect objective, independent or effective performance by directors, officers, employees and consultants of their duties and responsibilities to the Company. Specifically, it prohibits the solicitation of gifts, sponsored travel, and entertainment from third parties. Receipt and acceptance of gifts voluntarily given by such third parties are handled according to this policy.

#### *Supplier/Contractor Relations Policy*

This policy seeks to ensure that the Company upholds the highest professional standards in business practices and ethics in its dealings with suppliers and contractors in the procurement of goods and services. The policy also seeks to maintain PLDT's reputation for equal opportunity and honest treatment of suppliers in all business transactions. It establishes clear rules for arm's length transactions and fair treatment of prospective and existing suppliers with the objective of always obtaining the best value for the Company. The policy specifically adopts the processes of vendor accreditation and competitive bidding as the general rule to ensure that contracts are awarded only to qualified and duly-accredited suppliers and vendors who offer the best value for money for PLDT's requirements.

#### *Expanded Whistleblowing Policy (EWB Policy)*

This policy provides guidelines on handling employee disclosure or complaints for violation of the CG Manual, Code of Ethics, Conflict of Interest Policy, Policy on Gifts Entertainment and Sponsored Travel, and Supplier/Contractor Relations Policy as well as questionable accounting and auditing matters and violations of the Personnel Manual. The EWB Policy protects whistleblowers from retaliation and ensures confidentiality and fairness in the handling of a disclosure or complaint.

All these policies, including the Code of Ethics, are reviewed at least once every two (2) years to ensure that they are appropriate for PLDT, keep pace with comparable and applicable global best practices, and are compliant with the requirements of the Philippine and US SEC, NYSE and Hong Kong Stock Exchange corporate governance rules, as may be appropriate and applicable.

Detailed implementing guidelines are likewise issued for the said policies to ensure their wide observance. Among the recent developments in this regard is PLDT's release and implementation of its *Guidelines on the Proper Handling of Related Party Transactions* (RPT Guidelines). The RPT Guidelines provides the process of review, approval and disclosure of the Company's Related Party Transactions (RPT).

RPTs are reviewed and approved by appropriate authorities designated. The review's principal focus is on whether an RPT is on arm's length terms and the transaction is in the best interest of PLDT and its stakeholders, as a whole, considering all relevant circumstances. Material RPTs are also reviewed by the AC, which is composed entirely of independent directors, and approved by the Board. The RPT Guidelines provides the Board of Directors with an option to require submission of approved RPTs to stockholders for their further consideration and ratification. The Head of Financial Reporting and Controllarship Sector, in coordination with the Company's Disclosure Committee, shall be responsible for the disclosure of RPTs in the relevant financial reports of the Company as required under Philippine Accounting Standard 24 and other applicable disclosure requirements.

Finally, PLDT's subsidiaries and their respective subsidiaries have also adopted corporate governance rules and policies similar in substance and form to PLDT's CG Rules and suited to their particular business environments and contexts, as well as appointed their respective corporate governance or compliance officers.

### **Procedures and Practices**

PLDT's corporate governance initiatives comprise three (3) stages: compliance, competence and eventually, culture. At the pinnacle of the process is the establishment of a culture of good governance that should permeate the entire organization. To get to this point requires, however, that the Company and its personnel understand the importance of ensuring full compliance with the law, rules and regulations and its own internal rules. Between culture and compliance however, is a gap that can only be filled by the Company's investments in the right competencies for its personnel. Much of PLDT's efforts at bridging the gap between compliance and culture are manifested in PLDT's procedures and practices.

These corporate governance procedures and practices are executed through three (3) broad task areas of engineering, education and enforcement, by the Corporate Governance Office led by the Chief Governance Officer, and with the guidance of the GNC.

### *Periodic review of CG Rules*

In 2013, the Policy on Gifts, Entertainment and Sponsored Travel, Expanded Whistleblowing Policy and Supplier Relations Policy were reviewed and it was determined that said policies do not require any amendment or revision. The GNC approved certain recommendations to further strengthen their implementation and oversight through more efficient monitoring and reporting, practical guidelines on specific areas that need improvement and appropriate measures to further build employees' confidence in the whistleblowing system and strengthen the Company's procurement processes.

### *Pledge to Uphold Good Corporate Governance*

In 2013, employees were required to signify adherence to the new Pledge to Uphold Good Corporate Governance (CG Pledge) which was reviewed and revised with the guidance of the GNC. The CG Pledge is an undertaking by individual employees to observe the highest standards of ethics in their daily work. Each employee was given the option of reaffirming their adherence to the CG Pledge online or by printing and re-signing the CG Pledge. The activity was integrated into the other events celebrating PLDT's 85th Anniversary.

### *Conflict of Interest Disclosures*

In 2013, PLDT re-launched the periodic COI Disclosure System which now requires all officers, executives and employees to bi-annually either expressly affirm that they had no updates to their conflict of interest disclosures or in the event that they have any such potential or actual conflict, to update and submit their Conflict of Interest Disclosures to their Group Heads.

### *Whistleblowing Complaints*

PLDT maintains a Whistleblowing Hotline and other reporting facilities, such as a dedicated electronic mailbox, post office box, and facsimile transmission system. All employees and stakeholders who come forward in good faith to report violations or any act that may be considered as contrary to the Company's values may submit a complaint or disclosure on such violations to the CGO. Anonymous complaints are allowed and duly processed.

Upon receipt of a complaint or disclosure by the CGO, a preliminary evaluation is conducted to determine the veracity and plausibility of the allegations contained therein, as well as determine the appropriate investigating unit to which the case shall be assigned for further action. The CGO monitors the developments in said cases and ensures appropriate reporting to the AC, the GNC, or any other relevant committee, body or authority on the results of the investigations and the prompt referral of findings to the units concerned. In all processes and activities related to a whistleblowing complaint or disclosure, utmost confidentiality is observed in order to ensure the integrity of the process and/or protect the parties, employees or offices who are allegedly involved.

As of year-end 2013, there were four (4) new whistleblowing complaints received by the CGO and two (2) complaints received in prior years pending final resolution. The complaints covered allegations of violation of the Code of Business Conduct and Ethics, Conflict of Interest Policy, Policy on Gifts, Entertainment and Sponsored Travel and Supplier/Contractor Relations Policy.

#### *Training and Education*

PLDT provides continuous training for its Board and Management. The highlight of this continuing education and communication program is the annual enhancement session which is conducted by internationally-known experts who share their experience, expertise and insights to PLDT's Board and Management. PLDT has organized and conducted seven (7) annual enhancement sessions since 2007. In 2013, two (2) experts in the field of corporate governance and ethics were invited to address PLDT's Board, senior management and middle management.

On December 2, 2013, PLDT directors attended a session developed and handled by Mr. Winthrop Swenson, a partner at the US-based Compliance Systems Legal Group. Mr. Swenson's session was entitled *Ensuring Effective Board Oversight of Ethics and Compliance: Emerging Trends and Lessons Learned*. On November 26, 2013, Ms. Gretchen A. Winter, Executive Director of the Center for Professional Responsibility in Business and Society at the University of Illinois at Urbana-Champaign, spoke before PLDT officers and executives in a session entitled *Handling Ethical Dilemmas: Tools*

*and Techniques*.

The session with Ms. Winter is the second occasion where PLDT's middle managers have been invited to attend a corporate governance enhancement session together with senior management. PLDT intends to continue this practice in the future to help instill the proper competencies to its middle managers who, on a day to day basis, exercise vast influence over the rest of the personnel of the Company. This annual training augments the half-day *Workshop on Ethical Decision Making* and workshop on *Managing from a Position of Control* that middle managers must undertake, as well as the basic orientation on corporate governance that they received upon their promotion or appointment. Corporate governance orientation is also given to all newly-hired PLDT employees in the supervisory and rank and file levels.



In addition to face to face training, PLDT has on-line training modules for its employees. PLDT executives with the rank of manager, senior manager and assistant vice president are required to access and complete an online training course on the PLDT Expanded Whistleblowing Policy. Supervisory and rank and file employees, on the other hand, are required to take and complete a module on the PLDT Conflict of Interest Policy. Education and training is supplemented by the production and dissemination of relevant corporate governance communication materials, including thematic posters, calendars and newsletters. Directors and certain officers and executives of PLDT are also provided with weekly Corporate Governance Newsbriefs, which contain summaries of news articles from global online sources. The Board of Directors is also provided

with CG Updates of articles on relevant topics written by noted authors and/or authorities. The Company also issues periodic advisories on corporate governance.

#### *Monitoring and Evaluation*

PLDT's corporate governance monitoring and evaluation system consists of the annual performance self-assessment conducted by the Board and the Board Committees, the review of the effectiveness of the Company's CG Rules and their implementation every two (2) years, the annual compliance evaluation conducted by Management, and other tools employed to monitor observance of the CG Rules and corporate values by Company personnel.

Our Board conducts a self-assessment each calendar year to evaluate the performance of the Board as a whole, the Board Committees and the individual directors. The process, which also includes an evaluation of the performance of the CEO and Management, enables the Board to identify strengths and areas for improvement and to elicit individual director's feedback and views on the Company's strategy, performance and future direction. Similarly, each Board Committee also conducts an annual self-assessment of its performance. The members of the Board and the Board Committees accomplish their respective Self-Assessment Questionnaires for this purpose. The Board Self-Assessment Questionnaire contains the following criteria based on leading practices and principles on good governance: (1) *for the Board*: Leadership, Roles and Responsibilities, Independence, Stewardship, Reporting and Disclosure, Shareholders' Benefits and Training; (2) *for individual directors*: the specific duties and responsibilities of a director; and (3) *for the Board Committees*: Performance and Compliance and Committee Governance. For the 2012 performance period, the results of the assessment process was duly reported to, and discussed with, the Board in 2013.

Moreover, PLDT monitors and assesses compliance with the CG Rules through a cross-functional evaluation system whereby the heads of the various business and support units/groups, including, but not limited to, Enterprise and International Carrier Business, Home Business, Finance,

Human Resources, Customer Service Assurance, Technology, Supply Chain Asset Protection & Management, Public Affairs, Enterprise Risk Management, Information Technology, Regulatory, Internal Audit, Corporate Affairs and Legal Services, Corporate Governance Office and Investor Relations, conduct an evaluation of their unit/group's compliance using an evaluation questionnaire consisting of the governance regulations applicable and relevant to their respective functions, including the requirements of the Revised Code of Corporate Governance and the PSE Corporate Governance Guidelines (PSE CG Guidelines). The results of the evaluation conducted by the heads are submitted to the Corporate Finance & Treasury Head and the Chief Governance Officer, who submit the consolidated report to the President and CEO for approval. The results of the compliance evaluation are also reported to the GNC by the CGO.

In 2013, PLDT confirmed its compliance with its CG Manual which contains relevant provisions of the Revised Code of Corporate Governance of the PSEC and certain corporate governance standards under the U.S. Securities Exchange Act and NYSE Company Manual. PLDT submitted its Annual Corporate Governance Report to the PSEC and its PSE CG Guidelines Disclosure Report both pertaining to the year 2012, on June 28, 2013 and March 20, 2013 respectively.

In line with all of these, PLDT has incorporated corporate governance standards in the performance evaluation of employees and has included violations of CG Rules as a cause for disqualification from incentives and rewards, including under the Long Term Incentive Plan, in its Policy on Employee Qualification for Incentives and Rewards.

PLDT conducts focus group discussions across all personnel levels in order to gain insights into the effectiveness of its efforts. A Governance and Ethics Survey has been tested and will be rolled out regularly to personnel to provide more quantifiable information that is tracked over time to check for improvements or deficiencies. In similar fashion, a Corporate Governance Follow Through survey has been conducted in the past two (2) years to track the observations of newly-hired personnel. The survey is administered to PLDT's new



hires six (6) months after they are hired and thereafter, on the second and fifth year of their service. Valuable information is also obtained from the Board and Board Committee assessment process. Data is also obtained and analyzed from results of our education activities, trends in reported violations, whether within the whistleblowing system or not, key business indicators such as customer complaints, reports from business partners and all other sources of relevant information.

## Our Stakeholders

PLDT remains committed to establishing and maintaining a corporate culture anchored on performance and responsibility in fulfilling obligations to our stakeholders. Guided by our Corporate Responsibility Statement, we deal and engage with stakeholders in the manner described below.

### Investors/Shareholders

PLDT respects, promotes and upholds shareholders' rights such as: the right to vote, pre-emptive right, the right to inspect corporate books and the records, right to timely receive relevant information subject to certain conditions, the right to dividends, and the appraisal right. The Company explores and implements steps to reduce excessive or unnecessary costs that impede stockholders' participation, acts with transparency and fairness at the annual and special stockholders' meetings and makes timely disclosures of material information and transactions that could potentially affect the market price of the Company's shares. In this regard, information on earnings results, acquisition or disposal of significant assets, off balance-sheet transactions, related party transactions, Board membership chang-

es, shareholdings of directors and officers and any changes thereto, and remuneration of directors and officers are promptly and accurately disclosed.

Shareholders who wish to raise matters or concerns relating to the business of the Company may elevate such matters to the corporate secretary, the investor relations officer, concerned units of PLDT's Management or the Board of Directors.

PLDT's current dividend policy is to declare a regular dividend of 70% of core earnings per share with the option given to the PLDT Board to declare a special dividend subject to the capacity of PLDT to pay additional returns to shareholders. Dividends are declared and determined taking into consideration the interests of our shareholders as well as our working capital, capital expenditures and debt servicing requirements. We also take into consideration our ability to meet loan covenant requirements in the declaration and payment of dividends. Due consideration is also given to the need to retain earnings in order to meet the funding requirements of our business expansion and development programs.

PLDT has been recognized several times as one of the companies in Asia most committed to a strong dividend policy.

Concerns of shareholders with respect to their investments and rights as shareholders are ably handled by our Investor Relations Office.

PLDT's Code of Ethics prohibits directors, officers and employees from dealing in the Company's shares when in possession of material non-public information about and involving the Company. Directors, officers and employees are enjoined to report to the Company their dealings in the

### PLDT Group CSR Statement

*At the PLDT Group of Companies, Corporate Social Responsibility is grounded in our belief that an integral part of our business is the imperative to help improve the overall well-being of the Filipino people. To achieve this goal, we will address proactively the interests of our various stakeholders. We believe that as we seek to enhance value for our shareholders, we have a responsibility to:*

- *Provide quality products and services for our customers*
- *Develop our employees*
- *Work with our suppliers and business partners in an ethical and mutually beneficial manner*
- *Care for the environment*
- *Improve our communities*

*We are conscious about the proper management of our finite and fragile environment and are taking tangible measures to lessen our carbon footprint. We will continue to invest in technical business solutions that both cut our costs and help save the environment. By succeeding as a corporation, we create wider opportunities for employment, entrepreneurship and the greater well-being of all Filipinos. We believe that as we help raise the economic welfare of the Filipino, we expand the market for our products and services. The creed of our business strategy is the desire to change lives for the better.*

Company's shares, regardless of whether such dealings were effected during or outside the blackout period, within three (3) trading days from the date of the transaction, to enable the filing of the required disclosures to the PSEC and the PSE. During blackout periods, dealing in Company shares by directors, officers or employees is not allowed and in any exceptional case, prior notice to the Company should be made of any such dealing in Company shares, in accordance with the Company's policy on Blackout Period/Restriction on Trading of Shares.

#### *Creditors*

In accordance with our Code of Ethics, we protect the rights of our creditors by publicly disclosing all material information, such as earnings results and risk exposures relating to loan covenants. Our disclosure controls and procedures also include periodic reports to our creditors such as our latest certified Financial Statements, No Default Certification, and Certification on compliance with financial ratio limits.

#### *Customers*

It is PLDT's privilege to serve a broad range of customers from residential customers, small and medium enterprises, corporate customers covering large local and international companies, organizations and government. PLDT strives to satisfy its customers' expectations and concerns regarding innovative products and services, quality of service, pricing, application process, service provisioning process, repair and restoration service and the billing process. We continuously engage with our customers through various touchpoints with the end in view of knowing and understanding our customers' communication products and service needs, promptly addressing their concerns and identifying areas where we could further enhance customer experience.

#### *Suppliers*

PLDT aspires to maintain mutually beneficial relationships only with like-principled suppliers that uphold PLDT's core values of fairness, accountability, integrity, and transparency in their own businesses. PLDT has over 1,500 active suppliers which serve the requirements of the PLDT Group, ranging from capital expenditures to operating expenditure items, as well as services. The Company's Supplier/Contractor Relations Policy provides for the general principles to be fol-

lowed in vendor selection. Suppliers are required to undergo an accreditation process before they engage in business with PLDT. Among the criteria for accreditation are: financial capability, technical capability, compliance with applicable laws, including those pertaining to industrial relations, environment, health and safety and intellectual property rights. The Company's purchases, as a general rule, are made on the basis of competitive bidding of accredited and qualified suppliers, in accordance with the aforementioned policy.

#### *Employees*

PLDT respects the rights of its personnel, among which are the right to self-organization, safe working conditions, rest and leisure, and work-life balance. It also provides opportunities for skills development and improvement, leadership and competency training as well as career development. PLDT provides adequate opportunity for career advancement on a merit-based system. Compensation and incentives are likewise determined on the basis of performance and accomplishment. Dedicated staff and facilities are made available for the training and development programs of the Company. The Company organizes programs that support the well-being of employees, allows them to participate in PLDT's CSR activities and obtains their feedback on Company concerns. An Organization and Employee Opinion Survey is conducted at regular intervals to gauge employee engagement as well as obtain the pulse of PLDT employees across the organization at different levels and positions concerning topics and issues which are prioritized and addressed in the various people programs of the Company. In accordance with the Company's Personnel Manual, the Company provides medical and dental benefits for our employees, which include hospitalization, doctor consultation, medicines and laboratory tests. The Company monitors and submits reports on employee health and safety in accordance with applicable regulations.

#### *Communities*

PLDT operates all over the Philippines and inevitably relates to local residents, non-governmental organizations and other sectors in the communities where the Company does business. The Company is aware that these communities are concerned about PLDT's products and services and the im-

pact of its operations on such communities. No less than our CG Manual mandates that PLDT, through the Board of Directors, shall ensure that there exists a program for communicating with the sectors in the communities where the Company operates or those who are affected by its operations.

As a telecommunication service provider, PLDT serves communities and the people that live in them by providing products and services that offer various options for people to connect with each other. As a corporation, PLDT creates wider opportunities for employment, entrepreneurship and greater well-being. As a corporate citizen, PLDT actively engages with the communities, including the sectors directly affected by its operations, through CSR projects in education, health, community, environment, livelihood development, youth development and sports, and disaster relief operations. In doing these activities, PLDT encourages and creates opportunities for employee participation.

#### *Environment*

PLDT is committed to do its part in addressing the pressing need to preserve and protect our environment. As such, PLDT ensures compliance with rules and regulations from local government regulatory offices such as the Department of Environment and Natural Resources' (DENR) Environmental Management Bureau, the Laguna Lake Development Authority and other similar agencies and offices. Furthermore, projects to reduce waste and the Company's carbon footprint are also being implemented. The Company regularly monitors relevant Global Reporting Initiative (GRI) indicators such as direct energy consumption, energy saved, initiatives to reduce energy consumption, total water withdrawn by source, direct and indirect greenhouse gasses emission by weight, total weight of waste by type and disposal method, and total environmental expenditures and investment.

#### *Advocacy and Networking*

PLDT is actively engaged in the advocacy for better governance and ethics in business. This engagement is anchored in the Company's policy against corruption and bribery as set forth in its Code of Ethics, and further reinforced in specific policies, such as the Policy on Gifts, Entertainment and Sponsored Travel, Supplier/Contractor Relations Policy and Corporate Governance Guidelines for Suppliers, which likewise pro-

hibit bribery involving third parties in business dealings with the Company. These policies are implemented through anti-corruption programs and measures such as internal controls, training and communication, our whistleblowing system, third party due diligence, and support for and participation in multi-sectoral anti-corruption initiatives to eliminate graft and corruption.

PLDT continues to work with institutions and organizations engaged in programs and advocacy efforts in the corporate governance, compliance and business ethics field. The PLDT Group is an active sponsoring partner member of the Ethics and Compliance Officer Association (ECO) based in Waltham, Massachusetts, USA. PLDT participates in the ECO's Annual Ethics and Compliance Conferences. Our membership at the ECO gives PLDT access to its vast online library on corporate governance and related topics, opportunities to interact with other corporate governance and ethics professionals around the world, and benchmark our governance practices against those of leading companies. Locally, PLDT is a member organization of the Good Governance Advocates and Practitioners of the Philippines (GGAPP), an association of corporate governance, ethics and compliance professionals from private corporations, the public sector, the academe and other organizations interested in advancing the cause of good corporate governance. PLDT also participates in the activities of the Institute of Corporate Directors such as its roundtable discussions and working sessions.

PLDT reached another milestone in its life as it celebrated its 85<sup>th</sup> Anniversary. The logical challenge facing the Company is how to sustain its leadership in the telecommunications and information industry in the coming years. PLDT has learned that to do this requires a pioneering spirit that is steadfast in its commitment to its values; an ability to boldly innovate while staying true to time-honored principles of delighting our customers and building mutually-beneficial relationships with our employees and all other stakeholders. In this way PLDT puts itself in a position to flourish in the challenging, complex and ever-evolving business environment that it finds itself in.

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