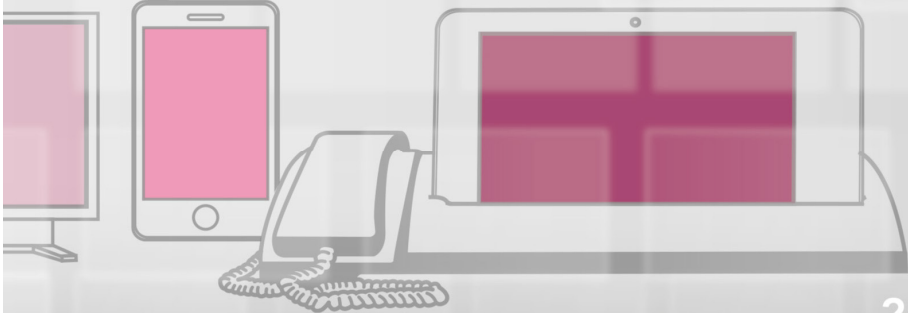




# INVESTING IN THE FUTURE



**PLDT**

2011 ANNUAL REPORT

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PLDT is the leading telecommunications service provider in the Philippines. Through its three principal business segments—wireless, fixed line and business process outsourcing (BPO)—PLDT offers the largest and most diversified range of telecommunications services across the Philippines' most extensive fiber optic backbone and wireless, fixed line, broadband and satellite networks.

PLDT is listed on the Philippine Stock Exchange (PSE:TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI). In 2011, PLDT was one of the largest Philippine-listed companies in terms of market capitalization.

## MISSION/VISION

PLDT will be the preferred full service provider of voice, video and data at the most attractive levels of price, service quality, content and coverage, thereby bringing maximum benefit to the Company's stakeholders.

## VALUES

### Accountability

We take full responsibility for our actions and decisions.

### Integrity

We do the right thing.

### Fairness

We uphold justice and fair play.

### Transparency

We disclose accurate and prompt information.

## SUBSIDIARIES

### Wireless

Smart Communications, Inc. and Subsidiaries  
Digital Mobile Philippines, Inc.  
Smart Broadband, Inc. and Subsidiaries  
Chikka Holdings Limited and Subsidiaries

### Fixed Line

PLDT Clark Telecom, Inc.  
PLDT Subic Telecom, Inc.  
PLDT Global Corporation and Subsidiaries  
PLDT-Philcom, Inc. and Subsidiaries  
PLDT-Maratel, Inc.  
Digital Telecommunications Philippines, Inc.  
ePLDT, Inc.

### BPO

SPI Technologies, Inc. and Subsidiaries  
SPI CRM, Inc. (formerly ePLDT Ventus, Inc.)

## ABOUT THE COVER

The PLDT 2011 Annual Report cover captures the changing face of telecommunications as represented by the various screens — PCs, laptops, tablets, smart phones, and smart TVs — that people use to connect with each other and the rapidly growing world of information and other services in the internet. PLDT is leading the shift to this emerging ecosystem of pervasive multimedia services by investing strategically in its networks, technologies and people.

# COMPARATIVE HIGHLIGHTS

	2007	2008	2009	2010	2011
<b>FINANCIAL INFORMATION</b> (in millions, except cash dividends declared per common share)					
Revenues					
Service Revenues	Php149,682	Php157,528	Php159,597	Php156,170	<b>Php153,958</b>
Non-Service Revenues	2,480	2,709	2,426	2,217	<b>2,645</b>
	152,162	160,237	162,023	158,387	<b>156,603</b>
Expenses					
Depreciation and Amortization	28,613	24,709	25,607	26,277	<b>27,957</b>
Compensation and Employee Benefits	20,470	20,709	23,100	24,070	<b>20,151</b>
Interconnection Cost	14,204	14,655	14,030	13,928	<b>12,586</b>
Repairs and Maintenance	7,310	8,569	8,631	9,434	<b>10,391</b>
Asset Impairment	1,317	4,180	5,061	2,438	<b>10,209</b>
Selling and Promotions	5,541	5,695	5,749	5,284	<b>7,847</b>
Professional and Other Contracted Services	5,588	4,591	4,361	4,853	<b>5,668</b>
Cost of Sales	5,127	5,252	5,432	4,771	<b>5,443</b>
Others	10,490	12,081	12,170	11,776	<b>13,130</b>
	Php98,660	Php100,441	Php104,141	Php102,831	<b>Php113,382</b>
Net Income Attributable to Equity Holders of PLDT	Php36,004	Php34,635	Php39,781	Php40,217	<b>Php31,697</b>
EBITDA	Php83,162	Php87,741	Php86,194	Php83,717	<b>Php79,959</b>
Core Income	Php35,151	Php38,079	Php41,138	Php42,028	<b>Php39,035</b>
Property, Plant and Equipment					
Property, Plant and Equipment	Php364,972	Php377,220	Php390,692	Php416,390	<b>Php479,236</b>
Accumulated Depreciation, Amortization and Impairment	205,558	216,894	229,436	253,206	<b>281,505</b>
Carrying Value	Php159,414	Php160,326	Php161,256	Php163,184	<b>Php197,731</b>
Capital Expenditures	Php24,824	Php25,203	Php28,069	Php28,766	<b>Php31,207</b>
Short and Long-Term Debts	Php60,640	Php73,911	Php98,729	Php89,646	<b>Php117,275</b>
Net Debt	Php29,778	Php33,557	Php56,586	Php52,299	<b>Php70,660</b>
Equity Attributable to Equity Holders of PLDT	Php111,113	Php105,531	Php98,575	Php97,069	<b>Php151,833</b>
Cash Dividends Declared Per Common Share					
Out of the Earnings for the Year	Php184	Php200	Php218	Php222	<b>Php189</b>
<b>OPERATING INFORMATION</b>					
Number of Cellular Subscribers	30,041,030	35,224,604	41,328,641	45,636,008	<b>63,696,629</b>
Number of Fixed Line Subscribers	1,724,702	1,782,356	1,816,541	1,822,105	<b>2,166,295</b>
Number of Broadband Subscribers	579,095	995,916	1,614,407	2,021,004	<b>2,928,369</b>
Wireless	314,804	563,333	1,054,743	1,377,956	<b>2,086,096</b>
Fixed Line	264,291	432,583	559,664	643,048	<b>842,273</b>
Number of Stockholders	2,185,395	2,183,666	2,183,194	2,182,391	<b>2,181,823</b>
Number of Employees					
Number of Employees	30,255	29,904	29,035	28,770	<b>34,116</b>
Wireless	5,415	5,602	5,507	5,165	<b>8,043</b>
Fixed Line	8,080	7,813	7,947	9,572	<b>11,409</b>
BPO	16,760	16,489	15,581	14,033	<b>14,664</b>

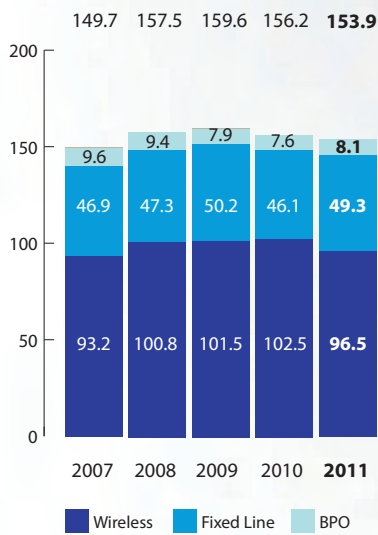
The 2007-2010 results have been restated to reflect the change in the presentation of outbound revenues and the implementation of the reorganization of our business segments.



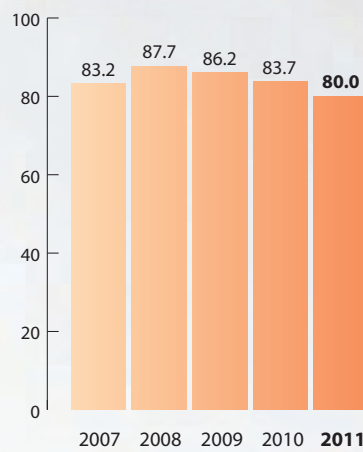
# CONSOLIDATED FINANCIAL PERFORMANCE HIGHLIGHTS



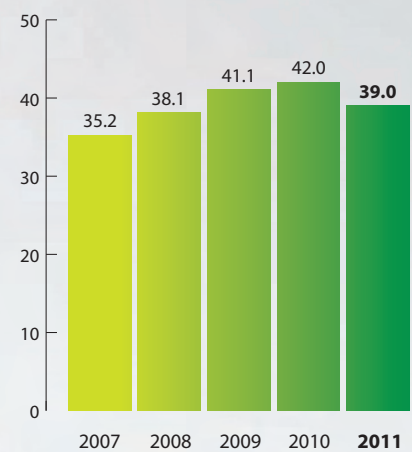
**Service Revenues**  
(Php in billions)



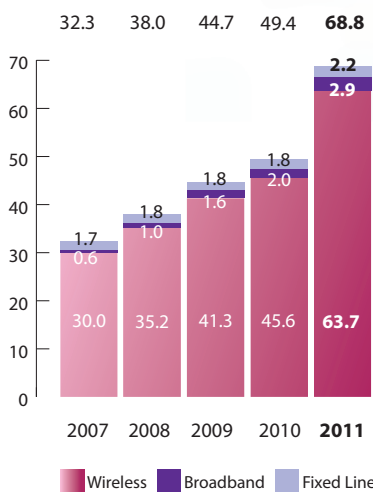
**EBITDA**  
(Php in billions)



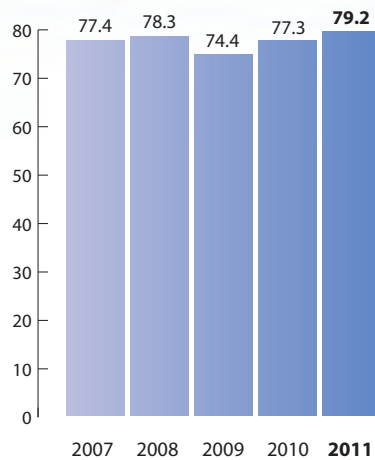
**Core Income**  
(Php in billions)



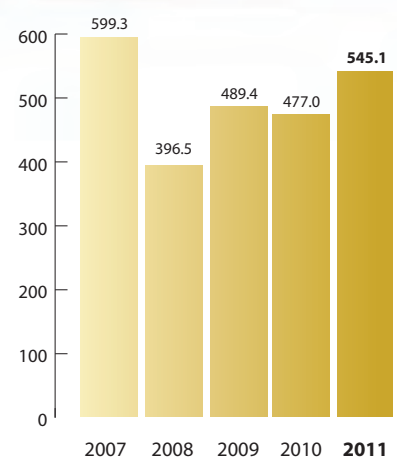
**Subscriber Base**  
(in millions)



**Cash Flow from Operations**  
(Php in billions)



**Market Capitalization**  
(Year-end, Php in billions)



# A MESSAGE FROM THE CHAIRMAN



“ By taking the forward view and making strategic investments in 2011, we have placed PLDT in the best possible position to enhance its leadership far into the future. ”



**F**aced with unprecedented challenges, your Company took bold, game-changing moves in 2011.

We invested in Digital Telecommunications Philippines, Inc. (Digitel) in a Php74.1 billion share swap transaction and thus fortified our position in an intensely competitive market.

We also accelerated the Php67.1 billion modernization program of our fixed and mobile networks. Within 2012, we will have a 4G-ready mobile phone network and a fixed line infrastructure that delivers ultra-fast fiber-to-the-home (FTTH) broadband services on top of DSL internet services and, yes, high-quality voice as well.

Moreover, PLDT completed the re-organization of its business units designated to serve the segmented individual, home and enterprise markets. This enables us to maintain a single-minded focus on providing better quality and affordable services tailored to our customers – whether these are large corporations or ordinary Filipinos living in remote parts of the country or overseas.

Through these and other initiatives, we have made the necessary investments that arm us well for future growth, and provide PLDT with the assets with which to maintain its undisputed leadership in a competitive contest.

### **Profiting from Disruptive Forces**

We undertook these measures to address the threats – and profit from the opportunities – posed by a profoundly disruptive global and domestic industry environment. As I said in my message on the 2010 Annual Report, the dynamics of our business have been changing radically in recent years. Old business models are being displaced by new ones, traditional revenue sources are declining and new internet-based businesses are rising in the context of a fiercely competitive market.

Those trends became even more manifest in 2011 and impacted more tangibly our revenues and margins.

Consolidated service revenues (inclusive of a prorated share of Digitel revenues during the year) dipped 1% to Php153.9 billion. Core net income declined 7% to Php39.0 billion, while reported income slipped to Php31.7 billion in 2011 from Php40.2 billion in 2010 due to exceptional, one-time provisioning.

These numbers reflect both the indubitable effects of the evolving industry environment and the cost of our efforts to adapt to these changes. On the one hand, revenues and margins have been affected by the continuing shift to unlimited and bucket pricing

packages and tough competition in the domestic cellular business as well as the migration to internet-based services in international voice services. On the other hand, the reduction in reported income stemmed in large part from a one-time Php8.4 billion asset impairment charge arising from the decommissioning of old network equipment as part of our ongoing network modernization program.

On the plus side, we grew our subscriber base in all our businesses, as a result of both organic growth within PLDT plus the acquisition of Digitel. Our wireless subscriber base reached 63.7 million by the end of 2011, establishing our leadership in both postpaid and prepaid segments. Our combined broadband subscriber base increased by 45% to just over 2.9 million. Our fixed line subscribers grew to over 2.2 million from 1.8 million in the previous year, inclusive of new PLDT subscribers and existing Digitel subscribers.

Moreover, our statements of financial position remain solid, our debts maintained within prudential limits and our cash flows strong. Indeed, consolidated free cash flow increased by 8% to Php47.2 billion, enabling us to support our massive capex program as well as paying out dividends equivalent to 100% of core earnings for the fifth year in a row.

### **Our Priorities for 2012**

Despite our transformative initiatives in the past, we expect 2012 to remain a difficult year. Given the delay in closing the Digitel transaction, more time will be needed to realize its benefits in full. The good news is that the transformation process has started. Meantime, competition is likely to remain intense even as disruptive market and technology trends continue to affect our various businesses.

I refer to 2012 as the Year of Alignment. Our guidance for core income in 2012 is Php37.0 billion, lower than last year as we digest Digitel and focus on the fluid market dynamics. That said, our expectation is that we shall return to previous levels of core income in 2013 and 2014. It is fully our intention to put PLDT back on an upward income trajectory starting 2013.

To get PLDT back on the growth path, we are focused on accomplishing several key tasks this year:

First, it is imperative that the synergies among PLDT, Smart, Digitel, and Digitel Mobile Philippines, Inc. (DMPI) be maximized. Some progress has already been made in this regard. We have for example reduced capital expenditures by some Php8 billion by rationalizing our network roll-out. More challenging but also potentially more



“ The Group is leading the way into the emerging era of cloud-based multimedia services and solutions where ‘smart’ devices connected via pervasive broadband connections enable people to live more productive, enriching and fun-filled lives. ”

rewarding is the task of getting the different companies within the Group to offer the right mix of products and services to address the specific needs of different market segments.

Second, we shall complete our network modernization program within the year. By mid-2012, we shall have replaced the facilities in all cell sites of the Smart cellular network with new equipment that provide improved voice and text services and are also easily upgradeable to high-speed wireless broadband technologies such as Long-Term Evolution (LTE) and HSPA+. We are also deploying more FTTH facilities to complement our Next Generation Network (NGN) and DSL lines on our copper network. Further, we are installing greater intelligence in our backroom operations. This massive, simultaneous upgrade of our fixed and mobile networks — including our domestic fiber optic backbone and international cable connections — equips PLDT with unmatched capabilities to meet the needs of our customers for communications services and solutions.

Third, we are reconfiguring our organization to address key market segments, and bring compelling new IP multimedia services and solutions to complement our enhanced mainstream services such as voice and text. With our vastly improved and most extensive networks nationwide, PLDT is in the best position to offer customers a wide-range of relevant and compelling multimedia and traditional services. We shall deliver these services using both wired and wireless channels, increasingly tapping “cloud” technologies, to a growing variety of intelligent fixed and mobile devices. This vision includes serving the needs of power, water, tollways and healthcare companies of the Metro Pacific Group.

#### **Record-setting Awards**

We are most gratified that our efforts have again won recognition from prestigious award-giving bodies here and abroad.

PLDT was cited as the Best Managed Company by *Finance Asia*, a regional financial magazine. Smart was chosen Operator of the Year at the Asia Communications Award. SPi Global was recognized as the BPO Company of the Year at the 5<sup>th</sup> International ICT Awards.

Also satisfying were the awards for corporate governance, investor relations, and strong dividend policy given to PLDT by *Finance Asia*, *Euromoney* and *Institutional Investor* — all prestigious international publications.

Smart won a record-setting 31 trophies at the 47<sup>th</sup> Anvil Awards from the Public Relations Society of the Philippines for its communications and public service programs while PLDT and PLDT-Smart Foundation Inc. (PSF) added four more excellence and merit awards.

#### **Pursuing Our Social Commitment**

The floods that hit the cities of Cagayan de Oro and Iligan in Northern Mindanao and the earthquake that jolted Oriental Mindoro in late 2011 and early 2012 were vivid reminders of the critical role that telecommunications play in people’s lives.

The networks of PLDT and Smart stayed on air and online during those critical times and kept the affected communities in touch with disaster relief agencies, and with their loved ones. Smart immediately set up *Libreng Tawag* stations in the affected areas while PLDT, Smart and TV5 volunteers distributed relief goods to the affected communities.

Aside from responding to emergencies, we are also stepping up our efforts to help improve the country’s disaster preparedness. Under a program of the Philippine Disaster Recovery Foundation (PDRF), Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA), the country’s weather agency,



installed in 2011 some 63 automatic rain gauges in Smart cell sites all over the country to upgrade its monitoring and flood forecasting systems. In March 2012, Smart and DMPI agreed to co-locate another 600 rain gauges in the 18 major river basins of the country under an agreement with the Department of Science and Technology (DOST). This project promises to improve significantly the country's ability to anticipate and prepare for destructive floods caused by increasingly volatile weather in various parts of the country.

In education, the Group continued its efforts to help teachers enhance their knowledge and skills through various programs. Under the Gabay Guro program of the PLDT Managers Club, Inc. (MCI) of PLDT, 350 teachers in 20 provinces were granted scholarships while teachers who did well in the computer training course under the PLDT Infoteach Outreach Program were given online scholarships at the University of the Philippines Open University (UPOU).

Smart further enhanced its yearly engineering innovation competition by introducing a mobile applications contest as part of its program to support the growth of an applications developers' community in the country. PSF and Smart are working with Ramon Magsaysay awardees Dr. Christopher Bernido and Dr. Maria Vitoria Carpio-Bernido to promote their Dynamic Learning Program (DLP) in different parts of the country. Developed by the two outstanding physicists from Bohol, DLP raises the quality of education through an innovative and very cost-effective student-focused learning system.

We have also expanded our programs in health following the successful introduction of Smart's electronic referral system in Iloilo. The system has been brought to Quezon City and Malabon, and will soon be offered in other provinces in Visayas and Mindanao.

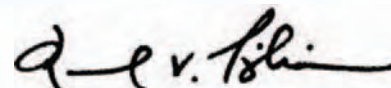
The Group has maintained its strong support for Philippine sports by staging national events such as the "All-Star NBA Exhibition Games" and the "Smart MVP Best of the Best Taekwondo Championships" or assisting national teams compete overseas such as the Philippine Cycling Team joining the Asian Cycling Championships in 2012. We are now busy preparing for international basketball competition with a newly-reorganized *Smart Gilas* basketball team, in the run up to the FIBA World Cup in Spain in 2014. We are also a significant supporter of the Amateur Boxing Association of the Philippines (ABAP) and of the Azkals National Football team.

### Outlook

By taking the forward view and making strategic investments in 2011, we have placed PLDT in the best possible position to enhance its leadership far into the future. The Group is leading the way into the emerging era of cloud-based multimedia services and solutions where 'smart' devices connected via pervasive broadband connections enable people to live more productive, enriching and fun-filled lives.

It will take much hard work and sacrifice to make these investments bear fruit. But we all can take comfort from the fact that the people of PLDT are fully committed to realizing the benefits of this vision for your Company and for our country.

In closing, allow me to thank most sincerely the Management and Staff for their efforts in the face of difficult circumstances. As well, I wish to express my gratitude to the Board of Directors for their guidance and to our shareholders for their continued support.

  
**MANUEL V. PANGILINAN**  
Chairman of the Board



A LETTER FROM THE

# PRESIDENT & CEO



“ Our pursuit of undisputed market leadership is strengthened by our network modernization program which we embarked on in 2011 and which we expect to complete in 2012. ”





## Dear Fellow Shareholders:

**2011** was a milestone year for the PLDT group as we undertook a game changing move with the acquisition of Digitel. It was a year marked by heightened competition in cellular and the explosive growth of broadband and data. We also embarked on a massive network modernization program to underscore PLDT's undisputed market leadership.

Our 2011 results reflect the interplay of all these efforts.

### Financial Highlights

Consolidated service revenues for the year dipped by 1% to Php153.9 billion. Our broadband and BPO businesses registered strong increases, though not enough to offset the continued declines in our international long distance and wireless businesses, the latter impacted by intense industry competition. The strength of the peso also contributed to the year-on-year decline in revenues.

EBITDA for 2011 decreased by 4% year-on-year to Php80.0 billion as a result of lower service revenues and higher operating costs primarily wireless selling and promotion expenses and subsidies as part of PLDT's response to the competitive situation. EBITDA margin declined to 52% from 54% in 2010.

Consequently, core income for 2011 was lower by 7% year-on-year at Php39.0 billion.

Reported net income of Php31.7 billion is lower by Php8.5 billion vis-à-vis 2010 reflecting the one-time charge related to the asset impairment arising from the two-year network modernization program that completes in 2010.

Free cash flow for 2011 remained robust at Php47.2 billion, reflecting an 8% or Php3.5 billion increase over the 2010 level. Higher cash from operations and lower net interest payments offset the higher level of capital expenditures.

In line with our dividend policy, the Board approved the payment of a final dividend for 2011 of Php63 per share, which in addition to the interim dividend of Php78 per share paid in September, brings total regular dividends per share for the year to Php141, or a 70% dividend payout. Following the "look back" approach, the Board also authorized the payment of an additional 30% special dividend of Php48 per share, for a total dividend of Php189 or 100% payout for 2011. The lower amount compared with Php222 per share in 2010 reflects the lower core income as well as the dilution in earnings per share arising from the issuance of shares in connection with the acquisition of Digitel. Nonetheless, this is the fifth consecutive year that the Company has paid 100% of its core earnings as dividends.

PLDT paid Php457 million in preferred dividends in 2011. However, on January 19, 2012, PLDT redeemed 405 million of Series A to FF preferred shares issued under our Subscriber Investment Plan or SIP. With the reduced number of preferred shares outstanding, preferred dividend payments would henceforth be very minimal.

The peso closed at Php43.92 vis-à-vis the U. S. dollar at the end of 2011 compared with Php43.81 at the end of 2010. The average peso-dollar exchange rate for the year was Php43.31, a 4% appreciation vis-à-vis Php45.12 in 2010.

### Network Modernization Program

Our pursuit of undisputed market leadership is strengthened by our network modernization program which we embarked on in 2011 and which we expect to complete in 2012.

As part of our two-year program, we invested Php31.2 billion in capital expenditures for 2011, an 8% increase over 2010. Capex for 2012 is estimated at Php38.8 billion.

By the end of 2012, the PLDT Group network will deliver additional capacity that is flexible and scalable to allow future business growth and allow seamless transition to cutting edge broadband multimedia service provider.

In concrete terms, our access network would have been upgraded such that 100% of our base stations would be single RAN (radio access network); 3G coverage would be at 90%; migration to NGN for our fixed line would be near-completion, and our network would be ready for LTE.

Our transport network would have about 54,000 kilometers of fiber assets, while for our core network, installation of new switches and packet core would have been completed.

We would have further strengthened our international capacity with four cable landing stations, alliances with 12 international cable systems, and one Terabit capacity.

Clearly, we would have a superior network that would ensure that our subscribers enjoy quality service delivered cost efficiently.

### Subscriber Base

Our customer base continued to grow strongly in 2011, with leading market shares in all segments.

The PLDT Group had close to 69 million subscribers at the end of 2011 consisting of about 63.7 million cellular subscribers, 2.9 million

“ We believe that there is a bright future for PLDT, and we are investing in that future. Our network modernization program and the acquisition of Digitel are major and bold investments we made this year. We have embarked on a major reorganization to give greater focus to the customer. ”

broadband subscribers, and 2.2 million fixed line subscribers. These numbers include close to 15 million cellular subscribers, over 551,000 broadband subscribers, and close to 300,000 fixed line subscribers of Digitel.

#### **Broadband**

Momentum in our broadband business continued with combined broadband and internet service revenues of Php18.8 billion, an 18% increase over 2010. DSL revenues rose 17% to Php7 billion following a 31% increase in subscribers, while wireless broadband revenues improved by 8% to Php6.8 billion buoyed by a 53% rise in subscribers. Mobile internet revenues climbed by 91% to Php1.6 billion reflecting the increasing popularity of the service.

We remain excited by the potentials of the broadband business where PLDT has taken an early lead in the market, enabled by the strength of our integrated network and our focus on providing quality experience to the customer.

As the price of smartphones comes within reach of the mass market, we expect to see greater use of mobile internet as more customers opt for the convenience of browsing using their phones over internet cafes.

We anticipate making available more tiered or differentiated services that offer varying speeds and price points to our customers, including FTTH, as well as bundled products such as WiFi service outside the home for DSL subscribers, direct-to-home or DTH/content packages in addition to our fixed line service, among many others.

#### **Wireless Business**

Despite growth in call minutes and SMS volumes, the proliferation of competitive bucket and unlimited offers resulted in lower yields and consequently, lower wireless service revenues. Revenues from our wireless business registered a 2% year-on-year decrease to Php102.1 billion in 2011, which included Php3.1 billion from Digitel, and Php99.0 billion from Smart. Revenues from voice and SMS

were lower by 4% and 2% compared with 2010, respectively, which declines were not fully compensated by the growth in wireless broadband and mobile internet revenues.

Wireless EBITDA was 6% lower versus 2010 at Php55.4 billion due to lower revenues and higher cash operating expenses, particularly selling and promotions and subsidies, in response to the competitive situation. EBITDA margin dipped to 54%, in part due to the lower margin of Digitel.

The prospects of our wireless business remain encouraging. With the acquisition of Digitel, we believe that we have created a platform that should eventually lead to improved yields and profitability. In addition, the potential upside from wireless broadband and mobile internet browsing is significant, and should be unlocked as smartphone penetration increases. Finally, investments in network modernization are expected to result in cost efficiencies leading to improvements in EBITDA.

#### **Fixed Line**

Fixed line service revenues for 2011 dipped by 1% to Php58.8 billion, reflecting in part the impact of the peso's strength on 30% of our fixed line revenues which are dollar-denominated. In addition, the changing revenue mix in our fixed line business continued, with revenues from international long distance, national long distance and local exchange carrier lower by 3% versus 2010, although offset by the 5% rise in corporate data and DSL revenues.

Fixed line EBITDA decreased by 2% to Php22.7 billion in 2011 due to lower service revenues and higher cash operating expenses. EBITDA margin, however, remained stable year-on-year at 39%.

Opportunities abound for our fixed line business with the momentum in DSL subscriber growth, as well as opportunities for upselling higher valued services such as FTTH, made possible by our NGN upgrade. We see opportunities to offer more services to Digitel customers as we make the PLDT network accessible to them.



The unabated expansion of the offshoring and outsourcing industry in the Philippines as well as the greater adoption of data center and other cloud-based solutions will also support the growth of our fixed line business.

### **BPO**

Service revenues from our BPO business climbed 6% to Php8.6 billion in 2011 reflecting the benefits from investment in our sales and marketing organization for the business, acquisition of a high-margin business in education, publishing, and the divestment of underperforming verticals.

BPO EBITDA rose by 23% to Php1.6 billion driven by better seat utilization, higher revenues per full-time equivalent, the use of more automation, and focus on cost cutting. EBITDA margin improved to 18%.

The future of our BPO business remains bright, mirroring that of the entire Philippine BPO industry. This potential, coupled with a focused approach of generating sales, managing costs, and delivering world-class quality services, should ensure the growing contribution of our BPO business to overall PLDT performance.

### **Meralco**

Our strategic investment in Meralco through PLDT Communications and Energy Ventures (PCEV, formerly Piltel) is continually significant to the PLDT Group. 2011 was another record year for Meralco with core income of Php14.9 billion, 22% higher than 2010, due to the combined effect of higher electricity sales, an increase in customer count, higher pass-through charges, as well as greater operating efficiencies.

Beacon Electric Asset Holdings, Inc., owned equally by PCEV and Metro Pacific Investments Corporation (MPIC), now owns the largest stake in Meralco at 48%.

Dividends amounting to Php9.25 per share, or 70% of core earnings, were paid out by Meralco for 2011.

Meralco's prospects remain bright as it continues to explore investments in power generation to supplement its current distribution business. Meralco will undertake a prepaid electricity pilot, one of the areas of mutual cooperation with the PLDT Group.

### **Financial Position**

PLDT's consolidated financial position remained strong in 2011. Consolidated debt increased to US\$2.7 billion, including US\$0.5 billion of Digitel debt. Net debt was higher at US\$1.7 billion with net

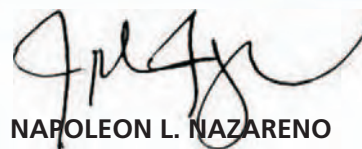
debt to EBITDA of 0.9x still sufficiently below optimum gearing levels. PLDT's debt profile remains healthy with maturities well spread out.

### **2012: Investing in the Future**

We believe that there is a bright future for PLDT, and we are investing in that future. Our network modernization program and the acquisition of Digitel are major and bold investments we made this year. We have embarked on a major reorganization to give greater focus to the customer. Our fixed line and wireless business units are looking for new ways to tap the synergies from working more closely together. In addition, we are expanding our reach to tap the potentials that may be available from the bigger group PLDT belongs to.

All these efforts will entail unavoidable integration and alignment, and will negatively impact our financial performance in the short-term. However, we are confident that we will find ourselves back on an upward growth curve starting 2013, returning to 2010 levels by 2014.

As the telecommunications industry evolves into a more complex, multimedia environment, rest assured that your team at PLDT, Smart and Digitel has already started the grueling process of transforming the PLDT Group into a stronger organization ready to do battle and lead in this new arena.



**NAPOLEON L. NAZARENO**

President and CEO





# PLDT GROUP 2011 MILESTONES



PLDT successfully completed the acquisition of a majority interest in Digitel from JG Summit and other shareholders of Digitel, in a landmark share swap transaction valued at about Php69.2 billion. Shown here during the contract signing rites are, from left: Lance Y. Gokongwei, President and Chief Operating Officer, JG Summit; Napoleon L. Nazareno, President and CEO of PLDT and Smart; John L. Gokongwei, Jr., Chairman Emeritus, JG Summit; Manuel V. Pangilinan, Chairman of PLDT; and James L. Go, Chairman, JG Summit. At right is a typical Sun shop.



In 2011, PLDT embarked on a two-year, Php67-billion modernization program designed to further improve its network performance and enable subscribers to enjoy a significantly enhanced customer experience.

Highlights of this program include, for its fixed network: the continuing migration to NGN, upgrading of the transport network with over 54,000 kilometers of fiber assets rolled out and able to carry up to ten times more data on the DFON network, modernizing core network and building a third cable landing station; for its mobile network: increasing 3G population coverage to 70%, completing 40% of access modernization, completing core network upgrade and upgrading transport network covering up to 82% of Metro Manila sites; for IT modernization: conducting technology refreshment and group-wide optimization of IT systems and platforms for customer relations management, operations and billing support, business intelligences, enterprise resources and settlements.

Upon its completion by the end of 2012, the PLDT network would have additional capacity that would allow future business growth and seamless transition to cutting-edge broadband multimedia provider.

These include opportunities for savings in capital expenditure, increase in Sun Cellular's coverage, service quality upgrade of Digitel's fixed line subscribers, and increased reliability and service continuity of the PLDT Group's network.

During the last quarter of 2011, PLDT completed the acquisition of Digitel. This would enable PLDT to expand and enhance its product offerings and pass on the benefits of group synergies to the customers.

Pictorial highlights of PLDT's achievements in 2011 are shown on this page and the following pages.



Smart won the "Operator of the Year", the highest honors at the Asia Communication Awards, which is given to the mobile operator that best exhibited how to address customer needs in terms of quality, reliability, and customer service, provide strong and innovative service offerings, show sound management, clear strategic direction and strong performance and demonstrate revenue generation or growth.



MVP Bossing Awards – PLDT's annual search for top entrepreneurs in the country – aims to inspire aspiring and existing entrepreneurs to become Bossings and be successful in their businesses through PLDT SME Nation's solutions such as PLDT myDSL Biz, Negosyo Boost, and CheckOut.





PLDT launched its new business group brand – ALPHA Enterprise – during the ALPHA Track Day event participated in by more than 100 C-level guests.



Smart's new logo, unveiled during the highly successful Black Eyed Peas Manila concert featuring Filipino-American singer, education advocate and Smart's newest ambassador, apl.de.ap., reflects the evolving digital lifestyle of Filipinos. Smart's corporate name in blue remains, but its signature rays have been replaced with eight dots in various vibrant colors, reflecting the freedom and empowerment that Smart's broader range of products and services make possible.



The Negosyo Boost bundles – Connect, Launch, On-the-Go, and Internet Anywhere – which are tailor-fit for the needs of growing small businesses were launched during the Negosyo Boost press conference.



PLDT and Smart's Jump Experience Center showcases the latest technology, converged services, and innovations that encourage Filipinos to adopt a fully connected digital lifestyle.



Sun Cellular makes Philippine telecommunications history by being the first service provider to achieve the one millionth mark in its postpaid subscribers count for its reliability and affordability.



PLDT's promo on myDSL subscription upgrade into a Telpad plan enables subscribers to get the world's first tablet landline, the new Telpad S7 Slim.





Smart unveiled the Netphone™ – its own line of Android-powered, path-breaking Smartphones designed for emerging markets – during the GSMA Mobile World Congress.



The pilot launch of PLDT WiFi Zone, a premium WiFi service that uses a dedicated line for fast and reliable WiFi internet, was held in over 500 establishments. The list has grown to over 3,000 WiFi zones in coffee shops, restaurants, buildings, malls and hospitals. Through this service, subscribers are able to enjoy free trial use of unlimited WiFi internet connection by registering at [www.pldtwifizone.com](http://www.pldtwifizone.com).



SPI Global bested seven other finalists and 500 BPO companies in the Philippines to win the “BPO Company of the Year” award in the 5th International ICT Awards which recognizes success in organizations and individuals that contribute to the Philippine BPO industry with world-beating levels of performance.



PLDT launched CheckOut, an online point-of-sales solutions designed for the retailing and franchising industry.



VITRO Data Center received its first certification for the ISO 14001:2004 Environmental Management System standard from AJA Registrars, Inc., the first data center in the country to receive this certification. AJA Registrars, Inc. also awarded VITRO's third ISO 9001:2008 Quality Management System standard and ISO 27001:2005 Information Management System standard certifications.



PLDT partnered with Microsoft and Dimension Data to offer Private Cloud services to the Philippine enterprise market. This will enable the rapid expansion of AppFarm, PLDT's suite of cloud solutions, the first cloud computing solution launched by a telco in the country.





PLDT ALPHA NxGN is the ALPHA reiteration of its leading core networking services to the market. It speaks of PLDT's unmatched network in which all services start, the cutting edge global technologies that PLDT enables in Philippine shores such as Multi Protocol Label Switching and Metro Ethernet, and the innovative solutions that PLDT ALPHA makes available to meet the business needs of the enterprise market.



Sun Cellular fortified its prepaid offerings through better than ever unlimited service offerings and inclusions as well as best-value bucket load offerings.



In the 2011 Metro Ethernet Forum (MEF) Carrier Ethernet Service Provider Awards for Asia-Pacific held in Singapore, PLDT ALPHA won the top award for Best Marketing and was one of the three APAC finalists for Regional Service Provider of the Year, becoming the first and only Philippine telecommunications company to win an award from the MEF.



PLDT and Smart Unli All plan offers unlimited landline and mobile calls include Smart Sun 549 all in one free dual SIM phone. For Php849 a month, subscribers can call anyone from the largest landline and mobile networks in the country.



SmartSun Dual Plan 549 is a combination of postpaid plan from wireless leader Smart and unli services pioneer Sun. It comes with unlimited Smart-to-Smart and Sun-to-Sun text messaging, six hours of free voice calls, and a stylish Nokia C2-03 dual SIM smartphone.





Smart deployed the Philippines' first LTE network, the world's fastest mobile broadband technology, in the world-famous Boracay Island, delivering download and upload speeds of up to 50 Mbps.

**TWENTY-FOUR HOURS. SIXTEEN CELEBRITIES. FOUR GEMS TO UNCOVER. ONE WINNING TEAM.**  
 Watch as myDSL ignites their passion for all-out adventure.  
**OVER 200,000 ADDITIONAL myDSL LINES AVAILABLE NATIONWIDE!**

**myDSL THE AWESOME HUNT**  
 Discover the Philippines online.

With over 200,000 new myDSL lines all over the Philippines, exploring the country has never been this awesome! Follow The Awesome Hunt today and vote for your favorite team at [www.pldtwatchpad.com/awesomehunt](http://www.pldtwatchpad.com/awesomehunt)

Great prizes await each member of the winning team!

- 1 P50,000 airship
- 1 Trip for 2 to a summer getaway from Cebu Pacific - for one every year from Sony VAIO laptop
- 1 Sony Cyber-shot digital camera
- 1 One-year PLDT myDSL subscription
- 1 Free Sony Scan Yellow Gel Print Co.

Not yet on Watchpad? Register for free at [www.pldtwatchpad.com](http://www.pldtwatchpad.com)

PLDT myDSL has more than 200,000 additional lines that will make Filipino homes more awesome.

Las Piñas - 10,000+	Quezon City - 7,000+
Marikina - 7,000+	Cavite - 9,000+
Laguna - 8,000+	Dumaguete - 5,000+
Rizal - 7,000+	Butuan - 4,000+

Get connected now at [www.myworldmydsl.com](http://www.myworldmydsl.com). Subscriptions are on a first come, first served basis.

PLDT held Awesome Hunt, an online program that chronicled the adventures of some of the country's most influential personalities as they raced their way through PLDT myDSL's priority areas in search of the area's best hidden gems. In partnership with the Department of Tourism, the locations for each team's journey was set in eight chosen cities where some 200,000 additional myDSL lines have been installed to get more households hooked on broadband internet.



ePLDT was tapped by the Department of Health (DoH) to provide contact center solutions for its DoH Call Center. CallDoH is a 24/7 communications channel that enables the agency to provide immediate aid and accurate information on urgent medical concerns and other inquiries to the general public.





*SPi Global was ranked among the top 100 outsourcing service providers in the world, according to the Global Services' 2011 GS100 list. SPi Global was cited due to its demonstrated capabilities in the areas of document management, customer relationship management, and transaction processing.*



*The Talk 'N Text Tropang Texters, representing the PLDT Group of Companies, displayed resiliency and resolve to win the 2011 PBA Commissioner's Cup.*



*In an unprecedented move, Smart shut down the Rockwell Powerplant Mall for an entire night for the Smart Holiday Camp Out, to officially unveil the most anticipated iPhone 4S – now on the best network. At the event, thousands 'camped out' waiting for the release of the iPhone 4S with the most flexible postpaid plans from Smart.*



*Smart Bro expanded its portfolio of broadband sticks with the Power Plug-It – sporting a new user interface, and providing a better and easier internet surfing experience. The new Power Plug-It also allows subscribers to send text messages and make phone calls via the revamped services menu.*



*ePLDT signed an agreement with Ensogo to provide the social shopping site with co-location services as well as continuous connectivity via VITRO Internet Exchange connection.*





PLDT continued its annual tradition of giving back to its clients with two most awaited events of the year – the MVP Pasasalamat Golf Tournament and the Pasasalamat Night. PLDT has established rewarding relationships with clients in practically every active industry and Pasasalamat Night is a perfect venue to celebrate and give thanks for PLDT's eventful year.

Introducing the UNLI Postpaid made Smart

## SMART UNLI POSTPAID

UNLI TEXT*	UNLI CALL & TEXT*
299	599
with FREE Samsung E1080	with FREE Nokia C1-01

GUARANTEED UNLIMITED TEXTS OR CALLS TO THE MOST NUMBER OF SUBSCRIBERS AT THE LOWEST MONTHLY RATES FROM SMART

SMART

Smart made it easier for Filipinos to move up to postpaid by launching its most affordable postpaid plans ever. For only Php299 a month, UNLI Text Plan 299 offered UNLI on-net SMS which came with a free Samsung E1080, while UNLI Call & Text Plan 599 offered unli on-net calls and SMS, with a Nokia C1-01 handset.



PLDT signed a partnership agreement with Telstra to jointly offer Ethernet IPL services. The Philippines now joins 15 other Ethernet-enabled countries for Telstra International.

# OPEN DATA CENTER ALLIANCE

ePLDT gained membership in the Open Data Center Alliance (ODCA), an independent IT consortium led by global organizations who have come together to provide a unified vision for long-term data center and cloud infrastructure requirements through development of a vendor-agnostic Open Data Center Usage Models and industry collaborations on cloud standards development.

Masayang pamilya at maunlad na negosyo. Ito ang tunay na pag-aseño.

PLDT KaAsenso

Sa PLDT KaAsenso, malalakucha sa ng tools and services para mas kumita at magling mas efficient ang iyong negosyo. So that you can spend more for your family and more time at home.

Helping your company thrive

- CONNECTIVITY: Sa kumitang-makita
- FINANCING: Sa kumitang-makita
- EDUCATION: Sa kumitang-makita
- NETWORKING: Sa kumitang-makita
- EXTRA INCOME: Sa kumitang-makita

100 871-3000 | pldtkasenso.com.ph

PLDT KaAsenso's Enabling Ecosystem addresses the needs of every Pinoy minigoyante for his connectivity, financing, education, networking, and extra income requirements.





Smart sponsored a friendly match between the Philippine Azkals and the L.A. Galaxy, newly-crowned champions of the Major League Soccer Cup, at the Rizal Memorial Stadium.



SPI Global launched its SPI Innovation Lab, a platform for developing and testing new innovations for clients. The SPI Innovation Lab involves a formal standardized process undertaken with strategic customers to help develop innovations in the BPO content space.



Smart enhanced its postpaid lineup by launching its suite of All-In plans. Touted as the "ultimate in consumable," All-in gave Smart postpaid subscribers the flexibility to sign up for popular services like UnliTalk, UnliText, and UnliSurf whenever they want and package their plan as they please, as if they are filling a box.



With PLDT myDSL, families can enjoy the strongest connections at home with plans as fast as 10 Mbps or as affordable as Plan 990. Every plan comes with Triple play service of Unlimited Internet + Landline and 17 free TV channels from Watchpad.



PLDT signed an agreement with Verizon to offer international disaster recovery solutions to enterprises in the Philippines. The offering is enabled by Verizon's Computing-as-a-Service through various Data Centers in Asia.

PLAN	Monthly Fee	Speed	Unlimited Internet	Unlimited Landline	Unlimited TV Channels
myDSL Biz 10	₱1,990	10 Mbps	Unlimited	Unlimited	17 Channels
myDSL Biz 20	₱2,990	20 Mbps	Unlimited	Unlimited	17 Channels
myDSL Biz 30	₱3,990	30 Mbps	Unlimited	Unlimited	17 Channels
myDSL Biz 40	₱4,990	40 Mbps	Unlimited	Unlimited	17 Channels
myDSL Biz 50	₱5,990	50 Mbps	Unlimited	Unlimited	17 Channels

With the myDSL speed increase, myDSL Biz is now offered with speeds of up to 10 Mbps, plus security solutions and Online Office Suites that come with Anti-Virus software, Web-blocker, Anti-Spyware softwares to help in business productivity.





For the sixth consecutive year, SPI Global ranked in the top 50 of the Global Outsourcing 100 List by the International Association of Outsourcing Professionals (IAOP). The 2011 Global Outsourcing 100 and The World's Best Outsourcing Advisors recognize the world's best outsourcing service providers and advisors based on applications received and evaluated by an independent judging panel organized by the IAOP.



Smart launched the country's lowest priced prepaid handset bundle – the Php499 Talk 'N Text Panalo phone – in a fresh drive to help put a cellphone in the hands of the last one million or so Filipinos who still don't have or can't afford a cellphone.



PLDT Fibr, the future of broadband, is the country's first fastest fiber optic broadband with speeds of up to 100 Mbps. With PLDT Fibr, the whole family can enjoy crystal clear high-definition content in their HDTV as well as simultaneous high-speed browsing without experiencing any speed lags.



PLDT launched its "My Home, My Passion" campaign to communicate the transformation of the broadband business with myDSL's triple play service and to usher in the Digital Home. Whatever one's passion is – music, social networking, watching videos and sharing these with family and friends – PLDT myDSL makes one's home more awesome with its triple play-plans for as low as Php990 and as fast as 3 Mbps.



# PLDT GROUP CSR REPORT



PLDT, headed by Chairman Manuel V. Pangilinan, and partner organizations mobilized disaster relief efforts during the onslaught of typhoons in various regions in the country last year.

Working with various partners, the PLDT Group continued its efforts in 2011 to build sustainable communities, uplift the lives of Filipinos, and protect the environment.

"We believe in working with partners because promoting development requires the skills and resources of different groups. With the right partners, we can maximize the impact of our technologies, services, and solutions to help improve people's lives," said PLDT and Smart President and CEO Napoleon L. Nazareno.

### Bayanihan in Times of Disaster

Though 2011 ended on a dark note as Typhoon Sendong brought death and destruction to parts of Northern Mindanao and Central Visayas, the spirit of *bayanihan* and an effective emergency preparedness system enabled the PLDT Group to quickly respond and extend assistance to affected residents.

The morning after Sendong struck, Smart set up *Libreng Tawag* stations in key locations in Cagayan De Oro, Iligan and Dumaguete. PLDT and Smart employee-volunteers, along with TV5 news crews, distributed relief goods to Sendong survivors in evacuation centers. *Talk 'N Text* turned over Php1 million worth of goods including more than 2,600 water containers, 10,000 slippers, and hundreds of T-shirts and tents. Billboard tarpaulin

materials in Mindanao and in warehouses were removed and converted to makeshift tents for affected residents.

With the help of the Philippine Business for Social Progress (PBSP), Smart brand ambassador apl.de.ap of the world-famous Black Eyed Peas brought Christmas cheer to Sendong evacuees in Cagayan de Oro via an impromptu mini concert. Smart also donated Php1.285 million through the PSF and Php1 million through PBSP, to set up livelihood programs for the typhoon victims.

Throughout the year, the PLDT Group was among the first to respond in times of disaster. PLDT conducted relief operations and medical missions for typhoon victims in Palo, Leyte; Ilocos Norte, through the office of Governor Imee Marcos, *Asikasong Bongbong*; Macabebe and Masantol, Pampanga; Tuguegarao City; and Hagonoy, Bulacan.

### Flood Forecasting via Rain Gauges in Cell Sites

To help upgrade the country's flood forecasting system, Smart agreed to host in its cell sites in various parts of the country 63 automated rain gauges (ARGs) of the PAGASA. As part of a 2010 agreement sponsored by the PDRF, the solar-powered rain gauges will use Smart's nationwide network to transmit rainfall data to the weather bureau's head office. This public-private





Smart continues to install multiple rain gauges in various Smart cell sites in the country for proper rainfall monitoring.

collaboration was further expanded in early 2012 when Smart and Sun Cellular agreed to co-locate in their cell sites some 600 ARGs of the DOST. The initiative is part of a DOST program to develop flood warning systems in 18 of the country's major river basins.

#### Mobile Solutions for a Disaster Alert Project

In 2011, 10 towns and a city in Southern Leyte successfully implemented a disaster preparedness program using a Web and SMS-based emergency communications service of Smart called Infoboard. Funded by a US\$200,000 grant from the World Bank (WB) and implemented by PBSP, the project enabled provincial authorities to effectively respond to several emergencies. Smart and PBSP are currently planning to replicate the service in other vulnerable areas of the country.

#### Education

Education continued to be a high priority in the PLDT Group's CSR efforts.

A project of the MCI, the *Gabay Guro* (Guide Teachers) Program provided scholarship grants in various education courses to 350 public school teachers in 20 provinces, 25 schools, and 7 local government units (LGUs). Of the 28 teachers who finished their courses, 7 graduated cum laude.

As part of its efforts to expand the Android developer community in the country, Smart introduced a mobile applications category at the 8<sup>th</sup> SWEEP Innovation and Excellence Awards, its annual search for innovative wireless applications developed by partner schools under the Smart Wireless Engineering and Education Program (SWEEP). Smart trained over 170 ECE and IT teachers on mobile apps development using the Android platform, which enabled several SWEEP schools to offer Android apps development as an elective. Over 1,000 students enrolled in these courses.

For the first time, Smart awarded a one-year scholarship grant to qualified students from its 13 SWEEP partner state colleges and universities. The scholarship, which applies to full-time graduating students enrolled in Engineering or IT courses of partner state colleges and universities, includes the payment of assessed school fees and book allowance per semester and a monthly stipend.

The PLDT Infoteach Outreach Program, a free computer training course for public high school students and elementary/high school teachers, has benefited 7,416 to date. In 2009, PLDT partnered with Microsoft in order to offer for the Infoteach Computer Advance Course to provide scholars with more advanced computer know-how. To showcase their IT learnings, students and teachers join the PLDT myDSL Broadband Quiz, an online competition on computer and internet skills.

To enable Infoteach graduates to further raise their professional skills, PLDT partnered with the UPOU for the PLDT-UP Online Teachers Development Program. This program provides teachers scholarship grants to take an online diploma course in various fields.

PLDT also partnered with UPOU, Department of Education (DepEd) and LGU for its Teacher Development Program in Quezon province, which enhances teachers' skills in Science, Math and Language. PLDT donated computers and provided training to teachers in 44 schools in the province.

Working with UPOU, the DOST, LGUs and barangays, PLDT's eLearningVille Program in Mauban, Quezon and Carmen, Cebu likewise brings digital literacy trainings and internet access to the remote parts of the municipalities through the mobile eCenter. PLDT also donates computer units and facilitates for internet connection for the set up of a community eCenter.

Funds generated from the PLDT-Motolite-PBSP *Balik Baterya* Program, where used lead-acid batteries (ULABs) donated by PLDT for proper recycling, were used to support the company's various CSR projects. Using these funds, PLDT built learning resource centers in 23 public schools in the remote areas of the Visayas from 2010 to 2011. In Balungao, Pangasinan, typhoon-damaged classrooms of Mabini and Esmeralda Elementary Schools were repaired. At least two school buildings were built in Samar.

To support information technology (IT) education, PLDT established computer laboratories in Barobaybay Academy Mission School in Samar and Malabon National High School-Longos Annex in



The PSF unceasingly supports the country's teachers and mentors through various MCI activities under the *Gabay Guro* program.



*For the first time, Smart awarded a one-year scholarship for the school year 2011-2012 to qualified students from its 13 SWEEP partner schools.*

Malabon. The funds also constructed roads, drainage and alleys in flood-prone areas in Malabon, benefitting a total of 1,000 residents.

In 2011, Smart forged agreements with the Municipal Government of Cordova in Mactan Island, General Santos City, and the Holy Name University in Tagbilaran City, Bohol to set up its CommuniTeach program in their areas. This raised the total number of program sites to 10. CommuniTeach aims to improve learning among the lowest performing public elementary school students through the active participation of the parents and the community in the mentoring of their children.

PSF, together with Smart signed a memorandum of cooperation with 2010 Ramon Magsaysay awardees Dr. Christopher and Dr. Maria Victoria Carpio-Bernido to bring the Dynamic Learning Program (DLP) in more schools across the country. Developed by the Bernidos in Bohol, DLP is a proven learning strategy that encourages students to learn independently through student-focused class activities aided by learning plans and performance tracking tools. After successfully implementing DLP in Cagayan de Oro, Smart is bringing the program to other interested provinces and cities such as Negros Oriental and the Autonomous Region of Muslim Mindanao.

### Environment

To minimize the adverse impact of its outdoor advertising and promotional materials, Smart embarked on a green merchandising campaign in 2011. It began testing earth-friendly outdoor advertising, starting with *Talk 'N Text's* store awnings made of oxo-degradable material. Smart also piloted the use of reusable eco-bags at its Smart Store in PowerPlant Mall, Rockwell, and aims to make it a staple in all outlets nationwide.

Smart's "Alternative Power for Cell Sites" program won international recognition twice in 2011, bringing to five its total



*More than 7,000 public elementary and high school teachers, high school students have since benefited from PLDT's free computer training course, the Infoteach Outreach Program.*

number of awards. Smart received the Green Technology Award during the first Asia Communication Awards in June, followed by the Green Award at the World Communications Awards in November. Smart installed the country's first wind-powered cell site in 2006 in Malapascua, an island off northern Cebu to make operations viable in off-grid or remote areas where a great part of the cost goes to diesel consumption and hauling costs. Smart has since successfully used wind and solar energy to power some 114 cell sites nationwide.

Smart's Search for Sustainable Schools supported the National Search for Sustainable and Eco-friendly Schools of the Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB), DepEd and Commission on Higher Education. The search was launched in 2009 to recognize educational institutions from the elementary, high school and tertiary levels with the best sustainable and environment-friendly programs and activities.





More than 48,000 seedlings have been planted since PLDT's TELEpuno tree planting project was launched in 2008.



PLDT actively supports environmental causes such as the 26<sup>th</sup> International Coastal Clean-up Day participated in by the Company's employee-volunteers shown here removing unsightly trash in the Las Piñas-Parañaque critical habitat eco-tourism area.

Since PLDT's five-year "TELEpuno" tree planting project was launched during PLDT's 80<sup>th</sup> anniversary in 2008, 48,921 seedlings have already been planted. The project aims to plant 80,000 seedlings in the 80-hectare Infanta-Real Quezon Watershed Forest Reserve. The program is in partnership with DENR, PBSP, the Multi-Sectoral Watershed Management Council, Inc. and the local governments of Real and Infanta, Quezon.

### Health

In 2011, the PLDT Group undertook major initiatives to help bring healthcare services to more remote communities nationwide.

With Physicians for Peace and Ateneo Java Wireless Competency Center, Smart has assisted in the treatment of indigent amputees by providing a mobile patient profiling for prosthesis care that caters to far-flung communities. The service is called ASCENT or the Amputee Screening via Cellphone NeTworking program. Via its 3G service, Smart also supports the Wireless Access for Health initiative in Tarlac that enables electronic medical records for rural clinics. It also helps promote universal healthcare access

through convenient payment of health insurance via mobile phones through the Philhealth Remittance-by-Air service.

In Iloilo, Smart and the DoH launched Secured Health Information Network and Exchange (SHINE) in cooperation with the local governments of the city and province. SHINE is an Electronic Medical Records (EMR) and Electronic Inter-Facility Health Referral System that Smart developed in consultation with the DoH and the health care community. Under an agreement with the Iloilo government units, Smart and its partners provide free training for Iloilo health workers on the use of the system, free wireless broadband connectivity for six months and free use of the SHINE system for one year. After Iloilo, SHINE was brought to Quezon City in cooperation with TBLinc, a program to stop the spread of multi-drug resistant strains of tuberculosis.

Smart's efforts to deploy its wireless technologies for the delivery of better healthcare services were recognized during the very first *Galing Likha-Kalusugan Awards*. These included Wireless Access



PLDT's medical and dental missions have benefited over 17,000 indigent patients from far-flung areas during the year.





Smart partnered with an international designer to train Gawad Kalinga residents of Sooc, Iloilo in designing and creating products from Smart's old tarpaulin merchandising materials. The community is now earning from selling products like bags, lampshades, trays, mats, small furniture, and fashion accessories in stalls, boutiques and even online.

for Health, which received an Excellence award, ASCENT and Philhealth Remittance-by-Air.

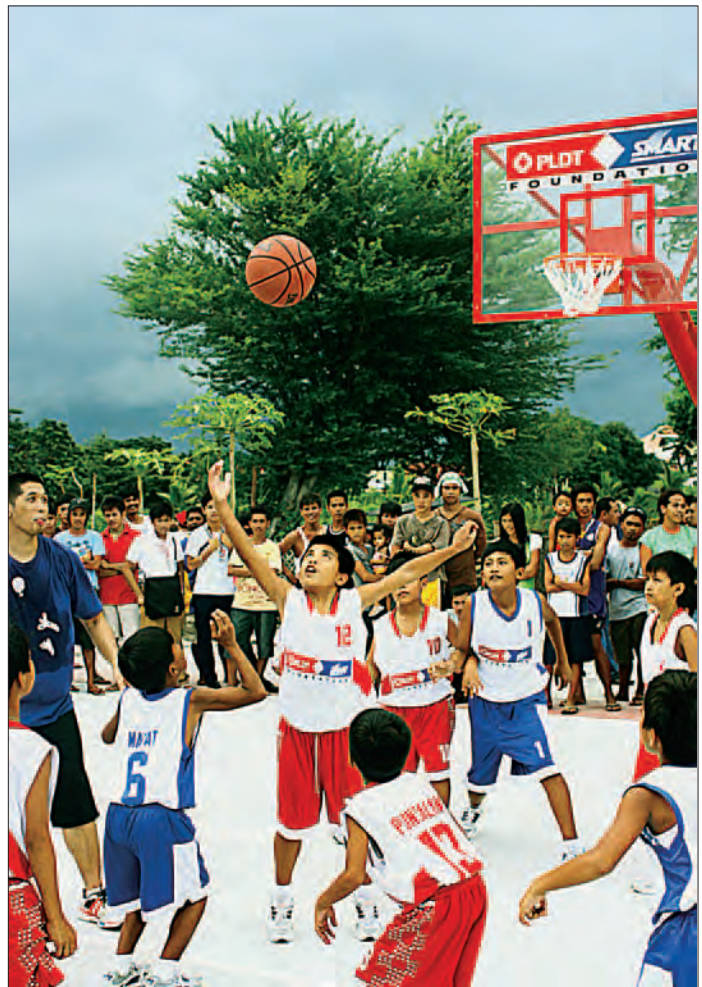
PLDT's medical and dental missions, meanwhile, has benefitted a total of 17,768 patients during the year. Regular blood donations were also conducted in partnership with the Philippine Children Medical Center and the Philippine National Red Cross.

#### Livelihood and Community

PLDT supported inmates' bag- and decor-making livelihood projects by donating its old directories to the inmates of female dormitories in Camp Karingal, Quezon City as well as to the Inmates Welfare and Development in Quezon City Jail.

In July, PLDT Chairman Manuel V. Pangilinan's 65<sup>th</sup> birthday was celebrated in his hometown Apalit, Pampanga through a series of activities that benefited the community. Funds raised by the PSF, MCI, and PLDT employees went to the construction of an NBA-standard basketball court for the children of Northville in Apalit, who also received basketball uniforms.

The Well-Family Midwife Clinic, Maglalang Birthing Clinic in San Vicente, Apalit, and a mobile clinic were also inaugurated. Other activities included donations of wheelchairs, walkers, crutches, canes and prosthetics; and financial assistance to midwives.



The PSF Project Center Court, launched during MVP's 65<sup>th</sup> birthday, aims to foster the love for sports of children in Apalit, Pampanga.



# CORPORATE GOVERNANCE REPORT



*The PLDT Board of Directors plays a pivotal role in the effectiveness of the Company's corporate governance structures. Critical and central to the structure's effectiveness is the quality of service and outstanding stewardship rendered by the Board.*

**PLDT** has long committed itself to very high standards of corporate performance in order to achieve sustained growth and profitability and create value for its shareholders and stakeholders. It is a commitment that, in turn, demands adherence to the highest corporate governance standards and practices. Since PLDT is a public company and its common shares are listed in the Philippine Stock Exchange (PSE), and its American Depositary Shares are listed in the New York Stock Exchange (NYSE), PLDT finds itself in the unique position of being the only telecommunication company in the Philippines that is subject to, and must comply with, the corporate governance requirements of both the Philippines and the United States. These requirements are set forth under various laws, rules, and regulatory issuances, including the Philippine Revised Code of Corporate Governance, the PSE Corporate Governance Guidelines, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, and the NYSE Listing Rules. In addition, PLDT as an associated company of First Pacific Company Limited (First Pacific), which is listed in the Hong Kong Stock Exchange, also looks at the corporate governance standards of Hong Kong for guidance and benchmarking purposes.

PLDT continues to benchmark against recognized international best practices and monitor developments in corporate governance in order to elevate PLDT's CG structures, processes, and practices to global standards. Most importantly, it is endeavoring to venture beyond compliance and promote an ethical corporate culture guided by the principles of accountability, integrity, fairness and transparency.

## **Authority and Responsibility**

PLDT's corporate governance structure clearly establishes responsibilities, confers the necessary authority and provides adequate resources for the execution of such responsibilities.

Critical and central to the structure's effectiveness is the quality of service and stewardship rendered by the PLDT Board of Directors. In our Board, as well as in the individual directors, is lodged the principal responsibility for good governance and principled performance

as leaders, enablers and enforcers of good corporate governance practices.

Our Board of Directors is composed of 13 qualified and competent individuals, each highly regarded in his own field, who bring together complementary skills and expertise, and the requisite independence, probity and diligence in the exercise of their fiduciary duties. Our Board has three independent directors in Rev. Fr. Bienvenido F. Nebres, S.J., Mr. Pedro E. Roxas and Mr. Alfred V. Ty who have been selected on the basis of specific independence criteria set out under applicable laws and rules, and in our By-Laws and Corporate Governance Manual<sup>1</sup>. A majority of the directors are non-executive directors and only three directors are at the same time company executives.

The position of Chairman of the Board is separate from that of the Chief Executive Officer (CEO), not only as a matter of compliance, but also because of the indubitable benefits such a separation creates from a commercial and governance perspective. PLDT Chairman Manuel V. Pangilinan and PLDT President and CEO Napoleon L. Nazareno nonetheless share the responsibility of elevating good governance and principled performance to a high strategic priority for PLDT.

Our Board met 15 times in 2011. Of this number, 11 were regular meetings (including the organizational meeting) and four were special meetings. The Chairman of the Board, the President and CEO, and one of the three independent directors attended all of these Board meetings. The two other independent directors attended 14 of the 15 meetings. A majority of the independent directors was present in all the Board meetings. Collective attendance by directors in all of the meetings is more than 75%. In the annual stockholders' meeting, 11 directors were present. In 2011, the total amount of *per diem* provided for the Board of Directors was Php31.6 million.

<sup>1</sup> *The number of independent directors in the PLDT Board exceeds that required under the Securities Regulation Code and its Implementing Rules and Regulations, which is at least two independent directors or such number of independent directors which constitutes at least 20% of the total number of directors, whichever is lesser.*



**BOARD OF DIRECTORS 2011 MEETINGS  
ATTENDANCE PERFORMANCE**

Name of Director	Jan 25	Feb 24	Mar 1	Mar 29	May 10	Jun 14 <sup>9</sup>	Jun 14 <sup>10</sup>	Jun 14 <sup>11</sup>	Jul 5	Aug 2	Aug 30	Sep 27	Oct 6	Nov 3	Dec 6	Dec 8
Manuel V. Pangilinan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Napoleon L. Nazareno	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Helen Y. Dee	✓	✓	✓	✓	✓	x	x	x	✓	✓	✓	✓	x	✓	✓	x
Ray C. Espinosa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	✓
James L. Go <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	✓	✓	✓
Setsuya Kimura <sup>2</sup>	-	-	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓
Tatsu Kono <sup>3</sup>	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	-	-	-	-
Bienvenido F. Nebres*	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓
Takashi Ooi <sup>4</sup>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	x	-	-
Hideaki Ozaki <sup>5</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	✓	x
Ma. Lourdes C. Rausa-Chan	-	-	-	✓	✓	✓	✓	✓	✓	✓	x	x	✓	✓	✓	x
Oscar S. Reyes <sup>7</sup>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-
Albert F. Del Rosario <sup>8</sup>	✓	✓	x	-	-	-	-	-	-	-	-	-	-	-	-	-
Pedro E. Roxas*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Juan B. Santos	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	x	✓	✓	✓
Tony Tan CakTiong	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Alfred V. Ty*	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

\* Independent Director  
<sup>1</sup> Elected effective November 3, 2011  
<sup>2</sup> Elected effective July 5, 2011  
<sup>3</sup> Resigned effective July 5, 2011  
<sup>4</sup> Resigned effective December 6, 2011  
<sup>5</sup> Elected effective December 6, 2011  
<sup>6</sup> Elected effective March 29, 2011  
<sup>7</sup> Resigned effective November 3, 2011  
<sup>8</sup> Resigned effective March 25, 2011  
<sup>9</sup> Regular Meeting  
<sup>10</sup> Annual Stockholders' Meeting  
<sup>11</sup> Organizational Meeting

Above is a chart showing the attendance performance of the individual directors for 2011.

Our directors take part in an annual assessment process whereby they are able to review and evaluate the performance of the whole Board, the Board Committees and the individuals that comprise these bodies. The assessment 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 eliciting individual directors' feedback and views on PLDT's strategies, performance, and future direction.

Corporate Governance is a field that is dynamic and full of new ideas. Our directors stay abreast with the latest developments relevant to their fiduciary duties by, among other means, attending an annual corporate governance enhancement session, facilitated by known international experts on the subject. For 2011, the Board of Directors had a lively discussion with Mr. Steven John Priest<sup>2</sup> on the topic *Performance, Principles, and People*. Mr. Priest talked about Board responsibilities particularly in the areas of governance and compliance risks, culture and leadership. Importance was also given to recent developments in global legislation and regulations as well as emerging best practices on governance, ethics and compliance, with focus on directors' qualifications and independence, executive compensation, and succession planning. All of the PLDT directors except one newly appointed director, have attended at least one corporate governance enhancement session.

Finally, our Board is mindful of and puts equal importance to PLDT's corporate social responsibilities. Consistent with PLDT Group's Corporate Social Responsibility Statement, it strives to partner PLDT's resources, expertise, and business objectives with pressing societal issues. The PLDT Group and PSF have continuing projects

in the areas of environment and education. The PLDT Group also continues to leverage on its business expertise to develop and implement innovative projects in health, community and livelihood development, and youth development and sports. All these in the spirit of the principle that "doing well" as a business entity means "doing good" as a corporate citizen.

**Board Committees**

Active and functional Board Committees are crucial to the effective performance of the Board as a whole. Our Board is ably assisted by the Advisory Committee. The Advisory Committee is composed of former Chief Justice Artemio V. Panganiban, as an independent member, Mr. Roberto R. Romulo, Mr. Benny S. Santoso, Mr. Orlando B. Veja, Mr. Christopher H. Young, Mr. Oscar S. Reyes, and Mr. Washington Z. Sycip. The total *per diem* given to the members of the Advisory Committee in 2011 was Php15.8 million. Please see table indicating the attendance of the members of the Advisory Committee in Board meetings.

In addition, our Board is supported by four standing committees namely, the Audit Committee, Governance and Nomination Committee, Executive Compensation Committee and Technology Strategy Committee. All the Board Committees have their respective charters that have been approved by the Board. The charters set the general objectives, define the functions, establish the composition, and outline the procedures of the said committees. These charters were amended in 2010 in order to align each Board Committee's purposes to those established in the CG Manual. Furthermore, sections in the CG Manual pertaining to the: independence criteria for independent directors, qualifications for directorship, and grounds for disqualification from directorship, were incorporated as Annexes to the revised charters. All of the members of the Audit Committee

<sup>2</sup> Mr. Priest is the founder of the Ethical Leadership Group and is now Senior Advisor of Global Compliance Services, Inc., a leading ethics and corporate compliance consultancy based in Charlotte, North Carolina, USA.

**ADVISORY COMMITTEE 2011 MEETINGS  
ATTENDANCE PERFORMANCE**

Name of Director	Jan 25	Feb 24	Mar 1	Mar 29	May 10	Jun 14 <sup>2</sup>	Jun 14 <sup>3</sup>	Jul 5	Aug 2	Sep 19	Sep 23	Oct 6	Nov 3	Dec 8	Dec 8
Artemio V. Panganiban	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Roberto R. Romulo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Benny S. Santoso	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Orlando B. Veja	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Christopher H. Young	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	✓
Oscar S. Reyes <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	✓	✓	✓
Washington Z. Sycip	✓	✓	✓	✓	x	✓	✓	✓	✓	✓	x	x	x	✓	✓

<sup>1</sup> Appointed on November 3, 2011  
<sup>2</sup> Regular Meeting of the Board of Directors  
<sup>3</sup> Organizational Meeting of the Board of Directors

are independent directors while majority of the voting members of the Governance and Nomination and Executive Compensation Committees are independent directors.

#### Audit Committee

The primary purpose of the Audit Committee (AC) is to assist the Board in fulfilling its oversight responsibilities for: the integrity of PLDT's accounting and financial reporting principles and policies and system of internal controls, including the integrity of PLDT's financial statements and the independent audit thereof; PLDT's compliance with legal and regulatory requirements; PLDT's assessment and management of enterprise risks; PLDT's audit process, and the performance of PLDT's internal audit organization and external auditor, including the external auditor's qualifications and independence. The AC is composed of three independent directors and four advisors. Each of the members of the AC is financially literate and one of the advisors is a certified public accountant with financial management expertise. The revised charter of the Audit Committee may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com.ph/about/management/Documents/Audit%20Committee%20Charter.pdf>

The AC's activities with respect to the external auditor, Sycip, Gorres and Velayo (SGV & Co.), included: discussions on SGV & Co.'s report on the results of the integrated audit of 2010 financial statements prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and International Financial Reporting Standards (IFRS) and of the internal controls over financial reporting (ICFR), as well as the results of internal and external quality reviews required on SGV & Co.; review and approval of the engagements of SGV & Co. to conduct a special audit of netGames Inc. and SAS 70 Type II audit of ePLDT's VITRO Data Center, to perform advisory services regarding sustainability reporting in relation to PLDT's preparation of a sustainability report for 2011, and to conduct a tax review of Pilipinas Global Network, Ltd. (PGN) in relation to PGN's international programming operations in the Middle East, Europe and the United States of America; evaluation of SGV & Co.'s performance for 2010, with the AC resolving to re-appoint SGV & Co. as PLDT's external auditor for year 2011; review of SGV & Co.'s integrated plan for the audit of the 2011 financial statements and review of the ICFR of PLDT and its subsidiaries; and discussion on SGV & Co.'s status report on the integrated audit of the 2011 financial statements and ICFR.

With respect to the internal audit organization, the AC reviewed and noted or approved the Internal Audit and Fraud Risk Management Group's (IAFRMG) performance report for 2010, PLDT's internal audit plan for 2011 (original and updated), the revised PLDT Internal Charter (subsequently endorsed to and approved by the Board), and the IAFRMG head's confirmation of the organizational independence of the PLDT internal audit organization. It discussed the periodic status reports submitted by internal audit regarding the PLDT Group's Sarbanes-Oxley - Section 404 (SOX 404) compliance readiness as of yearend 2010 and as of yearend 2011, the major internal audit and fraud risk management activities and accomplishments and updates regarding the internal audit organization.

As for as financial reporting and controls are concerned, the AC, together with PLDT Finance Officers and the external auditor, reviewed PLDT's audited financial statements for 2010 prepared in accordance with PFRS and IFRS and the final results and report of SGV & Co.'s integrated audit of 2010 PFRS and IFRS financial statements and ICFR. It also reviewed with Finance Officers PLDT's unaudited consolidated financial results and reports for the first quarter of 2011, the six months ended June 30, 2011, and the nine months ended September 30, 2011.

The AC also reviewed and approved the following: Fourth quarter 2010 report (SEC Form 17-C) with PFRS consolidated financial

statements, 2010 PLDT-Parent Annual Report to the National Telecommunications Commission (NTC), 2010 PLDT-Parent BIR Financial Statements; and PLDT Group's Annual Report in Form 17-A (for Philippine filing) and Form 20-F (for U.S. filing).

Relative to governance, general internal controls and risk management, the AC reviewed the status report on whistleblowing complaints submitted by the Corporate Governance Office and discussed with the General Counsel the status of PLDT's compliance with applicable laws and updates on significant legal matters. The AC had discussions with the relevant business and operational units on matters concerning information and business systems, tax management and regulatory developments. It also conferred with the Enterprise Risk Management Officer regarding PLDT Group's enterprise risk management processes and activities, including identified risks and responses for 2011.

The AC had eight meetings for the year 2011 and a total of Php3.6 million was paid as *per diem* to its members and advisors who attended the said meetings.

Voting Members	Number of Meetings Attended
Rev. Fr. Bienvenido F. Nebres (Chairman)*	8/8
Pedro E. Roxas*	7/8
Alfred V. Ty*	8/8
<b>Advisors</b>	
Setsuya Kimura <sup>1</sup>	4/4
Tatsu Kono <sup>2</sup>	4/4
James L. Go <sup>3</sup>	1/1
Corazon S. dela Paz-Bernardo	8/8
Roberto R. Romulo	8/8

\* Independent Director  
<sup>1</sup> Effective July 5, 2011  
<sup>2</sup> Member until July 5, 2011  
<sup>3</sup> Member beginning November 3, 2011

#### Governance and Nomination Committee

The primary purposes of the Governance and Nomination Committee (GNC) are to: oversee the development and implementation of corporate governance principles and policies; review and evaluate the qualifications of the persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board; identify persons believed to be qualified to become members of the Board and/or the Board Committees; assist the Board in making an assessment of the Board's effectiveness in the process of replacing or appointing new members of the Board and/or Board Committees; and assist the Board in developing and implementing the Board's performance evaluation process. The GNC is composed of five voting members, three of whom are independent directors and the other two are non-executive directors. The GNC also has three non-voting members composed of an independent member of the Advisory Committee, the Human Resources Group Head and the Chief Governance Officer (CG Officer) of the Company. The revised charter of the GNC may be accessed and downloaded from the PLDT website through the following link: <http://www.pldt.com.ph/about/management/Documents/Governance%20and%20Nomination%20Committee%20Charter.pdf>

In the performance of its governance function, the GNC discussed and evaluated the results of the Board Assessment for 2010 and the GNC Evaluation/Self-Assessment. The consolidated results of the Board Assessment, along with the GNC's recommended actions, the GNC Assessment results and Report on Activities for 2010 were submitted to and noted by the Board. The GNC also provided assistance to the Board in conducting the Board Performance Assessment for 2011.



In compliance with the requirement to conduct a periodic review of CG Policies, the GNC reviewed and assessed the PLDT Manual on Corporate Governance (CG Manual), Expanded Whistleblowing Policy, Policy on Gifts, Entertainment and Sponsored Travel, and Supplier/Contractor Relations Policy. The review showed that these policies remain to be adequate and compliant and required no amendments. However, the GNC noted that certain guidelines were necessary to ensure conformance with newly-enacted legislation and regulations from both the Philippines and the United States. Measures were likewise approved by the GNC to enhance awareness of and compliance with these policies, particularly the Expanded Whistleblowing Policy, by PLDT's personnel. The GNC also reviewed and noted the conflict of interest disclosures of certain key personnel.

The GNC gave directives pertaining to proposed corporate governance-related rules and guidelines issued by regulators, as well as reports of corporate governance rating agencies and other organizations interested in corporate governance. It also determined the content of the PLDT's annual corporate governance enhancement session for the PLDT Board and officers and selected the speaker/resource person for said session. It also selected the over-all theme for 2012 corporate governance communication materials.

In the performance of its nomination function, the GNC screened persons nominated as directors or independent directors and determined and recommended the final list of director/independent director nominees for election in the 2011 annual meeting of stockholders. It also screened nominees for appointment in the vacancies in the Board and the Advisory Board/Committee which arose during 2011. In screening the nominees, the GNC takes into account the nominee's ability to perform the roles of a director diligently and efficiently, the nominee's judgment, skills and experience with other business organizations of the size and complexity comparable to that of the Company, the interplay of a nominee's experience with the experience of other directors, and any conflict of interest.

The GNC also reviewed the composition of Board Committees and made the appropriate recommendations to ensure that the same are in conformity with applicable laws, rules and regulations. Furthermore, the GNC reviewed the list and qualifications of officers and recommended the re-appointment of said officers at the organizational meeting of the Board. Finally, it reviewed the qualifications and recommended the appointment of new hires and promotions to various officer ranks.

The GNC held five meetings in 2011 and a total of Php2.8 million was paid as *per diem* to its members who attended the said meetings.

Voting Members	Number of Meetings Attended
Manuel V. Pangilinan (Chairman)	5/5
Pedro E. Roxas <sup>1</sup>	3/4
Alfred V. Ty*	5/5
Bienvenido F. Nebres*	5/5
Setsuya Kimura <sup>2</sup>	3/3
Tatsu Kono <sup>3</sup>	2/2
Oscar S. Reyes <sup>4</sup>	1/1
<b>Non-Voting Members</b>	
Artemio V. Panganiban	5/5
Menardo G. Jimenez, Jr.	4/5
Ma. Lourdes C. Rausa-Chan	4/5

\* Independent Director  
<sup>1</sup> Member beginning January 25, 2011  
<sup>2</sup> Member beginning July 5, 2011  
<sup>3</sup> Member until July 5, 2011  
<sup>4</sup> Member until January 25, 2011

### Executive Compensation Committee

The primary purposes of the Executive Compensation Committee (ECC) are to: provide guidance and assistance to the Board with respect to the development of a compensation philosophy consistent with the culture, strategy, and control environment of PLDT; oversee the development and administration of PLDT's executive compensation programs; and assist the Board in the areas of performance evaluation, succession planning and the professional development programs for officers and executives. The ECC is composed of five voting members, three of whom are independent directors, and the other two are non-executive directors. The ECC also has one non-voting member, who is the Human Resources Group Head of PLDT. The revised charter of the ECC may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com.ph/about/management/Documents/Executive%20Compensation%20Committee%20Charter.pdf>

For its major accomplishments in 2011, the ECC discussed and approved the 2010 Variable Pay Payout corresponding to the level of core income target that was achieved and the 2011 Variable Pay Targets. It also discussed and approved the 2011 Merit Increase of officers and executives and directed that increases for officers and executives and the application of compensation policies discussed and approved by the ECC should be the same for PLDT, Smart and SPi Global. Finally, the ECC discussed and approved the increase in *per diem* for board members of the fixed line subsidiaries.

The ECC held two meetings in 2011 and a total of Php0.75 million was paid as *per diem* to its members who attended the said meetings.

Voting Members	Number of Meetings Attended
Manuel V. Pangilinan (Chairman) <sup>1</sup>	1/1
Albert F. Del Rosario <sup>2</sup>	1/1
Rev. Fr. Bienvenido F. Nebres <sup>3</sup>	1/2
Tatsu Kono <sup>4</sup>	1/1
Pedro E. Roxas*	2/2
Setsuya Kimura <sup>5</sup>	1/1
Alfred V. Ty*	1/2
<b>Non-Voting Member</b>	
Menardo G. Jimenez, Jr.	2/2

\* Independent Director  
<sup>1</sup> Member beginning June 14, 2011  
<sup>2</sup> Member until March 25, 2011  
<sup>3</sup> Member effective January 25, 2011  
<sup>4</sup> Member until July 5, 2011  
<sup>5</sup> Member beginning July 5, 2011

### Technology Strategy Committee

The primary purpose of the Technology Strategy Committee (TSC) is to assist the Board to review and approve the strategic vision for the role of technology in PLDT's overall business strategy; fulfill its oversight responsibilities for PLDT's effective execution of its technology-related strategies; and ensure the optimized use and contribution of technology to PLDT's strategic objectives and growth targets. The TSC is composed of six voting members and one non-voting member. Under the revised TSC charter, at least one member of the TSC must have at least a general knowledge or understanding of the technologies relevant to PLDT's line of business. A copy of the revised charter of the TSC may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com.ph/about/management/Documents/Technology%20Strategy%20Committee%20Charter.pdf>

The TSC had one meeting in 2011 wherein the network and technology teams presented and discussed with the TSC a comprehensive update on the PLDT Technology Roadmap, possible synergies with Digitel and Digitel Mobile Philippines, Inc., and developments regarding new technologies affecting PLDT's competitiveness and efficiency. A total of Php0.53 million was given as *per diem* to its members who attended the said meeting.

Voting Members	Number of Meetings Attended
Manuel V. Pangilinan (Chairman)	1/1
Napoleon L. Nazareno	1/1
Ray C. Espinosa	1/1
Setsuya Kimura <sup>1</sup>	1/1
Oscar S. Reyes	1/1
James L. Go <sup>2</sup>	1/1
<b>Non-voting Member</b>	
Orlando B. Vea	1/1

<sup>1</sup> Member beginning July 5, 2011  
<sup>2</sup> Member beginning November 3, 2011

## Management and Support Practices

### President and CEO

It is from the tone at the top and example of the Board that the rest of the structure draws momentum to implement PLDT's corporate governance efforts. The President and CEO provides leadership for management in developing and implementing business strategies, plans and budgets. More importantly, however, he ensures that the business and affairs of PLDT are managed in a sound and prudent manner and 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 PLDT's performance, financial condition, results of operations and prospects, on a regular basis.

### Internal Audit Organization

The structure also relies heavily on the contributions of PLDT's internal audit organization whose head reports functionally to the Audit Committee and administratively to the President and CEO. It is responsible for conducting, in accordance with the International Standards for the Professional Practice of Internal Auditing, internal audit activities which include, among others, the evaluation of the adequacy and effectiveness of controls covering PLDT's financial reporting, governance, operations and information systems.

### External Audit

The external auditor is appointed by the Audit Committee who reviews their qualifications, performance and independence. The external auditor undertakes independent audit and provides an objective assurance on the manner by which PLDT's financial statements have been prepared and presented. To ensure objectivity in the performance of its duties, the external auditor is subject to the rules on rotation (every five years); general prohibitions on hiring of staff of the external auditor; and full and appropriate disclosure and prior approval by the Audit Committee of all audit and non-audit services and related fees for such services.

### Financial Reporting

PLDT's financial reports comply with the PFRS and IFRS. The integrity of our financial reports is safeguarded by our accounting and financial principles and policies, system of internal controls, and audit process comprised of regular audits conducted by an independent external auditor and an internal audit organization. Management is responsible for the integrity of PLDT's financial reports and the Board, through the Audit Committee which is composed entirely of independent directors, exercises oversight responsibility.

### Enterprise Risk Management

The Enterprise Risk Management Department is in charge of managing an integrated risk management program with the goal of identifying, analyzing and managing PLDT's risks to an acceptable

level, so as to enhance opportunities, reduce threats, and thus sustain competitive advantage. It works in coordination with PLDT's internal audit organization.

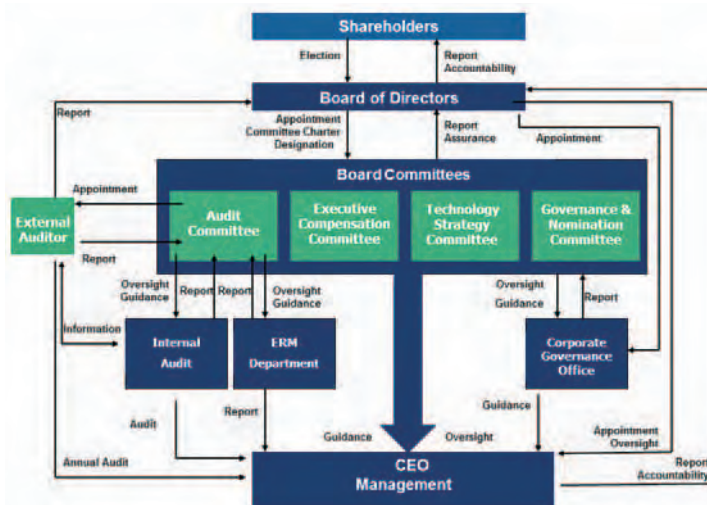
### Corporate Governance Office

PLDT has an independent Corporate Governance Office, under the leadership of a CG Officer who reports to the Chairman of the Board and the GNC. The primary responsibilities of the CG 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. The Corporate Governance Office is responsible as well 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.

Below is a table on the corporate governance structures in PLDT.

### Promoting the Right Behavior

Setting up structures, allocating responsibilities and apportioning authority and resources are meant to kick off the process of eventually



creating the desired self-regulating culture. Establishing that culture requires well-defined starting points or baselines to serve as beacons to PLDT personnel. These starting points are established through PLDT's corporate governance policies.

PLDT's CG Manual and Code of Business Conduct and Ethics (Code of Ethics) are PLDT's fundamental policies on corporate governance. Both incorporate the various standards required under the relevant Philippine and US laws and regulations.

The PLDT CG Manual was approved and adopted by the Board of Directors on March 26, 2010 pursuant to SEC Memorandum Circular No. 6 Series of 2009 or the Revised Code of Corporate Governance. It supersedes the CG Manual approved and adopted on September 24, 2002, as amended on March 30, 2004 and January 30, 2007. The structures discussed in the preceding section are all laid down in the CG Manual. The key areas covered by the CG Manual are summarized in the box.

PLDT's Code of Ethics was adopted to strengthen the implementation of the CG Manual. It was approved by the Board on March 30, 2004 and subsequently updated on July 11, 2006. The Code of Ethics sets out PLDT's core values of accountability, integrity, fairness and transparency.



#### KEY AREAS OF COVERAGE – PLDT CG MANUAL

- The composition of our Board of Directors as well as the qualifications and grounds for disqualification for directorship;
- The requirement that at least 20% of the membership of the Board of Directors, and in no case less than two members, must be independent directors, and the standards/criteria for the determination of independent directors;
- The duties and responsibilities of our board of directors and the individual directors;
- The manner of conduct of Board meetings including the requirement to have an independent director present in every meeting to promote transparency and the need to have an executive session for non-executive and independent directors;
- The establishment of board committees, specifically, the audit committee, executive compensation committee and governance and nomination committee, including the composition and the principal duties and responsibilities of such committees, as well as the requirement for each board committee to have its own charter;
- The role of the Chairman as the leader of the Board and as the prime mover in ensuring compliance with; and the performance of corporate governance policies and practices;
- The role of the President/CEO in ensuring that PLDT's business affairs 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 duties and responsibilities of the Corporate Secretary/Assistant Corporate Secretary in terms of the support services that they need to provide the Board in upholding sound corporate governance;
- The duties and responsibilities of the head of internal audit organization that would provide the Board, Management and shareholders with reasonable assurance that PLDT's key organizational and procedural controls are appropriate, adequate, effective and reasonably complied with;
- The functions of the independent auditor that would reasonably ensure an environment of sound corporate governance as reflected in PLDT's financial records and reports; the requirement that non-audit work of the independent auditors should not conflict with its function as independent auditors; the requirement to rotate, at least once every five years, the independent auditors or the lead partner assigned to handle the independent audit of financial statements;
- The requirement to appoint a CG Officer and the duties and responsibilities of such CG Officer including the establishment of an evaluation system to determine and measure compliance with the provisions of our CG Manual;
- The duty of the Board of Directors to promote and uphold stockholders' rights such as the right to vote, pre-emptive right, the right to inspect corporate books and records, the right to timely receive relevant information, the right to dividends, and the appraisal right;
- The requirement for the Board to explore and implement steps to reduce excessive or unnecessary costs that impede stockholders' participation and to act with transparency and fairness at the annual and special stockholders' meetings;
- PLDT's undertaking to disclose material information promptly and accurately as well as the imposition of reasonable rules regarding the treatment and handling of material non-public information; and
- The establishment of an appropriate evaluation system for purposes of monitoring and assessing compliance with the CG Manual and other applicable laws and administrative issuances.

It aims to promote a culture of good corporate governance and to provide guidance in all business relationships of PLDT, its directors, officers, and employees. Please refer to the box for the specific areas of coverage of the Code of Ethics.

#### AREAS OF COVERAGE – PLDT CODE OF ETHICS

- 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 PLDT's business.

Enabling policies have also been issued to provide guidance on: the custody and care of information and the avoidance of conflicts of interest (Conflict of Interest Policy); proper handling of gifts, entertainment, and sponsored travel (Policy on Gifts, Entertainment and Sponsored Travel); maintenance of appropriate relations with suppliers, contractors and other third party business partners (Supplier/Contractor Relations Policy); and anonymous reporting of possible violations of corporate governance policies, accounting and auditing rules and regulations or PLDT Personnel Manual and protection against retaliation on reporting employees (Expanded Whistleblowing Policy).

Pursuant to the Conflict of Interest Policy, PLDT officers, executives and employees are required to submit Conflict of Interest Disclosures. If a transaction is affected by conflict of interest, it is subject to approval by the appropriate approving authorities and the conflicted director, officer, executive or employee is prohibited from participating in any activity related to the said transaction. PLDT is progressively institutionalizing the practice of timely and transparent disclosures down to the level of rank and file employees. Our suppliers, vendors and contractors are also required to make disclosures with respect to relationships and affiliations that they or their personnel may have with any of our directors, officers, executives, and employees.

With respect to the Expanded Whistleblowing Policy, 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, regardless of rank or status, to report any of the violations described in said policy or any act that may be considered as contrary to PLDT's values of accountability, integrity, fairness and transparency may submit a complaint or disclosure on such violations. Upon receipt by the CG Officer or the Corporate Governance Office of a complaint/disclosure, a preliminary evaluation is conducted to determine the appropriate investigating unit to which the case shall be assigned for further action. The Corporate Governance Office monitors the cases reported and ensures appropriate reporting to the AC, GNC, or any other relevant committee or body on the results of the investigations and the prompt referrals of findings to the units concerned. PLDT's committees on officer or employee discipline, as the case may be, are responsible for evaluating and approving the appropriate disciplinary action against erring officers and employees. 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 or offices who are allegedly involved.

In line with all of these, PLDT has incorporated corporate governance standards in performance evaluation of personnel and has included corporate governance policy violations as a cause for disqualification from incentives and rewards in its Policy on Employee Qualification for Incentives and Rewards.

Our CG policies undergo a mandatory review every two years but may be reviewed on a more frequent basis as necessary. In 2011, the Expanded Whistleblowing Policy, Policy on Gifts, Entertainment and Sponsored Travel, and the Supplier/Contractor Relations Policy went through the review process and were found to be adequate and compliant and did not require any amendment. Implementing guidelines, as may be necessary and appropriate, are issued to fill in the details of the corporate governance policies.

## Reinforcements

PLDT's corporate governance education and communication activities aim to reinforce our aspiration to establish the right culture and promote the right behavior.

As part of its education and communication program, PLDT provides continuous training for its Board and senior management. PLDT has organized and conducted five corporate governance enhancement sessions since 2007 and has invited internationally-known experts to share their insights and interact with PLDT's Board and senior management.

As earlier mentioned, PLDT conducted its 2011 corporate governance enhancement session for its Board<sup>3</sup>, through Mr. Steven John Priest. Mr. Priest also conducted a briefing for PLDT's senior management entitled *Performance, Principles and People A Discussion with PLDT Group Leaders*<sup>4</sup>. It delved on the environment that businesses face nowadays, the risks that confront business organizations, the appropriate culture that companies need to adopt and establish, and the leadership demanded from people in positions of responsibility. Forty six out of the sixty one active PLDT officers attended the session. All in all, fifty seven out of the sixty one active members of PLDT's senior management have attended at least one corporate governance enhancement session.

PLDT also pays close attention to the educational needs of its middle management. In 2011, a special session for its executives was conducted through Mr. Keith Darcy, Executive Director of the Ethics and Compliance Officer Association (ECO) based in Waltham, Massachusetts, USA. Mr. Darcy discussed *The Role of Middle Management in Ethical Culture Building*. Sixty one executives and officers of PLDT attended the session. On the other hand, newly promoted and hired executives are required to undergo a half day workshop on *Ethical Decision Making* as part of their competency development as managers. The highly interactive course provides personnel in the middle manager category an opportunity to discuss and develop approaches to ethical dilemmas that confront them at the workplace.

For its supervisory and rank and file employees, PLDT conducted a Corporate Governance Refresher Course for selected divisions. A total of eight Corporate Governance Refresher Sessions were conducted for the Information Systems Sector<sup>5</sup>. The whole day seminar, entitled *Educational Intervention on Ethical Compliance and Procurement Management*, was a joint effort of the Corporate Governance Office together with the Procurement Management and Vendor Management Divisions of the Supply Chain, Asset Protection and Management Group.

PLDT also carried out a seminar especially developed for field service personnel entitled *Values at Work*. The module shows how the values of accountability, integrity, fairness and transparency can be employed as effective tools in the performance of duties and functions in PLDT. The workshop at the same time seeks to affirm the participants' commitment to PLDT's core values.

Finally, PLDT requires newly-hired employees and executives to undergo a Corporate Governance Orientation.

Apart from 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 have complied with the requirement to access and complete an online training course on the PLDT Expanded Whistleblowing Policy. Supervisory and rank and file employees, on the other hand, have taken and completed 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 as follows:

- a. Thematic posters and calendars – In 2011, the theme was "Values Instilled in Us as Children" which encouraged all company personnel to recall how they learned the values of accountability, integrity, fairness, and transparency as children and to re-apply these values in their professional and personal lives.
- b. Ripples e-newsletter – This is a monthly newsletter distributed by email and also accessible through the PLDT CG Website, which features stories, news, and developments that seek to inspire observance of PLDT's corporate governance values.
- c. Corporate Governance Newsbriefs – These contain summaries of news articles from global on-line sources and are released weekly to PLDT directors and select PLDT officers and executives.
- d. Periodic advisories on corporate governance policies – The latest advisory which was released in December 2011 pertained to the ethical handling and treatment of gifts during and beyond the Christmas gift-giving season.

PLDT maintains its active membership with the US-based ECOA, the largest association of ethics and compliance professionals in the world. PLDT is a sponsoring partner-member of the ECOA and regularly attends and participates in ECOA activities, particularly the Annual Ethics and Compliance Conference<sup>6</sup>. Our membership at the ECOA gives us access to its vast online library on CG and related topics, opportunities to interact with other corporate governance and ethics professionals around the world, and a chance to benchmark our governance practices against those of leading companies. Atty. Elmer Nitura, Corporate Governance Officer of Smart Communications Inc., is on the second year of his three-year term as a member of the ECOA's Board of Directors. Atty. Nitura is one of only three non-Americans in the ECOA Board and is the only one from Asia.

PLDT is a founding member of the Good Governance Advocates and Practitioners of the Philippines (GGAPP). GGAPP is an organization of corporate governance and ethics and compliance officers from various companies in the Philippines and conducts regular monthly meetings to discuss collective efforts aimed at improving corporate governance practices in the country. Finally, PLDT regularly attends activities organized by the Institute of Corporate Directors such as Breakfast Roundtables and corporate governance working sessions.

## Affirmation

In 2011, PLDT's corporate governance initiatives and efforts were recognized by various award-giving bodies such as the Institute of Corporate Directors, *Finance Asia Magazine* and *Asiamoney Magazine*. The list on the next page summarizes the awards received by PLDT and its officers.

<sup>3</sup> Conducted on December 8, 2011.

<sup>4</sup> Conducted on December 7, 2011.

<sup>5</sup> Executives of this sector also went through the refresher course.

<sup>6</sup> The latest conference was held on September 20-23, 2011 at Seattle, Washington State, U.S.A.



### Institute of Corporate Directors

- Platinum Awardee – Corporate Governance Scorecard

### Finance Asia Magazine

- Best in Corporate Governance in the Philippines
- Best Managed Company
- Best in Investor Relations
- Company Most Committed to a Strong Dividend Policy
- Best Chief Executive – Napoleon L. Nazareno
- Third Best CSR efforts in the Philippines

### Asiamoney Magazine

- Best Over-all for Corporate Governance in the Philippines
- Best for Disclosure and Transparency in the Philippines
- Best for Management and Board of Directors in the Philippines
- Best in Shareholder Rights and Equitable Treatment in the Philippines
- Best in Investor Relations (shared with two others)

The recognition of our efforts reflects PLDT's commitment to corporate governance and serves as a reminder of the need to continuously and steadily improve in order to deliver on our responsibility to our stakeholders. The well-being of an enterprise, after all, is not measured solely by the recognition it receives, or by its robust financial reports. Neither is it discernible by checking if it has structures and policies on corporate governance and business ethics; certainly not by the sums of money it dispenses for philanthropy. Rather, a company that has an honest understanding of its areas for improvement, a full grasp of its strengths, a realization of its responsibility to its stakeholders, and a firm commitment by leadership to values and principles, stands the best chance to flourish in even the most trying times for business. This is what PLDT aspires to do as its leadership drives all levels of the company to deliver outstanding results and at the same time live out and observe the values of accountability, integrity, fairness and transparency.

## ENTERPRISE RISK MANAGEMENT

In 2011, the Group Enterprise Risk Management Department (GRMD) continued the implementation of the PLDT Group's standard risk management process in critical operational units, specifically in the network, and administration and materials management divisions of both PLDT and Smart.

A risk assessment exercise was also undertaken with the Joint Executive Committee to identify and prioritize the most important risks affecting the PLDT Group. The results of the assessment showed the following as the top ten risks facing the PLDT Group in 2012:

- |   |                                    |
|---|------------------------------------|
| 1. Market dynamics  | 6. Corporate and capital structure |
| 2. Regulatory challenges  | 7. Information security            |
| 3. People   | 8. Hazards                         |
| 4. Fast pace of technological change                                | 9. New investments                 |
| 5. Potential points of failure in the network and IT infrastructure | 10. Vendor-related concerns        |

The PLDT Group is currently intently pursuing measures to ensure all these risks are managed appropriately, such as the modernization and enhancement of the network and IT systems, and the institution of a centralized Business Continuity Committee to address possible business disruptions due to natural or man-made hazards.

# BOARD OF DIRECTORS



**1 Manuel V. Pangilinan**

65, Filipino  
 Director of the Company since November 24, 1998. He was appointed Chairman of the Board of PLDT after serving as its President and CEO from November 1998 to February 2004. He is the Chairman of the Governance and Nomination, Executive Compensation and Technology Strategy Committees of the PLDT Board. He is also a director and the President and CEO of Meralco. He also serves as Chairman of Smart, Digitel, ePLDT, SPi Global Holdings, Inc., SPi Technologies, Inc., SPi CRM, MPIC, Landco Pacific Corporation, Maynilad Water Services, Inc., Philex Mining Corporation, Manila North Tollways Corporation, Medical Doctors, Inc. (Makati Medical Center), Colinas Verdes, Inc. (Cardinal Santos Medical Center), Davao Doctors, Inc. and Our Lady of Lourdes Hospital. He is also the CEO and Managing Director of First Pacific in HongKong, and President Commissioner of P.T. Indofood Sukses Makmur Tbk, the largest food company in Indonesia. He is the Chairman of the Board of Trustees of San Beda College, PSF and PBSP, the Vice Chairman of the Foundation for Crime Prevention, a private sector group organized to assist the government with crime prevention, and a member of the Board of Trustees of Caritas Manila and Radio Veritas-Global Broadcasting Systems, Inc. In February 2007, he was named the President of the Samahang Basketbol ng Pilipinas, a newly-formed national sport association for basketball, and effective January 2009, he assumed the chairmanship of ABAP, the governing body of amateur boxers in the country. In 2011, he was appointed member of the ASEAN Business Advisory Council by the Office of the President of the Philippines.



**2 Napoleon L. Nazareno**

62, Filipino  
 Director of the Company since November 24, 1998 and is a member of the Technology Strategy Committee of the Board of Directors of PLDT. He has served as President and CEO since his appointment on February 19, 2004 and is concurrently the President and CEO of Smart since January 2000. He also serves as Chairman of several subsidiaries of Smart including PCEV, Wolfpac Mobile, Inc., Smart Broadband, Inc. and I-Contacts Corporation. His other directorships include Meralco, Digitel, Mabuhay Satellite Corporation, ACeS Philippines, PLDT Global Corporation, ePLDT Inc., SPi Technologies, Inc., SPi CRM, and Philweb Corporation. He is a non-executive director of First Pacific. He is also a board member of GSM Association Worldwide since November 2004. Since 2010, he has been a board director of the Wireless Applications Community, an international alliance of telecommunications companies. He is also the Chairman of the Board of Trustees and Governors of the Asian Institute of Management and a Governor of the Management Association of the Philippines. His business experience spans several countries in over 30 years and his exposure cuts across a broad range of industries, namely, packaging, bottling, petrochemicals, real estate and, in the last 13 years, telecommunications and information technology. In 1981, he started a successful career in the international firm Akerlund & Rausing, occupying senior management to top level positions and, in 1989, became the President and CEO of Akerlund & Rausing (Phils.), Inc. In August 1995, he moved to Metro Pacific Corporation where he served as President and CEO until December 1999.



**3 Helen Y. Dee**

68, Filipino  
 Director of the Company since June 18, 1986. She is the Chairperson and/or the President and/or CEO of House of Investments, Inc., YGC Corporate Services, Inc., Rizal Commercial Banking Corporation, Financial Brokers Insurance Agency, Inc., GPL Holdings, Inc. and Mijo Holdings, Inc. She is also the Vice President of A. T. Yuchengco, Inc., the Treasurer of Business Harmony Realty, Inc. and a member of the Mapua Board of Trustees. She is also a director of several companies engaged in banking, insurance and real property businesses.

**4 Atty. Ray C. Espinosa**

56, Filipino  
 Director of the Company since November 24, 1998 and is a member of the Technology Strategy Committee of the Board of Directors. He is the Head of the Regulatory Affairs and Policies Group of PLDT since March 2008. He also serves as President and CEO of MediaQuest Holdings, Inc., ABC Development Corporation, Mediascape, Inc., Nation Broadcasting Corporation and other subsidiaries of MediaQuest Holdings, Inc. and is the Vice Chairman of Philweb Corporation and the Board of Trustees of the PLDT Beneficial Trust Fund. He is a director of several companies engaged in electricity, mining, other public utility and media businesses. He also served as President and CEO of ePLDT from August 21, 2000 until April 15, 2010. Prior to joining PLDT, he was a partner and member of the Executive Committee of the law firm Sycip Salazar Hernandez & Gatmaitan until June 2000.





**5 James L. Go**

73, Filipino  
Director of the Company since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He is currently the Chairman and CEO of JG Summit Holdings Inc., Robinson's Inc. and Oriental Petroleum and Minerals Corporation. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation and JG Summit Petrochemical Corporation and a director of Cebu Air, Inc., CFC Corporation, Robinsons Holdings, Inc., Singapore Land, Ltd., Marina Center Holdings Inc., and United Industrial Corporation. He is also the President and a Trustee of the Gokongwei Brothers Foundation. He was the Vice Chairman of the Board of Directors of Digitel and also held the positions of President and CEO until October 26, 2011.

**6 Setsuya Kimura**

55, Japanese  
Director of the Company since July 5, 2011. He is a member of the Governance and Nomination, Executive Compensation and Technology Strategy Committees, and Advisor of the Audit Committee of the Board of Directors of PLDT. He is the Executive Director of Strategic Investment & Alliance, Global Division of NTT DoCoMo, Inc. Prior to that, he served as Director of Network Department of NTT DoCoMo, Inc. He also served as Regional CEO, Asia Pacific of NTT Communications and President and CEO of NTT Singapore Pte Ltd. from 2007 to 2009, and as President and CEO of NTT Communications (Thailand) Co. Ltd. from 2003 to 2007. Prior to that, he occupied various management positions in Nippon Telegraph and Telephone Company (NTT).

**7 Rev. Fr. Bienvenido F. Nebres, S.J.**

72, Filipino  
Independent director of the Company since November 24, 1998. He is the Chairman of the Audit Committee and a member of the Governance and Nomination and Executive Compensation Committees of the Board of Directors of PLDT. In October 2011, he was elected as independent director of Digitel. He is the Chairman of the Board of Trustees of Center for Leadership and Change, Inc. and a member of the Board of Trustees of Sacred Heart School – Jesuit Cebu City, and United Board for Christian Higher Education in Asia. He is the Chairman of Synergeia Foundation, Inc., and a member of the Board of Trustees of Gawad Kalinga, Knowledge Channel Foundation, Inc., and AY Foundation, Inc.



10



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13

**8 Hideaki Ozaki**

47, Japanese

Director of the Company since December 6, 2011. He is the Vice President of Planning, Global Sales/Global Business of NTT Communications Corporation (NTT Com). He served as part-time Director of NTT Communications Philippines from July 2009 to February 2012. Prior to that, he served as Vice President of Global Strategy, Global Business Division of NTT Com since 2006 and as Director of Legal and Internal Audit Department of NTT Com from 2003 to 2006. He also served as Vice President of Sales and Corporate Planning of NTT Communications (Thailand) Co., Ltd. from 1999 to 2003 and as Manager of Overseas Business Planning, Global Service Division of NTT from 1995 to 1999.

**9 Atty. Ma. Lourdes Rausa-Chan**

59, Filipino

Director of the Company since March 29, 2011. She has been serving as Corporate Secretary, Corporate Affairs and Legal Services Head and Chief Governance Officer of PLDT since November 1998, January 1999 and March 2008, respectively. She is a director of PCEV and also serves as Corporate Secretary of PCEV and several subsidiaries of PLDT. Prior to joining PLDT, she was the Group Vice President for Legal Affairs of Metro Pacific Corporation and the Corporate Secretary of some of its subsidiaries.

**10 Pedro E. Roxas**

55, Filipino

Independent Director of the Company since March 1, 2001. He serves as a member of the Governance and Nomination, Audit and Executive Compensation Committees of the Board of Directors of PLDT. He is the Chairman and/or CEO/President of various business organizations in the fields of agri-business, sugar manufacturing and real estate development including Roxas Holdings Inc, Roxas and Company, Inc, Roxaco Land Corporation, Central Azucarera Don Pedro, Inc, Central Azucarera de la Carlota, Inc, Roxol Bioenergy Corporation, Fuego Land Corporation, Hawaiian

Philippine Sugar Company, Philippine Sugar Millers Association, Fundacion Santiago, and Club Punta Fuego, Inc., an independent director of Meralco and BDO Private Bank, and a director of Brightnote Assets Corporation.

**11 Juan B. Santos**

73, Filipino

Director of the Company since January 25, 2011. He is the Chairman of Social Security Commission, a member of the Board of Directors of Alaska Milk Corporation, First Philippine Holdings Corporation, Sun Life Grepa Financials, Inc. Philex Mining Corporation and Zuellig Group, Inc., a member of the Board of Advisors of Coca Cola Bottlers Phils., Inc. and East-West Seeds Co., Inc., a trustee of St. Luke's Medical Center and Ramon Magsaysay Award Foundation, and a consultant of the Marsman-Drysdale Group of Companies.

**12 Tony Tan Caktiong**

59, Filipino

Director of the Company since July 8, 2008. He is the Chairman and CEO of Jollibee Foods Corporation, a leader in the fastfood business, which owns and operates a chain of restaurants nationwide and abroad. He is an independent director of First Gen Corporation, a member of the Board of Trustees of St. Luke's Medical Center, director of Temasek Foundation, and the chairman of Jollibee Foundation.

**13 Alfred V. Ty**

44, Filipino

Independent Director of the Company since June 13, 2006. He serves as a member of the Audit, Governance and Nomination and Executive Compensation Committees of the Board of Directors of PLDT. He is the Vice Chairman of GT Capital Holdings Inc., Toyota Motor Phils. Corporation, Chairman of Lexus Manila Inc., President of Federal Land Inc., and director of Global Business Power Corp.





## ADVISORY BOARD

- 14 Artemio V. Panganiban
- 15 Oscar S. Reyes
- 16 Roberto R. Romulo
- 17 Benny S. Santoso
- 18 Washington Z. Sycip
- 19 Orlando B. Veja
- 20 Christopher H. Young

KEY

# OFFICERS & ADVISORS



PLDT



Smart



Digitel

## PLDT Officers and Advisors

### Ernesto R. Alberto

51, Filipino

Appointed as Enterprise and International and Carrier Business Head in September 2011. Prior to that, he was the Customer Sales and Marketing Group Head since February 2008. He leads all revenue generation relationship initiatives of the Enterprise and International and Carrier Business, including product/market development, product management, marketing, sales and distribution, and customer relationship management. He is the Chairman, President or director of PLDT Subic Telecom, Inc. (SubicTel), PLDT Clark Telecom, Inc. (ClarkTel), PLDT-Philcom, Inc., PLDT-Maratel, Inc. (Maratel), Telesat, Inc., SBI-Cruztelco, Bonifacio Communications Corporation (BCC), Mabuhay Satellite Corporation (Mabuhay Satellite), Smart NTT Multi-Media, Inc. (SNMI), NTT Communications Phils., Acasia and Asean Telecom Holdings. He has over 20 years of work experience in the areas of corporate banking, relationship management and business development and, prior to joining PLDT in 2003, was a Vice President and Head of the National Corporate Group of Citibank N.A., Manila from 1996 to May 2003. He previously served as Vice President and Head of the Relationship Management Group of Citytrust Banking Corporation.

### Rene G. Bañez

57, Filipino

Supply Chain, Asset Protection and Management Group Head. He was the Chief Governance Officer of PLDT from October 2004 to March 3, 2008 and the Support Services and Tax Management Group Head of PLDT from January 1999 to January 2001. He is the President of Pacific Global One Aviation Co., Inc. He served as Commissioner of the Philippine Bureau of Internal Revenue from February 2001 to August 2002. Prior to joining PLDT, he was the Group Vice President for Tax Affairs of Metro Pacific Corporation for 3 years until December 1998. He holds directorships in some subsidiaries of PLDT.

### June Cheryl A. Cabal-Revilla

38, Filipino

Controller and Financial Reporting and Controllershship Head. She is also a director and the chief financial officer/treasurer of all fixed line subsidiaries of PLDT, including the ePLDT Group, Pacific Global One Aviation Company, Inc., PGN (TV5 International), and PSF. She is also the Chief Finance Officer of the Philippine Disaster Recovery Foundation and the President of Tahanan Mutual Building and Loan Association. She is also a director of SubicTel, ClarkTel, Philcom Group, Maratel, Telesat, Inc., BCC, Mabuhay Satellite and SNMI. Prior to joining PLDT in June 2000 as an executive trainee in the Finance Group, she was a senior associate in the business audit and advisory group of SGV & Co. She was the 2008 Young Achievers Awardee for Commerce and Industry conferred by the Philippine Institute of Certified Public Accountants. In March 2010, she was appointed as a member of the Financial Reporting Standards Council of the Philippines.

### Alejandro O. Caeg

52, Filipino

President and Chief Executive Officer of PLDT Global Corporation and concurrently the Head of PLDT and Smart International & Carrier Business. He is Smart's representative to the Conexus Mobile Alliance (one of Asia's largest cellular roaming alliances), where he was also designated as its Deputy Chairman since 2010. Prior to joining PLDT in 2009, he worked in PT Smart Telecom (Indonesia) as its Chief Commercial Strategy Officer from July 2008 to December 2008 and as Chief Commercial Officer from January 2006 to June 2008. He also served as President and Chief Executive Officer of Telecommunications Distributors Specialist, Inc. in 2002 and as Chief Operations Adviser of I-Contacts Corporation (Smart's Call Center subsidiary) from 2001 to 2002.





*From left:  
Napoleon L. Nazareno, Ernesto R. Alberto, Rene G. Bañez,  
Alejandro O. Caeg, Anabelle L. Chua, Ray C. Espinosa,  
Jun R. Florencio, Menardo G. Jimenez Jr., George N. Lim,  
Christopher H. Young, Ma. Lourdes C. Rausa-Chan,  
June Cheryl A. Cabal-Revilla and Ariel P. Fermin\**



*From left:  
Napoleon L. Nazareno, Orlando B. Vea,  
Emmanuel Ramon C. Lorenzana\*,  
Charles A. Lim, Rolando G. Peña,  
Anabelle L. Chua, Rene G. Bañez,  
Mario G. Tamayo, Alejandro O. Caeg,  
Jovan Barac and Martin Backstrom*



*From left:  
Maulik Parekh,  
David Bizzaro and  
Ma. Isabel Bales*

## SPI Global



*From left:  
Orlando B. Vea, Charles A. Lim,  
Danny Y. Yu, Ricky Peña, Richard Zawila,  
Rudi Frey, Michele P. Curran,  
Susana O. Ligeralde, Joan C. Duenas  
and Bill Pamintuan*



*From left:  
Beth G. Lui,  
June Cheryl A. Cabal-Revilla  
and Maria Luisa V. Alvendia*

\* Hired January 1, 2012

## ePLDT

### Anabelle L. Chua

51, Filipino

Treasurer and Corporate Finance and Treasury Head, concurrently holds the position of Chief Financial Officer of Smart since 2006. She holds directorships in Philippine Telecommunications Investment Corporation, Smart and several subsidiaries of PLDT and Smart including ePLDT, Digitel, SPI Global Holdings, Inc., SPI Technologies, Inc., SPI CRM, Inc., ACeS Philippines Cellular Satellite Corp., PCEV, Wolfpac Mobile, Inc., Smart Broadband, Inc., Connectivity Unlimited Resources, Inc., Airborne Access Corporation, Smart Hub, Inc. and Chikka Holdings Limited. She is a member of the Board of Directors of Philippine Stock Exchange, Board of Trustees of the PLDT Beneficial Trust Fund and PSF. She has over 20 years of experience in the areas of corporate finance, treasury, financial control and credit risk management and was a Vice President at Citibank, N.A. where she worked for 10 years prior to joining PLDT in 1998.

### Ariel P. Fermin

44, Filipino

Designated on January 1, 2012 as the Head for Home Business segment. He has over 20 years of solid marketing, sales and entrepreneurial experience gained from leading Fast Moving Consumer Group companies locally and globally. Prior to joining the PLDT Group, he was the President of Greenwich Food Corporation and Chowking Food Corporation of the Jollibee Food Corporation from 2008 to 2011. He also served as Country Director of Nike Philippines from 2006 to 2008 and handled various posts in Unilever-Bestfoods California Manufacturing Company from 1998 to 2005 and senior executive for sales, marketing, media and innovation process management.

### Jun R. Florencio

56, Filipino

As Internal Audit and Fraud Risk Management Head, he handles the overall coordination of the internal audit function of the PLDT group of companies and is in-charge of the fraud risk management function of the PLDT fixed line business. He has over 25 years of work experience in the areas of external and internal audit, revenue assurance, credit management, information technology, financial management, and controllership. He was the Financial Controller of Smart for four years before he joined PLDT in April 1999 as Head of Financial

Management Sector. He held various positions in the finance organization of another telecommunications company prior to joining Smart.

### Menardo G. Jimenez, Jr.

49, Filipino

Human Resources Group Head and concurrently Business Transformation Office Head. He was Revenue Team Head of the Business Transformation Office from January 2008 to July 2010, the Retail Business Head of PLDT from June 2004 to December 31, 2007 and, prior to that, the Corporate Communications and Public Affairs Head. He had a stint at GMA Network, Inc., where he served as head of creative services and network promotions. He won the first CEO Excel Awards (Communications Excellence in Organizations) given by the International Association of Business Communicators mainly for effectively using communications strategies in managing the PLDT retail business team to meet its targets and achieve new heights in the landline business. In 2006, his further achievements in handling the retail business of PLDT and his stint in Smart as officer-in-charge for marketing were recognized by the Agora Awards which chose him as its Marketing Man of the Year.

### George N. Lim

59, Filipino

Network Services Assurance Head and concurrently Network Team Head of Business Transformation Office. He has over 30 years of work experience in telecommunications management. He was the Network Services Head from February 2003 to December 2007, Network Development and Provisioning Head from February 1999 to January 2003 and Marketing Head from December 1993 to February 1999. He holds directorships in some subsidiaries of PLDT.

### Christopher H. Young

54, British

PLDT's Chief Financial Advisor. He worked in PricewaterhouseCoopers in London and Hong Kong from 1979 until 1987, at which time he joined First Pacific in Hong Kong as Group Financial Controller. He joined Metro Pacific Corporation in 1995 as Finance Director, a position he held until he joined PLDT in November 1998.

# PLDT OFFICERS

**Manuel V. Pangilinan**  
Chairman of the Board

**Napoleon L. Nazareno**  
President and CEO

**Ernesto R. Alberto<sup>1</sup>**  
EVP, Enterprise, International and Carrier Business

**Ariel P. Fermin<sup>1</sup>**  
EVP, Home Segment

**René G. Bañez**  
SVP, Supply Chain, Asset Protection and Management

**Alejandro O. Caeg<sup>2</sup>**  
SVP, International and Carrier Business

**Anabelle L. Chua**  
SVP, Corporate Finance and Treasury  
Corporate Treasurer

**Ray C. Espinosa**  
SVP, Regulatory Affairs and Policies Office

**Jun R. Florencio**  
SVP, Internal Audit and Fraud Risk Management

**Menardo G. Jimenez, Jr.**  
SVP, Human Resources  
Business Transformation Office

**George N. Lim**  
SVP, Network Services Assurance  
Business Transformation Network Team

**Ma. Lourdes C. Rausa-Chan**  
SVP, Corporate Affairs and Legal Services  
Chief Governance Officer  
Corporate Secretary

**Alfredo B. Carrera**  
FVP, Regulatory Strategy and Support

**Cesar M. Enriquez**  
FVP, EICB Revenue and Operations Support

**Florentino D. Mabasa, Jr.**  
FVP, Legal Services

**Leo I. Posadas**  
FVP, Treasury

**June Cheryl A. Cabal-Revilla<sup>3</sup>**  
FVP, Financial Reporting and Controllershship

**Ricardo M. Sison**  
FVP, Consumer Credit and Business System Management

**Emiliano R. Tanchico, Jr.**  
FVP, Human Resources Management and Development

**Miguela F. Villanueva**  
FVP, Cost and Valuation

**Danny Y. Yu<sup>4</sup>**  
FVP, Chief Financial Officer - Digital

**Katrina L. Abelarde**  
VP, Small and Medium Enterprise

**Jose A. Apelo**  
VP, Operations Engineering  
Network Support

**Rafael M. Bejar**  
VP, Medical Services

**Marco Alejandro T. Borlongan**  
VP, Customer Service Management

**Renato L. Castañeda**  
VP, Corporate Relationship Management C

**Arnel S. Crisostomo**  
VP, Simple Services Provisioning and Restoration

**Amihan E. Crooc**  
VP, IS - Application Development and Management  
Officer-in-Charge, Information Systems

**Rebecca Jeanine R. De Guzman**  
VP, Retail Sales and Distribution

**Alona S. Dingle**  
VP, Financial Reporting

**Margarito G. Dujali, Jr.**  
VP, Retail Data Acquisition

**Mario C. Encarnacion**  
VP, Business Transformation Office Customer Services Team

**Alejandro C. Fabian**  
VP, Industrial and Employee Relations

**Gil Samson D. Garcia**  
VP, Revenue and Cash Accounting

**Elisa B. Gesalta**  
VP, Network Services Project Management

**Ma. Josefina T. Gorres**  
VP, Corporate Billing and Credit Management

**Ma. Criselda B. Guhit**  
VP, Tax Management

**Emeraldo L. Hernandez**  
VP, Core Network Operations

**Juan Victor I. Hernandez**  
VP, Corporate Business

**Marven S. Jardiel**  
VP, Corporate Process Review and Information Management

**Alexander S. Kibanoff**  
VP, Training, Development and Career Management

**Joseph Nelson M. Ladaban**  
VP, Consumer Credit and Collection Management

**Javier C. Lagdameo**  
VP, Corporate Relationship Management A

**Albert Mitchele L. Locsin**  
VP, Corporate Relationship Management B

**Luis Ignacio A. Lopa**  
VP, Enterprise Subsidiaries Account Management

**Joseph Homer A. Macapagal**  
VP, Property and Facilities Management

**Oliver Carlos G. Odulio**  
VP, Asset Protection Center

**Lilibeth F. Pasa**  
VP, Retail Market Development

**Jose Lauro G. Pelayo**  
VP, GMM South/West Customer Service District

**Gerardo C. Peña**  
VP, GMM North/East Customer Service District

**Ricardo C. Rodriguez**  
VP, Compensation and Rewards Planning and Management

**Genaro C. Sanchez**  
VP, Network Planning and Engineering

**Ana Maria A. Sotto**  
VP, Business Transformation Office  
(Project Manager)

**Julieta S. Tañeca**  
VP, Consumer Business System Management

**Jesus M. Tañedo**  
VP, VisMin Customer Service District

**Patrick S. Tang**  
VP, Retail Voice Acquisition - Postpaid

**Victor Y. Tria**  
VP, Corporate Business Solutions

**Melissa V. Vergel de Dios**  
VP, Investor Relations

**Fe M. Vidar**  
VP, Organization, Policies and Procedures Development

<sup>1</sup> Effective January 1, 2012.

<sup>2</sup> Effective January 1, 2012; concurrent President and CEO of PLDT Global Corporation effective September 23, 2012.

<sup>3</sup> Appointed in current capacity as Group Chief Financial Officer of ePLDT effective January 1, 2012.

<sup>4</sup> Seconded to Digitel as Chief Financial Officer effective January 1, 2012.