



# LIVE DIGITAL!

2013 ANNUAL REPORT



**PLDT is at the forefront of the digital age, bridging generations and making life better. In 2013, PLDT marked its 85<sup>th</sup> year of changing lives with its innovative products and services that delight young and old alike. It is transforming into a digital multimedia conglomerate that provides not just access but also data and content through various services on fixed and mobile platforms.**



PLDT is the leading telecommunications service provider in the Philippines. Through its principal business segments— wireless, fixed line and others — 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 2013, 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  
 Digitel 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. and Subsidiaries  
 Pilipinas Global Network Limited and Subsidiaries

### Others

PLDT Communications and Energy Ventures, Inc.  
 Philippine Global Investments Holdings, Inc.

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# Comparative Highlights

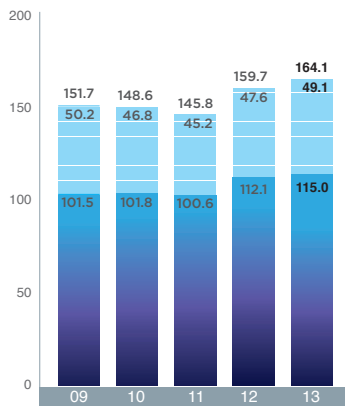
	2009	2010	2011	2012	2013
<b>FINANCIAL INFORMATION</b> (in million pesos, except cash dividends declared per common share)					
Revenues					
Service Revenues	151,706	148,597	145,834	159,738	164,052
Non-Service Revenues	2,426	2,217	2,645	3,295	4,279
	154,132	150,814	148,479	163,033	168,331
Expenses					
Depreciation and Amortization	25,159	25,881	27,539	32,354	30,304
Compensation and Employee Benefits	17,499	19,759	15,411	21,999	21,369
Repairs and Maintenance	8,261	9,087	10,053	12,604	13,107
Cost of Sales	5,432	4,771	5,443	8,747	11,806
Interconnection Costs	14,030	13,928	12,586	11,105	10,610
Selling and Promotions	5,705	5,244	7,807	9,708	9,776
Professional and Other Contracted Services	3,898	4,462	5,143	5,361	6,375
Rent	3,728	3,699	3,938	5,860	6,041
Asset Impairment	5,008	1,420	10,200	5,286	5,543
Others	7,296	7,036	8,304	9,505	10,584
	96,016	95,287	106,424	122,529	125,515
Net Income (Loss) for the year	40,198	39,825	31,218	36,099	35,453
Continuing operations	40,784	40,314	30,351	35,556	33,384
Discontinued operations	(586)	(489)	867	543	2,069
Core Income	41,241	41,594	38,616	36,907	38,717
Continuing operations	41,809	41,056	37,827	36,356	38,816
Discontinued operations	(568)	538	789	551	(99)
EBITDA	85,730	82,049	78,225	75,388	77,552
Property, Plant and Equipment	390,692	416,390	481,647	481,033	581,286
Accumulated Depreciation, Amortization and Impairment	229,436	253,206	281,505	280,955	388,621
Carrying Value	161,256	163,184	200,142	200,078	192,665
Capital Expenditures	28,069	28,766	31,207	36,396	28,838
Short and Long-Term Debts	98,729	89,646	117,275	115,792	104,090
Net Debts	56,586	52,299	70,660	78,057	71,467
Equity Attributable to Equity Holders of PLDT	96,821	97,416	153,860	145,550	137,147
Cash Dividends Declared Per Common Share					
Out of the Earnings for the Year	218	222	189	172	179
<b>OPERATING INFORMATION</b>					
Number of Cellular Subscribers	41,328,641	45,636,008	63,696,629	69,866,458	70,045,627
Number of Fixed Line Subscribers	1,816,541	1,822,105	2,166,295	2,063,794	2,069,419
Number of Broadband Subscribers	1,597,384	1,999,025	2,910,682	3,246,423	3,415,793
Wireless	1,037,720	1,355,977	2,068,409	2,359,024	2,453,826
Fixed Line	559,664	643,048	842,273	887,399	961,967
Total Number of Subscribers	44,742,566	49,457,138	68,773,606	75,176,675	75,530,839
Number of Stockholders	2,183,194	2,182,391	2,181,823	12,169	12,005
Number of Employees	13,454	14,737	19,452	19,125	17,899
Wireless	5,507	5,165	8,043	8,663	7,680
Fixed Line	7,947	9,572	11,409	10,462	10,219

The 2009-2012 results have been adjusted to reflect the adjustments on the application of the Revised PAS 19 - Employee Benefits.



# Consolidated Financial Performance Highlights

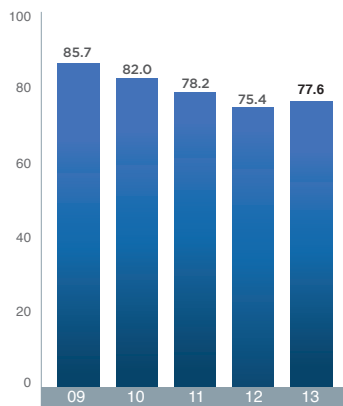
164.1B



**SERVICE REVENUES**  
(in billion pesos)

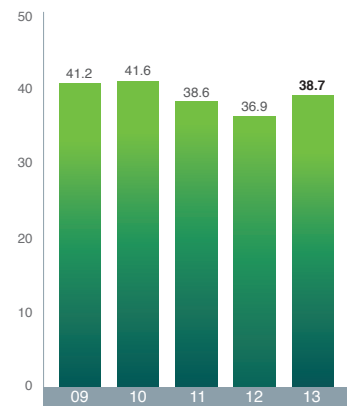
Wireless Fixed Line

77.6B



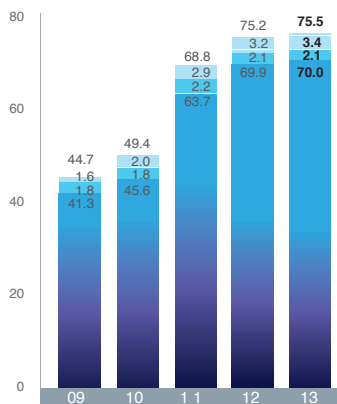
**EBITDA**  
(in billion pesos)

38.7B



**CORE INCOME**  
(in billion pesos)

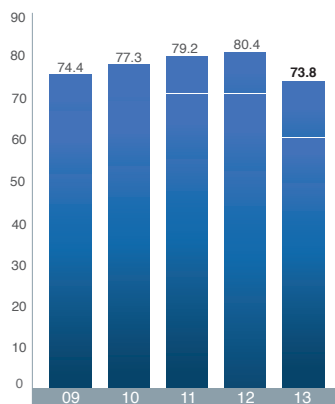
75.5M



**SUBSCRIBER BASE**  
(in millions)

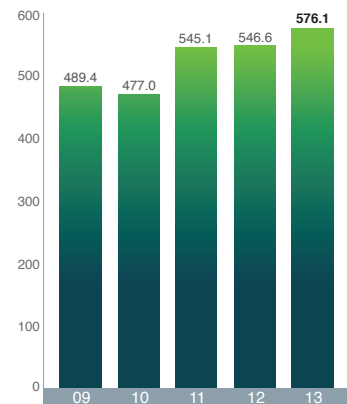
Wireless Fixed Line Broadband

73.8B



**CASH FLOW FROM OPERATIONS**  
(in billion pesos)

576.1B



**MARKET CAPITALIZATION**  
(Year-end, in billion pesos)



## A Message from the Chairman

“ CLEARLY, PLDT’S  
OVERARCHING GOAL  
IS TO GO FAR BEYOND  
TRADITIONAL TELECOMS,  
AND OFFER A GROWING  
RANGE OF DIGITAL  
CONTENT AND  
SERVICES THROUGH  
ITS EXTENSIVE  
INFRASTRUCTURE. ”



# Our Future is Digital

## TO MY FELLOW SHAREHOLDERS:

I am pleased to report that your Company has, in 2013, returned to a path of sustained growth despite the tough challenges of today's disruptive, digital world.

We have accomplished this by vigorously pursuing a demanding two-pronged strategy: First, maximizing the value of our traditional services such as voice and text messaging even as these are continuously challenged by free web-based communications services. Second, building new digital businesses by combining data access with rich multimedia content and cloud-based services and partnering – rather than competing – with internet companies offering over-the-top (OTT) services.

The positive results of these efforts are borne out by PLDT's financial results for 2013. After two years of decline, consolidated service revenues in 2013 increased by Php4.3 billion to Php164.1 billion, up 3.0% from the previous year. EBITDA is up by 3% as well to Php77.6 billion. Core net income rose by 5% to Php38.7 billion, slightly above our guidance figure.

This performance enabled PLDT to close 2013 with a market capitalization of Php576.1 billion, a 5.4% increase in share price year-on-year, making it the country's most valuable company. For the seventh year running, PLDT declared dividends amounting to 100% of core income.

The progress that your Company made in 2013 becomes more evident in the changing composition of its revenues. The revenues of our fast growing data businesses reached Php35.4 billion, surpassing for the first time, the revenues of our legacy businesses (specifically, international and national long distance) which stood at Php26.9 billion. Moreover, our data revenues grew four times faster (16%) than the rate of decline of the latter (-4%). Our President and CEO, Polly Nazareno, calls this as the "cross-over point." Having passed that crucial crossroad has put PLDT in a better position to pursue growth sustainably moving forward.

## FORTIFYING OUR FIBER

Our changing revenue mix underscores that our future clearly lies in data and in fiber. That anticipation has been driving our strategic investments in technical infrastructure in recent years and has given us a decisive advantage in today's data-driven world.

We have for example fortified our fiber advantage, which is critical to our ability to handle the expected explosion of data traffic in the coming years. As of end-2013, PLDT expanded its fiber optic network to over 78,000 kilometers – four times that of competition. We continue to extend the reach of our network and expect to have nearly 100,000 kilometers of fiber by end-2014.

On the back of this investment, we are extending the reach of our fiber-to-the-home (FTTH) facilities to many more homes and offices. We are also expanding the footprint of our fourth-generation Long-Term Evolution (LTE) mobile phone network to about 50% of the population, and our 3G network to 100% of the population by end-2014. We have also begun to deploy the LTE Time Division Duplex (TDD) to provide fixed wireless high-speed broadband service. This early, our mobile subsidiary, Smart Communications, Inc. (Smart), has already conducted tests with Advanced LTE – the next step forward for 4G.

Indeed, we are building large pipes to carry increasingly huge amounts of data. But we do not want to become merely a "dumb pipe." Clearly, PLDT's overarching goal is to go far beyond traditional telecoms, and offer a growing range of digital content and services through its extensive infrastructure.

## MULTIMEDIA, MULTI-SCREEN

We are going multimedia and multi-screen.

Capitalizing on its growing FTTH footprint, PLDT is using *Telpad* – the world's first online landline with Android tablet service – and *TVolution* – a pocket-sized device that turns an ordinary TV into an internet TV – to offer digital video, music, games and educational content.

PLDT's mobile subsidiaries – Smart and Digitel Mobile Philippines, Inc. (DMPI) – have combined to create the country's largest marketplace for digital content. Through its mobile online music portal *Spinnr*, our cellular companies have made it possible for our over 70 million subscribers to purchase music downloads and streaming using airtime load or operator billing. These payment channels – particularly airtime load – are making possible online purchases of digital content on a vastly much larger scale than ever before.

Smart is also leading the way for our efforts to unlock the market for prepaid mobile data. It is doing this by offering relevant data services (like email, chat and social media) in very affordable "sachet packs" of as low as Php5 through breakthrough, multi-awarded smartphone applications like *SmartNet* and *PowerApp*.

Smart and DMPI are partnering with OTT players that offer a growing range of social media, messaging, voice over IP and other services. At first blush, this course of action appears self-defeating because OTT players offer services that directly compete with those of telecoms operators like ourselves. But in the "coopetitive" landscape of the internet world, telecoms companies and OTTs are increasingly finding ways to work with each other for their mutual benefit – if not their survival.

That said, we are ever mindful of both the pitfalls and opportunities as we venture further into digital territory. We are after all a “digital migrant,” not “digital natives” as the OTT players are. Indeed, there is cause for caution given how web-based technologies and business models continue to disrupt industry after industry.

In our view, however, the way forward is to embrace disruption, not avoid it. Our task is to focus on creating sustainable business models for the digital businesses that we build. This effort is being spearheaded by our innovation groups within our mainstream organizations and those outside such as Smart subsidiary *Voyager Innovations, Inc.*, and *IdeaSpace Foundation*, our tech startups incubator and accelerator.

To succeed in this effort, we need to leverage on our unique combination of assets, people and resources – our infrastructure, market reach and our kinship with other major infrastructure companies in the country, particularly those which are part of the First Pacific Group.

## A BUMPER CROP OF AWARDS

It is gratifying to note how our efforts in innovation, corporate governance and community services have been rewarded by recognition at home and overseas.

The international consulting firm *Frost & Sullivan Philippine Excellence Awards* conferred four awards to PLDT in 2013, including awards for Telecom Service Provider of the Year, Broadband Service Provider, Data Center Service Vendor and Hosted Contact Center Service Provider.

Our President and CEO Polly Nazareno won as Asia’s Third Best CEO from institutional investor’s All-Asia Executive Ranking while I was recognized as Best Asian Director and your Company as Icon on Corporate Governance in the 2013 Corporate Governance Asia Awards.

For the fifth consecutive year, your Company was ranked number one in the Most Committed to a Strong Dividend Policy and Best Investor Relations in poll done by Hong Kong-based publication *FinanceAsia* that show recognition of how PLDT consistently gives importance to its shareholders. In other categories, PLDT was ranked as one of the top 10 in each of the Best Corporate Governance, Best Managed Company, and Best Corporate Social Responsibility categories.

PLDT also won the Most Consistent Dividend Policy during the Third Annual Southeast Asia Institutional Investor Corporate Awards as well as the Best Investor Relations by a Philippine Company from the IR Magazine Awards Southeast Asia 2013.

Smart won several international innovation awards for its path-breaking mobile internet platform called *SmartNet*. It won the Best Content Service Award at

the Asia Communications Awards (ACA) program in Singapore, the Best Consumer Service Award at the World Communications Award in London and the Best Operator OTT Service Award from the online publication *Telecoms.com* in Barcelona.

Smart also received the Best Community Telecom Project citation at the Telecom Asia Awards in Kuala Lumpur for its role in developing the Android application for the *Project National Operational Assessment of Hazards & Risks (NOAH)* website of the Department of Science and Technology and PAGASA Weather Bureau.

Smart also won in the Environment and Value Chain Management category of the *Asian CSR Awards* for its Green Merchandizing program, which involves the use of eco-friendly materials for outdoor and indoor merchandizing.

## DEALING WITH DISASTERS

In what has been – tragically – a banner year for calamities in the Philippines, the PLDT Group has been at the frontlines of responding to these emergencies.

From the armed conflict that gripped Zamboanga City to the earthquake that shook Bohol and Cebu, to the super typhoon that cut a path of death and destruction through Central Philippines, PLDT worked with kindred companies, other private corporations, NGOs, national agencies and local governments to bring assistance to the affected communities in 2013.

The vital nature of our businesses gets us in the thick of things, almost by default. When *Typhoon Yolanda (Haiyan)* swept through the Visayas islands, it disrupted power, water, and communications, particularly in Leyte and Samar. Restoring these services was a critical priority in the overall relief and recovery effort.

PLDT and Smart played a leading role, providing satellite communications to government relief and international humanitarian agencies and to local governments of communities that had been cut-off. We worked with international partners, *Thuraya Telecommunications Co. (Thuraya)*, *Vodafone Foundation* and *Telecoms Sans Frontieres*, to slice through the silence that blanketed the worst-hit areas.

Our field engineers and sales people operated free-call stations to give typhoon survivors the chance to contact their families and friends. Smart and *Sun Cellular* also provided free SMS for subscribers in the affected areas. Meantime, we rushed the restoration of mobile and fixed line communications to all the affected towns and cities and completed the task in just one month.

Working with the Philippine Disaster Recovery Foundation (PDRF), PLDT helped raise funds through telethons held by TV5 and SMS fund drives done by Smart and *Sun Cellular* for communities affected



by the Bohol earthquake through the *Brick-by-Brick* campaign, and those impacted by *Typhoon Yolanda* through the *helpPH* global philanthropy campaign.

In partnership with the Land Bank of the Philippines, Smart deployed its mobile money service to support the emergency cash transfer programs of the United Nations Development Programme in Leyte and Iloilo.

For its comprehensive and immediate response to the *Typhoon Yolanda* emergency, Smart won an award in February 2014 for the "Best Use of Mobile for Emergency or Humanitarian Efforts" at the annual meeting of the *Groupe Speciale Mobile Association* (GSMA), the global association of mobile phone operators.

Our activities in the field of education were, in part, adjusted to support post-disaster recovery effort. In cooperation with PDRF, PLDT's *Gabay Guro* (2G) built 10 storm-resistant, fully-equipped classroom buildings in Tacloban City and Palo in Leyte, and Ivisan in Capiz, benefitting around 700 pupils. PLDT also built classrooms in the municipalities of Cordova and Lapu Lapu City in Cebu and Tagbilaran, Loay and Cortes in Bohol. In Tacloban City and in Bohol province, 2G provided cash calamity assistance and grocery items to teachers, and flew in counseling experts to help them recover from the emotional trauma caused by these calamities.

In other areas of the country, 2G pursued its core program of providing scholarships and other assistance to public and private school teachers. It staged its annual tribute to teachers at the Mall of Asia Arena attended by around 17,000 teachers.

PLDT's *Infoteach Outreach* program continued to provide internet and computer education, reaching over 1,600 public school teachers and students from 100 public schools in 10 provinces in different parts of the country in 2013.

Meantime, Smart developed new programs in mobile education in partnership with the *GSMA mEducation Committee*, the Department of Education (DepEd) and Technical Education and Skills Development Authority. It launched a mobile application for mobile teachers of DepEd's alternative learning system for out-of-school-youth. The app contains all the training modules of the teachers and is bundled for free with low-cost tablets powered by Smart mobile internet connectivity.

Smart also launched the country's first *Massive Open Online Content* (MOOC) in partnership with the University of the Philippines Open University (UPOU). The free online course on Android Mobile Applications Development will soon be followed by other online courses to be developed by Smart.

A novel education program called *Smart TXTBKS* has won numerous awards, including the Philippines' first Grand Prix at the 60th Cannes Lions International

Festival of Creativity. Developed by advertising agency DM9 JaymeSyfu and Smart, the project involves the conversion of textbooks into SIM content that can be read by schoolchildren using feature phones.

For technopreneurship, the first batch of *IdeaSpace* tech startups finished their incubation program last November. We are currently in the process of selecting the second batch. This time around, the field has been narrowed down to 20 finalists who are going through an incubation and accelerator program from which 10 winners will emerge.

Our efforts to promote tech startups in the country are in its infancy. But this early, *IdeaSpace* has already attracted over 600 proposals from aspiring technopreneurs all over the country, indicating that we are making progress in democratizing access of technical and financial assistance for tech startups.

Finally, in the field of sports, the high point for 2013 must be the successful staging of the FIBA Asia Basketball Championship for Men in Manila, where the *Gilas Pilipinas* team made a valiant effort that won for them second place with a 7-2 record, and more importantly, a chance to compete in the World Championships in Spain in August 2014. This was an uplifting, unifying moment for Filipinos who joined as one in support of the national team.

## OUTLOOK

During a recent visit to Silicon Valley in California, I had the opportunity - along with senior management from the First Pacific Group, all 50 of us - to talk with various players in the tech industry including senior executives, tech startups, venture capitalists, academicians and established industry players. We came back from that trip convinced that, 25 years after its birth, the internet revolution is just getting started. And I have concluded that the theme of that Immersion Program at the Valley - "*Disrupt or Be Disrupted. Are we the Wolf or the Sheep?*" - is most appropriate indeed.

From the worldwide web, we are now moving towards the *Internet of Things* and the *Internet of Everything*, where billions of people - plus tens of billions of a wide range of devices - will be connected via the web. Industry after industry need to come to terms with this growing reality, and must learn to profit and thrive in this unsettling environment.

The PLDT Group is making that challenging but exciting transition - from being a telecoms operator to a digital company offering a wide range of life services in an increasingly connected world.

Let me close by thanking our shareholders for their unrelenting support, our Board of Directors for their wise counsel, and the Management and Staff for their commitment and perseverance in serving your Company, our Customers and our Country.

  
MANUEL V. PANGILINAN  
Chairman of the Board



## A Letter from the President and CEO

“THE PLDT GROUP’S INTEGRATED FIXED LINE AND WIRELESS NETWORK REMAINS UNRIVALLED IN ITS ABILITY TO PROVIDE HIGH-QUALITY VOICE, DATA AND MULTIMEDIA SERVICES TO OUR CUSTOMERS.”



# Maximizing Data Growth

## DEAR FELLOW SHAREHOLDERS:

In the last two years, PLDT operated in a challenging competitive environment, while at the same time, undertaking important internal changes. We have reorganized our fixed and mobile businesses to take into account the acquisition of *Digital Telecommunications* and *Sun Cellular*. We have also undertaken a massive network transformation program. All of these have impacted on our financial results.

At this point, however, we are proud to announce that after two years of decline in our profitability, PLDT is firmly back on the growth track.

Core income, excluding exceptional items, grew by Php1.8 billion or 5% year-on-year to Php38.7 billion from Php36.9 billion in 2012. Higher revenues, EBITDA and equity share in earnings of Beacon Electric Asset Holdings, Inc. (Beacon), as well as lower depreciation, contributed to the increase. In addition, this year's core income included a Php2.1 billion gain from the sale of the final two tranches of Philweb shares.

Reported net income for 2013 of Php35.4 billion was lower by 2% compared with 2012 reflecting higher foreign exchange and derivative losses and the adverse impact of *Typhoon Yolanda*. Excluding the typhoon losses, reported net income would have been stable year-on-year.

Consolidated service revenues for 2013 rose by 3% year-on-year to Php164.1 billion as the ongoing structural change in PLDT's revenue mix continues to temper revenue growth.

Revenues from cellular domestic voice, cellular SMS and LEC, which accounted for 62% of total revenues in 2013, remained stable at Php101.8 billion.

Growing revenue streams from non-SMS data services of Php35.4 billion in 2013 now account for 22% of total revenues, overtaking the 16% contribution from our legacy revenue streams from international inbound voice and national long distance businesses. Note that the growth of data and broadband accelerates the decline in legacy voice revenues.

The structural change in the revenue mix where high margin revenues from our legacy businesses are being replaced by revenues from relatively lower margin data and broadband businesses, as well as increases in handset and device subsidies following our greater push for postpaid revenues, have put pressure on EBITDA margins. Nevertheless, consolidated EBITDA for the year grew to Php77.6 billion or 3% higher versus 2012, while EBITDA margin remained stable at 47%.

Free cash flow for 2013 rose by Php4.4 billion or 12% to Php42 billion and exceeded core income for the year by Php3.3 billion, mainly due to the lower level of capital expenditures (capex) for the year following the completion of the network transformation program in 2012.

For the seventh consecutive year, PLDT declared 100% of its core earnings as dividends. Total dividends per share of Php179 include regular dividends of Php125 and special dividends of Php54, representing 70% and 30% of 2013 core earnings per share, respectively.

At the closing share price of Php2,666 at the end of 2013, PLDT's dividend yield stood at 6.7%, one of the highest, not only in the Philippines, but also within the region.

## UNMATCHED NETWORK

PLDT continues to fortify its unparalleled network advantage.

Following a two-year Php67.6 billion network modernization program completed in 2012, PLDT spent approximately Php29 billion for capex in 2013 in anticipation of the growth in our data and broadband businesses.

Capex for 2013 included the further expansion of our 2G, 3G and 4G coverage and capacity. This also increased our fiber footprint to 78,000 kilometers which enabled us to grow our FTTH coverage to two million homes passed, to further expand fiber connectivity of our cellular base stations and to increase our international cable capacity.

As a result, the PLDT Group's integrated fixed and wireless network remains unrivalled in its ability to provide high-quality voice, data and multimedia services to our customers.

## BROADBAND RISING

The upward momentum in broadband revenues was maintained with consolidated fixed and wireless broadband revenues higher by 16% or Php3.7 billion at Php26.6 billion in 2013. Broadband now accounts for 16% of total revenues as compared with 14% in 2012.

Fixed and wireless broadband each rose by 10% year-on-year while mobile internet browsing revenues, which reached the Php5-billion-mark, grew by 59% from last year.

These results highlight the rising popularity of broadband in the Philippines, which provides a rich source of potential revenues for PLDT. Almost 50% of our fixed line subscribers have a DSL subscription, while about 15% of our wireless subscribers own smartphones. There is room for further growth as shared access via internet cafés still accounts for a large share of internet usage.

To encourage more of our fixed line subscribers to sign up for DSL plans, PLDT has a suite of offers that includes bundles providing access devices such as *Telpad* and *TVolution*, as well as triple-play services that offer landline, high-speed internet and pay TV content.

On the wireless side, efforts to raise mobile internet browsing revenues continue, including seeding smartphone ownership through postpaid plans.

Though postpaid has grown in importance, we believe that the Philippines will largely remain a prepaid market. As a result, we are focusing on unlocking prepaid data through various means, including the bundling of non-SMS data with voice and SMS plans, low denomination data sachets or sachet apps. We are also leveraging content to engage the customer as well as encourage and expand usage. With these initiatives, plus the increasing availability of affordable smartphones, and PLDT's network advantage, we expect even more significant increases in mobile internet browsing revenues in the near future.

### CHANGING WIRELESS REVENUE MIX

Service revenues from our wireless business grew by Php2.9 billion or 3% year-on-year to Php116.7 billion in 2013, reflecting the continued growth of non-SMS data and cellular voice revenues.

In addition to the change in our wireless revenue mix, the on-going change in our cellular subscriber mix is expected to impact service revenue growth and EBITDA margins. Prepaid revenues representing 82% of cellular revenues were stable year-on-year. On the other hand, postpaid revenues registered a 15% increase over last year to Php19.0 billion and now account for 18% of cellular service revenues from 16% in 2012.

Wireless EBITDA for 2013 rose by Php0.2 billion from 2012 to Php54.7 billion, with EBITDA margin at 47% mainly due to higher subsidies to support initiatives to grow the postpaid business.

Efforts to increase wireless revenues are directed towards improving ARPU's by growing non-SMS data revenues.

### DATA POWERS FIXED LINE GROWTH

PLDT's fixed line business continued to register year-on-year improvements as service revenues grew by 4% to Php53.7 billion, net of interconnection costs.

Growth was underpinned by data revenues which now account for more than half of total fixed line revenues. Corporate data revenues recorded a 6% rise to Php13.1 billion, while fixed broadband revenues were 9% higher at Php12.3 billion following an 8% increase in subscribers. Data center revenues grew by 61% to Php1.8 billion highlighting the increasing adoption of cloud computing and data center services in the country.

Fixed line EBITDA rose by Php2.2 billion or 11% year-on-year to Php22.3 billion with EBITDA margin higher at 36% mainly due to higher revenues and expenses related to the manpower rightsizing program (MRP) in 2012.

The continued improvement in the Philippine economy bodes well for PLDT's *HOME* and *Enterprise* businesses as it creates a growing demand for broadband and data services for retail customers, SMEs and large corporations.

Our suite of *HOME* services offers integrated access, content and various devices to provide a richer multimedia experience through the internet.

*Enterprise* solutions, on the other hand, include Ethernet, cloud computing, and data center services that help increase customer productivity, efficiencies and competitiveness.

### BUNDLING ACCESS AND CONTENT

As the worlds of telecommunications, media and the internet continue to converge, we are pursuing more aggressively our strategy to transform PLDT into a multimedia services organization. Thus we are stepping up our efforts to integrate content with our fixed and wireless offers.

We have expanded content available to our DSL and *Fibr* subscribers to include more movies, TV series, music, games and sports. Our wireless subscribers, on the other hand, can access music from *Spinnr*, the biggest mobile online music portal in the country.

For gamers, *ePINS* are available from our gaming portal *GameX*. Given low credit card penetration in the country, payments for content services can be conveniently charged to prepaid loads or postpaid bills.

As for *Signal TV*, the direct-to-home (DTH) business that PLDT has invested in via Philippine Depository Receipts (PDRs), the growth in its subscriber base continues unabated, reaching about 602,000 subscribers at the end of 2013.

*Signal TV* recently won exclusive rights to air the Winter Olympics in Sochi and the upcoming Summer Olympics in Brazil. *Signal TV*'s content portfolio continues to broaden, parts of which we were able to bundle with our fixed line triple play service and *TV-to-Go* mobile offering.

We firmly believe that we can create new revenue sources by capitalizing on our network strengths and combining this with new ways of providing our customers with engaging and compelling content.

### ENHANCING MERALCO INVESTMENT

Through PLDT Communications and Energy Ventures, Inc. (PCEV), the PLDT Group continues to co-own Beacon Asset Holdings, Inc., together with Metro Pacific Investments Corp. (MPIC). Beacon remains the largest shareholder of Meralco with about 50% ownership interest.

In 2013, Meralco registered core earnings of Php17 billion, a 5% increase over Php16.3 billion in 2012. Approximately 70% of 2013 core earnings, equivalent to Php10.55 per share, were paid out as dividends.

Entry into power generation provides an additional avenue for the future growth of Meralco, further enhancing the value of PLDT's investment in the company.

### OUR STRONG DEBT POSITION

PLDT's consolidated financial position remained robust in 2013. Consolidated gross debt decreased by US\$0.5 billion to US\$2.4 billion while net debt declined to US\$1.6 billion.

Following a modest increase of above 1x at the end of 2012, net debt to EBITDA dipped to 0.92x at the end of 2013.

In February 2014, PLDT's seven- and 10-year peso fixed-rate maiden issue bonds were listed on the *Philippine Dealing and Exchange Corp.* (PDEX). Proceeds from the Php15 billion domestic retail bond issue will be used for capex and debt refinancing.

PLDT's debt maturities continue to be well spread out.

PLDT's credit ratings with *Fitch*, *Moody's* and *Standard and Poor's* remain at investment grade.

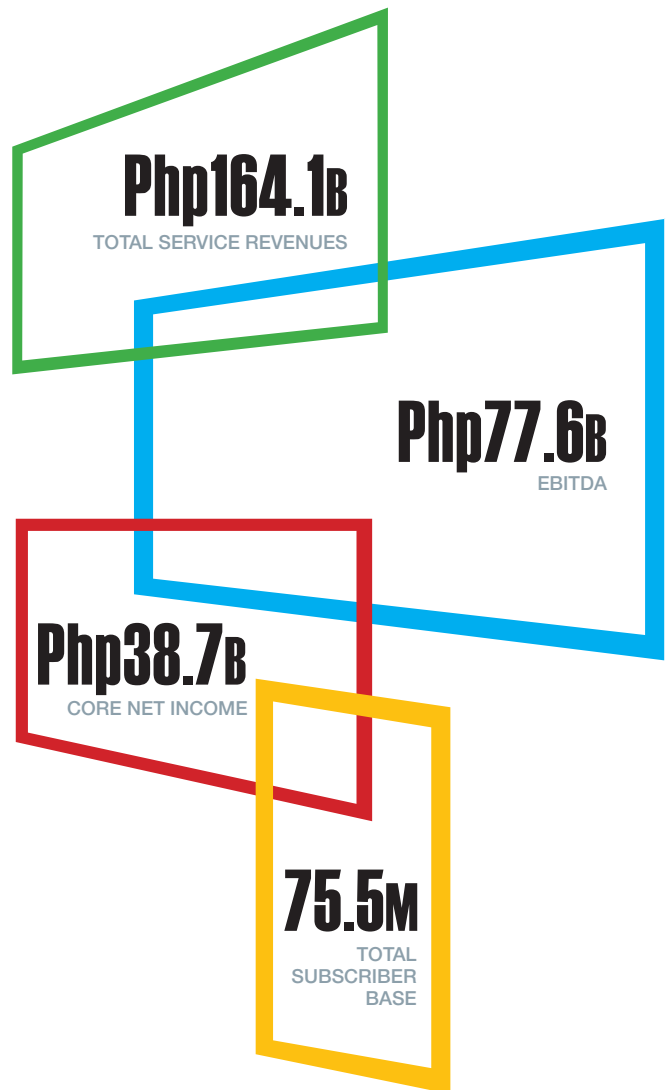
### 2014: MAXIMIZING DATA GROWTH

Now that we have steered PLDT back firmly into the growth path, our focus for 2014 is to maintain this momentum in profitability while managing the transformation of revenue mix. This involves expanding our data businesses while maintaining the equilibrium of our core businesses and managing the declines of our legacy services.

We recognize that we cannot stand still and simply wait for the on-going changes to disrupt our business. This is what drives us to proactively explore how we can future-proof PLDT, including leveraging content and multimedia, and investing to ensure that our network advantage is maintained and fortified.

Our objective is to successfully transition and strengthen PLDT's leadership in the emerging digital world. On behalf of the PLDT team, I affirm to you, our shareholders, our firm commitment to attain this goal.

  
**NAPOLEON L. NAZARENO**  
President and Chief Executive Officer





## LIVE DIGITAL!

REALIZING THAT THE STRONGEST CONNECTIONS ARE AT HOME,  
THE PLDT GROUP'S INNOVATIVE PRODUCTS AND SERVICES HELP  
FAMILY MEMBERS STAY CONNECTED AND ENGAGED.





# PLDT Group Corporate Milestones

POWERED BY CONTINUOUS INNOVATION AND STRATEGIC PARTNERSHIPS, 2013 WAS A YEAR THAT PLDT FURTHER STRENGTHENED ITS NETWORK COVERAGE AND PROVIDED RELEVANT AND INNOVATIVE SOLUTIONS TO CONNECT PEOPLE AND COMMUNITIES.

## Most reliable and extensive network powered by fiber

The PLDT Group continued its efforts to provide the most powerful, reliable and extensive network services. The Group maintained its position as the leading network provider with its landline, fiber, wireless, internet and Cloud infrastructure projects.



PLDT upgraded its fiber optic transport network using 100G technology, the first in the country.



PLDT *Fibr*, the Company's most powerful residential broadband service was launched in over 1,000 residential areas in different parts of the country.

*myBro* became the #1 wireless broadband for the home with innovative plans and bundles for customers.

Smart staged the country's first successful video multicast over LTE connection, through the evolved *Multimedia Broadcast Multicast Services (eMBMS)*. When fully developed, *eMBMS* will allow people to watch clear, lag-free live video on their LTE-capable devices.



Smart led the first successful trials of *Advanced LTE* in Davao, Metro Manila and Boracay, achieving speeds of up to 209.66 Mbps, twice the top speed of *LTE*.

Smart expanded its *LTE* footprint to over 1,200 sites, providing the most extensive *LTE* network in the country.





PLDT launched the country's first unified communications as a service with PLDT Cloud UCaaS.



Finally, an all-in-one, smarter Unified Communications Service

PLDT VITRO Data Center became the first in the country to earn the ISO 22301:2012 Business Continuity Management System Certification.



Smart offers the country's widest 4G coverage with over 10,000 sites - double the size of competition and covering 85% of the country's population through its HSPA+, WiMAX and LTE technologies.

ePLDT affiliate IP Converge became the country's first provider of locally-hosted enterprise backup-as-a-service in partnership with Symantec.



ePLDT affiliate ePDS, Inc. (ePDS) has been ISO certified since 2006. With ten years in the business as a customer communication management service provider, ePDS has become a leader in the data printing and document management business.



Sun Cellular expanded its network coverage to 49 additional provinces in the country. It also doubled the coverage of its broadband service nationwide.

**SUN BROADBAND GIVES YOU WIDER AND STRONGER COVERAGE**

**EASY BROADBAND**  
• UNLIMITED INTERNET • ONLY P899/MONTH • NO HOLDING PERIOD ALL YOU NEED IS AN LCD

**NOW AVAILABLE HERE!**

CONSISTENT • FAST • RELIABLE

## Connecting lives through products and services

The PLDT Group also rolled out various products and services to strengthen ties among individuals, communities and businesses.



“The strongest connections are at home” campaign was launched in a TV commercial showing how PLDT technologies are helping family members stay connected.

PLDT ALPHA Enterprise launched PLDT Cloud Contact Center as a Service (CCaaS), as well as the PLDT Cloud Platform as a Service (PaaS), expanding its portfolio of Cloud services.



Dubbed as the world’s first online landline, the launch of the all-new *Telpad Dual Core* paved the way to doubling the *Telpad* subscriber base to almost 100,000.

Smart launched *Spinnr*, the country's first mobile online music portal. Through partnerships with MCA Music, Inc. and Sony Music Entertainment, the world's two biggest music companies, *Spinnr* is giving its customers access to more than 3 million songs, transforming every Smart mobile phone into a virtual music store where tracks can be streamed or downloaded using mobile airtime credits as payment.



**UNLIMITED MUSIC STREAMING**

**P2.50 PER DAY**  
WiFi/3G access with no added data charges.  
No data plan required.

**FREE 15-DAY TRIAL**

THE PACKAGE	CALL SPEED	MINUTE
LAUNCH P2,250	1 MBPS	

Get Negosyo Boost! Launch now and enjoy a Sun Cellular plan along with Internet and localized!

PLDT *SME Nation* packaged *Negosyo Boost* with *Sun Fixed Load Plan*, the first landline, data and mobile convergent group offering for SMEs with a complete suite of wireless solutions – voice, broadband and mobility.

Smart launched *GameX*, its online mobile games platform where players can purchase credits for mobile games.



*Web Presence*, a cloud-based application offered by PLDT *SME Nation*, enables SMEs to easily create, publish and manage business websites through a *Do-It-Yourself* (DIY) tool for instant online presence.



PLDT *SME Nation* launched *Cloud Managed Security* that aims to address the increasingly complex security requirements of SMEs conducting their operations online. Combining *Symantec's* class-leading endpoint protection with *IP Converge's* IT expertise, the product protects enterprises in the cyber marketplace - with minimal hassle.

*Sun Cellular* teamed up with *Opera* in offering fast and best-value mobile browsing for as low as Php15 for unlimited 24-hour browsing, through the *Opera Mini* browser.



## Reaching out to serve more Filipinos

The PLDT Group provided satellite communications to the local government for its various services as well as for disaster relief channels and even for the calling service requirements of seafarers.

Smart forged a partnership with world-leading mobile satellite services provider *Thuraya Telecommunications Co. (Thuraya)*, which provides coverage in over 140 countries, expanding its *Smart Satellite Services* footprint to cover two-thirds of the world.



**Now there's no place with no signal.**  
Introducing a communication breakthrough from Smart.

**SMART SAT**

Turn your iPhone into a satellite phone instantly.

Connect even without regular GSM signal through a satellite link for uninterrupted communication. With voice, SMS, and data capabilities throughout Asia, Africa, Australia, Europe, and the Middle East.



Smart launched the *Marino PhonePal*, a prepaid calling service that enables seafarers to make clearer voice calls even while at sea.

Smart and Land Bank of the Philippines (LandBank) launched *BayadLoad*, a Bangko Sentral ng Pilipinas (BSP)-approved mobile payment service for government social security, housing, provident and health insurance contributions. The service allows mobile phone users to pay using their load, another world-first in the mobile money space.

Smart and LandBank also launched *Panao SIKAP* (Sa Ipon at Kabuhayan Aahon ka Pinoy), a mobile money based auto-savings and livelihood scheme that will benefit at least four million *Pantawid Pamilyang Pilipino Program* (4Ps) recipients and more than five million small farmers and fisherfolks.



The United Nations Development Programme (UNDP) piloted its emergency cash-for-work program to benefit survivors of *Typhoon Yolanda* in partnership with LandBank and Smart's mobile money service.

## Accessible, customizable customer experience

In support of the Group's efforts to offer more innovative products and services, PLDT created more ways to become more accessible to its customers, giving more leeway for customization and providing more points of contact both online and offline.



In line with PLDT's 85th anniversary celebration, the Company's most iconic campaigns through the years, as well as the most loyal subscribers across the country, were recognized.

Sun Cellular launched the *Pocket Sun Shop*, an Android application that allows subscribers to get easy access of its postpaid promos, product information and registration links to *Sun Cellular* services.

Order Postpaid services straight from your Android phone with the

Pocket **SUN** Shop



GET IT ON Google play for **FREE!**

Sun Cellular brought customization to another level with its *Sun Name Ur Number* SIM, a prepaid SIM that allows subscribers to choose their own mobile number for free.



Smart enabled Filipinos to have control over their budget with *Flexibundles* postpaid plans, where Smart subscribers can enroll to call, text and data bundles of their choice.

Smart stepped up its campaign to encourage Smart subscribers to use alternative "self-care" channels to resolve customer inquiries and concerns. These channels include the *SagotAgad* text inquiry service, a SIM-based customer service menu app called *Smart Services*, its online channel *My.Smart* and its in-store self-help machines.



## Forging strategic partnerships

Strategic partnerships complemented the Group's overall goal of providing innovative products and efficient service in the service of nation-building.



PLDT partnered with *Cisco* and *Ciena* to upgrade domestic and international networks.



Smart signed a partnership with *Starhub* for the first commercial LTE roaming service between the Philippines and Singapore.

A new set of *MVP Bossings* led by Zesto Chairman Amb. Alfredo Yao were given tribute by PLDT *SME Nation* as the nationwide search continued the tradition of recognizing admirable Filipino entrepreneurs across the country.



PLDT *VITRO* joined the *ACASIA* global data center alliance as its Philippine arm.



PLDT *SME Nation* tied up with Samsung to further empower entrepreneurs today with business-enhancing bundles comprising of cutting-edge broadband and Cloud services with the latest IT equipment and smart devices.

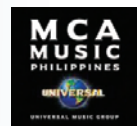
*ePLDT* became the first Philippine member of the *Uptime Institute*, a consortium of companies that engage in conferences and seminars for the enterprise data center industry and for data center professionals.



In partnership with *Go Negosyo*, PLDT *SME Nation* presented the second Filipino Technopreneurship Summit, a whole-day convention designed to provide participants with relevant information on how the Filipino entrepreneurial spirit, coupled with technology, can contribute to economic growth and nation-building.



*Sun Cellular* sealed a deal with *MCA Music, Inc.* for free original music content online through its new product, *Sun Broadband Entertainment Stick*. A first-of-its-kind, Sun Broadband Entertainment Stick is a Sun-powered broadband modem, which comes with 20 record-breaking songs from *MCA Music, Inc.*'s "Hottest Hits... Ever" album and allows users to download 10 songs of their choice for free every month.



## Global and national awards

In 2013, PLDT's efforts to serve its customers and communities harvested a bumper crop of recognition from Philippine and global organizations.



PLDT won *Frost & Sullivan Philippines Excellence Awards* for several categories: Telecom Service Provider of the Year, Broadband Service Provider of the Year, Data Center Service Vendor of the Year (*VITRO* Data Center) and Hosted Contact Center Service Provider of the Year.

At the 2013 *Corporate Governance Asia Awards*, PLDT Chairman Manuel V. Pangilinan was named Best Asian Director, while PLDT received the Icon on Corporate Governance Award.



PLDT President and CEO Napoleon L. Nazareno won as Asia's 3rd Best CEO from *Institutional Investor's All Asia Executive Ranking*.

## FinanceAsia

For the fifth consecutive year, PLDT was ranked number one in the Most Committed to a Strong Dividend Policy and Best Investor Relations in poll done by Hong Kong-based publication *FinanceAsia* that show recognition of how PLDT consistently gives importance to its shareholders. In other categories, PLDT was ranked as one of the top 10 in each of the Best Corporate Governance, Best Managed Company, and Best Corporate Social Responsibility categories.

The PLDT 2012 Annual Report with the theme "The Future is in Our Fiber" won the Excellence Award during the 12<sup>th</sup> *Philippine Quill Awards* of the International Association of Business Communicators.





Smart received the Best Community Telecom Project citation at the Telecom Asia Awards for its leading role in helping develop the Android app for the *Project NOAH* website of the Department of Science and Technology and PAGASA Weather Bureau.



PLDT won the Most Consistent Dividend Policy during the 3rd Annual Southeast Asia Institutional Investor Corporate Awards as well as the Best Investor Relations by a Philippine Company from the *IR Magazine Awards Southeast Asia 2013*.



*SmartNet* won Best Content Service at the *Asia Communications Awards (ACA)* program for its widget called Safe Zone, which serves as the platform's anti-bill shock solution. Smart also received the Social Contribution Award for Project Zero, a livelihood program which taps a community of former trash scavengers to upcycle Smart's used merchandising materials into fashionable bags and other items.



*SmartNet*, a revolutionary platform that allows Smart subscribers to use mobile internet services safely and affordably, was named Best Consumer Service at the World Communications Awards ceremony held in London.

PLDT was the most awarded Philippine telco provider in the *Metro Ethernet Forum (MEF)*. MEF also awarded PLDT as Best in Marketing in the Asia Pacific Region for three consecutive years: 2011, 2012 and 2013.



For corporate governance, PLDT won the Bell Award from the Philippine Stock Exchange, as well as Platinum award during the Excellence in Management and Corporate Governance Awards from Asian financial magazine *The Asset*.







## THE FUTURE IS IN DIGITAL!

THE DIGITAL ERA IS HERE AND NOW. WITH ITS EXTENSIVE FIBER NETWORK POWERING ITS FIXED AND MOBILE SERVICES, PLDT IS CONNECTING THE FARTHEST POINTS IN THE COUNTRY AND SERVING PEOPLE FROM ALL WALKS OF LIFE.





# PLDT Group CSR Report

PLDT BELIEVES THAT DOING GOOD FOR THE COMMUNITY AND THE COUNTRY IS INTEGRAL TO GOOD BUSINESS. ACROSS THE VARIOUS ADVOCACIES OF PLDT, NAMELY: DISASTER PREPAREDNESS AND RESPONSE, HEALTH, EDUCATION, DIGITAL LITERACY, LIVELIHOOD, AND ENVIRONMENTAL CONSERVATION, WE LEVERAGE ON OUR CORE BUSINESSES AND RESOURCES TO ENABLE PEOPLE AND COMMUNITIES TO IMPROVE THEIR LIVES AND CONTRIBUTE TO NATION-BUILDING.



*PLDT Group responds immediately to disasters since extending a helping hand to those in need is vital to its values as a corporation that practices a culture of preparedness.*

## Responding to Disasters and Building a Culture of Preparedness

In 2013, the country was hit by a series of major natural and man-made disasters.

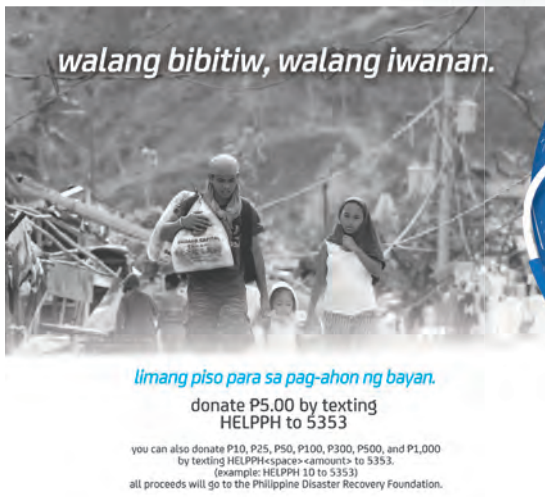
The Zamboanga siege disrupted life in the city and displaced tens of thousands of families. A magnitude 6.7 earthquake struck Bohol and Cebu that devastated homes, infrastructure and heritage sites. *Typhoon Yolanda (Haiyan)*, considered the strongest typhoon to make landfall in recorded history, hit Central Philippines, inflicting vast destruction on cities and municipalities in the region.

For PLDT, the priority was to restore damaged communications facilities and provide immediate communications support to relief organizations and to the affected communities. "Communications as relief" underscores the importance of providing vital lines of communications when and where it is needed most.

PLDT's wireless subsidiary, Smart quickly provided frontline communications via *Smart Satellite Services* the morning right after the *Typhoon Yolanda* made landfall. Smart and *Sun Cellular* also set up *Libreng Tawag* Centers in many areas including Leyte, Samar, Cebu, Palawan and Iloilo.

In less than two weeks, high-speed data services were restored in hard-hit Tacloban City, enabling PLDT to provide United Nations agencies a 300 Mbps connection. Access to much-needed data connectivity was also made available in evacuation centers not only to help families reunite with loved ones, but also to assist agencies on the ground in coordinating relief operations.

Network coverage in Yolanda-affected cities and municipalities was restored in record time – exactly a month after the typhoon hit the Philippines. Under its umbrella *SafePh* program for disaster preparedness



The PLDT Group's helpPH campaign helped in the restoration of the communities ravaged by Typhoon Yolanda. International celebrities such as APL.de.Ap and Justin Bieber also showed their support for the rehabilitation of the affected municipalities.

and emergency response, Smart and Sun Cellular also offered free text and call services to all subscribers in areas worst hit by the typhoon.

In partnership with PDRF, the PLDT Group mounted the helpPH global philanthropy campaign. The initiative allowed for global mobile money donation through text with mobile airtime remittance hubs that are linked to 250 mobile operators. This campaign made international and local donations easier through mobile load.

The PLDT Group also provided relief goods to communities in disaster affected areas. Resources were mobilized to provide thousands of relief packs to communities affected by the Zamboanga crisis, Typhoon Maring, the Bohol earthquake and Typhoon Yolanda.

PLDT, through its 2G program spearheaded by the PLDT Managers' Club Inc. (MCI) and supported by the PLDT-Smart Foundation (PSF) and PDRF, actively participated in the rehabilitation of disaster hit areas. Just two months after Typhoon Yolanda flattened Leyte, PLDT constructed eight classrooms in three schools in the province.

The 2G team also conducted Emotional Intelligence training for around 350 Leyte-based teachers to help them cope after the traumatic event. A tribute for some 2,000 teachers from the Yolanda-hit provinces was also held led by actress Anne Curtis and TV5 artist Derek Ramsay.

After the Bohol earthquake, through 2G, PLDT constructed the first classrooms in the affected schools. Four classrooms were built in Cebu while eight classrooms were constructed in four schools in Bohol, and two classrooms in Capiz. A tribute event for 3,500 teachers was also held in Bohol.

Beyond disaster response, the PLDT Group recognizes the importance of instilling a culture of preparedness internally as well as with its partner communities.

Smart hosted the GSMA disaster response working group meeting in Legazpi, Albay which focused on earthquake preparedness and response. This was attended by representatives from government, telco vendors, humanitarian organizations, insurers and operators from all over the world.



PLDT, through Smart's brand Talk 'N Text has also been conducting Familyang Ready, Familyang Panalo Disaster Preparedness Caravan. In partnership with the Corporate Network for Disaster Response (CNDR), this caravan promotes the culture of family preparedness. It targeted households in Metro Manila, Cagayan de Oro, Dumaguete and Bacolod.

The PLDT Group joined the companies under the MPIC in a hazard and risk assessments of earthquakes training under the Philippine Institute of Volcanology and Seismology (PhiVolcs) to strengthen its earthquake preparedness.

Smart, meanwhile, provided assistance for the development of Tudlo, a customized disaster and emergency mobile application now being used by the Albay Public Safety and Emergency Management Office for its disaster management operations.

## Enabling Healthier Communities

PLDT medical and dental missions are part and parcel of community services offered to the Company's partner communities. On top of the regular missions, PLDT provided stress debriefing to a thousand earthquake survivors in Clarin, Bohol.

In partnership with Philippine Children's Medical Center (PCMC), Philippine National Red Cross (PNRC) and the Department of Health (DOH)-Region 7 blood center, the Company started the bloodletting drive *Dugong PLDT* where 1,400 employees from Metro Manila and the Visayas have already participated.

To help improve the delivery of health services, Smart has initiated projects that were recognized by the World Health Organization. Data collected through its *Amputee Screening via Cellular Network Technology (ASCeNT)* mobile phone application has been used by the Physicians for Peace, a medical volunteer group, to justify the inclusion of limb prostheses as one of the treatments covered by PhilHealth.

*Operation Smile Mobile* is a similar application donated to Operation Smile for their patient screening requirements during medical missions. *SHINE*, a cloud-based electronic medical record and referral system for public health, is now being developed to become an open source system for use by various communities through the Ateneo Java Wireless Competency Center.



**PLDT Group values the country's future: the children and their teachers as it aims to help them reach their full potential. And with efforts such as Oplan Smile and 2G, their future will certainly be bright.**



## Nurturing the Youth through Education, Arts, and Sports

Education has always been the PLDT Group's strongest advocacy. From low-tech to high-tech, from primary to tertiary and out-of-school, the PLDT Group is leveraging its core technologies and resources to help improve education and literacy.

Through the PLDT *Infoteach Outreach Program*, it has been raising the digital literacy of public school students and teachers in various parts of the country since 2004. In partnership with the UPOU and Intel, PLDT offers basic and advanced computer and internet literacy courses.

The top teacher graduates are offered scholarships from UPOU. In 2013, training sessions were done in Marikina, Malabon, Isabela, Legazpi, Cebu, Iloilo, Bacolod, General Santos, Davao and Zamboanga. To date, there are around 8,500 public high school students and public elementary and high school teacher-graduates from the PLDT *Infoteach Outreach Program*.

The Company also implemented the *eLearning Ville Program*, an initiative that turns an area of the community into a learning hub through donated computer units and internet access. PLDT also supports the Philippine Digital Literacy for Women campaign, a movement that aspires to train 10,000 working women with ICT skills.

PLDT's 2G program provided scholarships to aspiring teachers with a total of 754 scholars at the end of 2013. In 2013 alone, the scholarship program produced 98 new teachers from 15 partner schools nationwide, including 19 cum laude and three magna cum laude graduates.

*2G's Teacher's Treasure Chest* training program, meanwhile, produced 3,439 graduates from 12 classes nationwide in 2013. English proficiency training was also given to 209 teachers in seven provinces, namely, Siquijor, Ilocos Norte, Antique, Camarines Sur, Zamboanga del Sur, Negros Oriental and Cavite.



PLDT also partnered with Philippine Eagle Foundation in donating a school building in Sitio Inamong, Brgy. Datu Ladayon, Arakan Valley in North Cotabato. PLDT also supported DepEd's 2013 national greening project and establishment of vegetable gardens in various schools.

Moreover, in partnership with Philippine Business for Social Progress (PBSP), the Company donated learning resource centers (LRC) to 15 public elementary schools and to Blue Ridge School in Apalit, Pampanga, benefitting more than 11,000 elementary students. The center also supports DepEd's *Drop Everything and Read* program where reading comprehension and values formation among school children are promoted.

Meanwhile, Smart is focusing its efforts toward promoting *mEducation* or mobile education solutions. Smart and *Sun Cellular* are supporting the GSMA and DepEd's mobile education pilot in the Philippines. Through this industry initiative, the GSMA hopes to develop best practices in improving the learning and education through mobile technologies.

In partnership with the DepEd's *Bureau of Alternative Learning Systems* (BALS), Smart developed a mobile application containing all the modules and resources used by the DepEd's mobile teachers working in communities all over the country.

With UPOU, Smart helped create the first *Massive Open Online Content* (MOOC) in the Philippines to further help make technology courses more accessible. The MOOC is a free online course on Android Mobile Application Development first offered last July 2013 and now counts 700 enrollees from 31 different countries.

With creative agency DM9 JaymeSyfu, Smart co-developed a program called *Smart TXTBKS*. This involves converting learning materials into content stored in discarded SIM cards. This initiative won the prestigious Grand Prix at Cannes Mobile Lions and other awards in 2013.



To further encourage more youth to take up technology careers, Smart, through its *Smart Wireless Engineering Education Program* (SWEEP), partnered with First Pacific incubator and accelerator *IdeaSpace Foundation* in developing the SWEEP Startup Program, where past winners are given assistance in establishing their own startups.

Through *PayITFwd*, Smart rewarded 20 community-based projects with cash prizes and technology grants through *Smart Bro*. By paying it forward to these social do-gooders, Smart aimed to further help amplify the social impact of these projects so that more communities would benefit from their initiatives.

### Building a Community by Creating Livelihood and Conserving the Environment

To improve the ecology of the Infanta-Real Quezon Watershed Forest Reserve, PLDT partnered with the Department of Environment and Natural Resources (DENR), PBSP, Watershed Management Council, and local government units to create the *TELEpuno* tree-planting project. This is a five-year program of planting 80,000 seedlings on 80 hectares of the forest reserve. There are already 64,921 planted seedlings in the reserve.

PLDT Group employee-volunteers and PBSP community partners have also planted more than a million trees in the Cebu Hillylands.

Aside from improving the environment, the *PLDT TELEpuno project* also gave the communities living near the forest reserve alternative livelihood with the support of PBSP and the municipalities of Real and Infanta, Quezon.



PLDT Group's partnerships with various government and non-government institutions and its dedication to create a sustainable environment in the country through PLDT's *TELEpuno* and Smart's *Ukit Pinoy* projects.

**64,921**  
SEEDLINGS

PLANTED IN THE RESERVE

Through the program, PLDT helped *KILOS*, an all-women organization in Brgy. Gumian, Infanta, Quezon. Sewing machines were given to the group to support their Eco-bag project, a livelihood project that utilizes reused and recycled bags to be sold at affordable prices.

The program also supported *KANLUNGAN*, a farmers' organization in Brgy. Magsaysay in Infanta, Quezon. The members attended trainings in vermicompost production at PBSP's Center for Rural Technology and Development.

In Iloilo City, the *Gawad Kalinga Sooc* community has evolved its community livelihood project into an SEC-registered business that is venturing into new opportunities. The community started out with the multi-awarded *Project Zero*, Smart's community livelihood initiative that provides funding, training and marketing assistance for the production of fashion forward bags made from upcycled merchandising materials.

Smart has also replicated their project *Ukit Pinoy* from General Nakar, Quezon to the Dumagat Community at Ipo Dam and Tayabasan at Marikina Watershed. It has also established demo farms in Calawis, Inigan, Mascap and San Ysidro, four communities in the Marikina Watershed.

To enable groups to donate used acid lead batteries for proper recycling, the PLDT Group partnered with PBSP and Motolite for the *Balik Baterya* Program. Funds generated from this project were used to boost the Company's CSR programs in the communities. For 2013, PLDT remains to be the biggest donor with a total of 160 tons of batteries amounting to Php4.03 million, which was used in the construction and repair of four classrooms and 28 LRCs that were given to 31 public schools.

For Earth Day celebrations, PLDT led in supporting ecological *Lakad* (eLakad), a fun walk in coordination with the local government of Quezon City, DENR, and Earth Day Network Philippines. Meanwhile, Smart co-developed and donated the *Earth Day Network Philippines* mobile application, which includes green tips, features, events and a mobile facility that allows Smart subscribers to donate to the Earth Day cause.

### PLDT Group CSR Awards

PLDT has received awards for its employee volunteers and community relations. The employee-volunteers received the 2013 National Outstanding Volunteers Award in the corporate organization category during the Search for Outstanding Volunteers (SOV). PLDT was also recognized at the Global CSR Awards 2013 for its community relations projects.

Smart's Green Merchandising program was recognized at the 2013 Asian CSR Award for the Environment and Value Chain Management category. Under this initiative, Smart uses eco-friendly materials for outdoor and in-store advertising and merchandising. It has also engaged partner-communities in its green drive.



*The culture of corporate social responsibility is thriving in the PLDT Group. In 2013, PLDT Group was recognized for its initiatives to ensure that the communities it helps always get the care they deserve as reflected in its awards for PLDT employee-volunteerism and Smart's green merchandising programs.*



## **WORK DIGITAL!**

PLDT GROUP'S COMMUNICATIONS SOLUTIONS ARE EMPOWERING ENTERPRISES LIKE THOSE IN THE MEDICAL AND PHARMACEUTICAL INDUSTRIES, ENABLING THEM TO ACHIEVE HIGHER LEVELS OF PRODUCTIVITY AND EFFECTIVENESS.





# Corporate Governance Report

AS PLDT CELEBRATED ITS 85<sup>TH</sup> YEAR OF OPERATIONS AND CORPORATE LIFE, IT REAFFIRMED ITS COMMITMENT TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE AS ARTICULATED IN OUR ARTICLES OF INCORPORATION, BY-LAWS, MANUAL ON CORPORATE GOVERNANCE (CG MANUAL), CODE OF BUSINESS CONDUCT AND ETHICS (CODE OF ETHICS), AND PERTINENT LAWS, RULES AND REGULATIONS.

VALUES AT PLAY

TAKE THE LEAP.  
Luksong Tinik. To take a grand leap in doing what is right creates a true person with confidence and character.

PLDT SMART LIVE MORE ePLDT PLDT GLOBE SUN SUN STARBUCKS PLDT CLASSIC PLDT BARCELONA PLDT STARBUCKS PLDT STARBUCKS PLDT STARBUCKS PLDT STARBUCKS PLDT STARBUCKS V.I.E.R.O. INTEGRITY



PLDT is well aware that responsible business conduct and a corporate culture anchored on the values of accountability, integrity, fairness and transparency indubitably bring about benefits for the Company and all its stakeholders.

PLDT adopts the corporate governance rules and regulations of the Philippine Securities and Exchange Commission (PSEC) and the Philippine Stock Exchange (PSE) inasmuch as PLDT is a public and listed Philippine corporation. PLDT also complies with the corporate governance standards of the United States, since its American Depositary Shares are listed and traded in the New York Stock Exchange (NYSE)<sup>1</sup>. Finally, as an associated company of First Pacific Co. Ltd. (First Pacific), which is listed in the Hong Kong Stock Exchange, PLDT also refers to the corporate governance standards of Hong Kong for guidance and benchmarking purposes.

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

## Board of Directors

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

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

## Board Structure and Composition

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

The composition of the Board and the qualifications and grounds for disqualification of directors are provided in our CG Manual. Diversity and complementation of skills, expertise, experience and knowledge is desired and encouraged in order to enrich the collective processes and practices of our Board. Our directors, each of whom is a business owner or leader, and/or holds senior management positions, have extensive

experience in their respective fields or industries, such as telecommunications, ICT, infrastructure, power, petroleum, banking, insurance, real property development, agriculture, food manufacturing and fast-food business.<sup>2</sup> This enables them to contribute and add value in the Board's performance of its functions, including the formulation of corporate vision and strategies, assessment of enterprise risks and adequacy and effectiveness of financial reporting and internal control systems.

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

Our CG Manual requires that at least 20% of membership of our Board of Directors<sup>3</sup>, and in no case less than two members thereof must be independent directors. Three independent directors in the persons of Mr. Pedro E. Roxas, Mr. Alfred V. Ty and Former Chief Justice Artemio V. Panganiban are currently serving in our Board. All of these independent directors were selected pursuant to the specific independence criteria set out under applicable laws and rules, our Articles of Incorporation and our CG Manual. Under our CG Manual, an independent director is, broadly, "a person who is independent of Management and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could or reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company."<sup>4</sup> Our independent directors are subject to an initial term limit of five years. After completion of five consecutive years of service, an independent director shall no longer be eligible for re-election as such, unless said independent director has undergone a "cooling-off" period of two years. Thereafter, he/she may again qualify for election as an independent director annually, for five more consecutive years, after which he/she is perpetually barred from being elected as an independent director. The application of this term limit is reckoned from January 2, 2012. Moreover, an independent director may not be elected, as such, to more than five listed or public companies comprising the PLDT conglomerate (i.e. its parent company, subsidiaries or affiliates).

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

<sup>1</sup> PLDT's disclosure containing a summary of differences on corporate governance practices based on requirements of Philippine law on one hand, and US law on the other, is found in this link: [http://pldt.com/docs/default-source/compliance/nyse-pldt\\_303a-11\\_2013.pdf?sfvrsn=2](http://pldt.com/docs/default-source/compliance/nyse-pldt_303a-11_2013.pdf?sfvrsn=2)

<sup>2</sup> The individual profiles of the members of our Board of Directors and Advisory Committee are found in a separate portion of this report.

<sup>3</sup> This is substantially the same requirement in the PSEC's Revised Code of Corporate Governance (MC No. 6 Series of 2009).

<sup>4</sup> More specific independence criteria are enumerated in Annex A of our CG Manual.

The position of Chairman of the Board is separate from that of the Chief Executive Officer (CEO). PLDT Chairman Manuel V. Pangilinan and PLDT President and CEO Napoleon L. Nazareno nonetheless share the responsibility of ensuring good corporate governance and principled performance in their respective areas of responsibility and influence. These two individuals are unrelated.

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

### Board Responsibilities

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

PLDT also conducts regular and continuing training for our directors as well as knowledge-sharing and updating on compliance, corporate governance and business ethics matters. PLDT organizes Annual Corporate Governance Enhancement Sessions which provide an opportunity for our leadership to interact with international experts and keep abreast with global developments and best practices in corporate governance and business ethics. All of the current directors have undergone corporate governance orientation and a majority of the Board have attended at least one of the seven corporate governance enhancement sessions organized since 2007. Regular updates on corporate governance trends and developments are also provided to our directors through various communication initiatives. Finally, our directors are updated on the latest technology trends and developments that have an impact on the Company's strategy through technology briefings organized by the Technology Strategy Committee.

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

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

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

Pursuant to its aforementioned duty, the Board promotes transparency and fairness in the conduct of the annual and special stockholders' meetings of the Company. Stockholders are encouraged to personally attend such meetings, raise questions and exercise their voting rights. Within a reasonable period of time before the meeting, stockholders are apprised of their right to appoint a proxy, in case they could not personally attend such meetings, and give their voting instructions in the proxy form provided. In connection with this, appropriate steps to remove excessive or unnecessary costs and other administrative impediments to stockholders' participation in meetings, whether in person or by proxy, are undertaken. Relevant and timely information are made available to the stockholders in printed form and through the Company's website to enable them to make a sound judgment on all matters brought to their attention for consideration or approval<sup>5</sup>.

The Board also ensures the timely disclosure and appropriate filing with the PSEC, PSE and, as applicable, US SEC and NYSE, of material information and/or transactions that could potentially affect the market price of the Company's shares and such other information which are required to be disclosed pursuant to relevant laws and regulations.

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

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<sup>5</sup> The Company's tabulation, registration and reporting system has been reviewed and tested by an independent third party in accordance with the Philippine Standards on Related Services 4400 Agreed Upon Procedure issued by the Auditing Standards and Practices Council and the independent third party checked the completeness and accuracy of encoded proxies and voting instructions as well as the completeness and accuracy of the voting and attendance reports generated by the system at the annual meeting of stockholders

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

Our directors take part in an annual assessment process which reviews and evaluates the performance of the whole Board, the Board Committees and the individuals that comprise these bodies. The assessment also

includes an opportunity to evaluate the performance of the CEO. This process has proven to be useful in identifying the Board's strengths and areas for improvement and in eliciting individual directors' feedback and views on the Company's strategies, performance and future direction.

Our Board held 12 meetings in 2013. The Chairman of the Board, the President and CEO, and six other directors attended all Board meetings. At least two independent directors were present in all the meetings. In each meeting, a quorum of at least two-thirds of the Board members was present. The respective Chairmen of the Audit, Executive Compensation, and Governance and Nomination Committees were present in the annual stockholders' meeting held on June 14, 2013. Except for two directors, all of the other directors attended more than 75% of the meetings. The total amount of *per diem* provided for the Board of Directors in 2013 was Php25.6 million<sup>6</sup>.

Name of Director	Jan 29	Mar 5	Apr 23	May 7	Jun 14	Jun 14***	Jun 14****	Aug 7	Aug 27	Sep 24	Nov 5	Dec 3	Totals	Percentage
Manuel V. Pangilinan	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
Napoleon L. Nazareno	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
Helen Y. Dee	•	•	•	•	X	X	X	•	•	•	X	•	8/12	67%
Ray C. Espinosa	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
James L. Go	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
Setsuya Kimura	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
Hideaki Ozaki	X	•	•	X	•	•	•	X	•	•	•	X	8/12	67%
Artemio V. Panganiban**	-	-	•	•	•	•	•	•	•	•	•	•	10/10	100%
Ma. Lourdes C. Rausa-Chan	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
Pedro E. Roxas*	•	•	•	•	•	•	•	•	X	•	•	•	11/12	92%
Juan B. Santos	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
Tony Tan Caktiong	X	•	X	•	•	•	•	•	•	•	•	•	10/12	83%
Alfred V. Ty*	•	•	•	•	•	•	•	•	•	X	•	X	10/12	83%

\* Independent director

\*\* Elected as independent director on April 23, 2013. Former Chief Justice Panganiban previously served on the PLDT Advisory Committee as an independent member.

\*\*\* Annual Meeting of Stockholders

\*\*\*\* Organizational Meeting of the Board

## Board Committees

### Advisory Committee

Our Board is ably assisted by an Advisory Committee. The diversity of the expertise, knowledge and experience of these advisors serves to complement that of the Board. The Advisory Committee provides

guidance and suggestions, as necessary, on matters deliberated upon during Board meetings. The total *per diem* given to the members of the Advisory Committee in 2013 was Php12.6 million.

Name of Director	Jan 29	Mar 5	Apr 23	May 7	Jun 14	Jun 14***	Jun 14****	Aug 7	Aug 27	Sep 24	Nov 5	Dec 3	Totals	Percentage
Artemio V. Panganiban*	•	•	•	-	-	-	-	-	-	-	-	-	3/3	100%
Oscar S. Reyes	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
Roberto R. Romulo	•	•	•	•	•	X	•	•	•	•	•	•	11/12	92%
Benny S. Santoso	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
Washington Z. SyCip	•	•	•	X	X	X	X	•	•	X	•	•	7/12	58%
Orlando B. Veal	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%
Jose Ramon T. Villarín**	-	-	X	•	•	•	•	•	•	X	-	-	6/8	75%
Christopher H. Young	•	•	•	•	•	•	•	•	•	•	•	•	12/12	100%

\* Elected as an independent director on April 23, 2013

\*\* Appointed as an independent member of the Advisory Committee effective April 23, 2013. Resigned effective September 30, 2013.

\*\*\* Annual Meeting of Stockholders

\*\*\*\* Organizational Meeting of the Board

<sup>6</sup> The per diem for each member of the Board of Directors or Advisory Committee for each meeting is P200,000.



PLDT's other Board Committees, namely: the Audit Committee (AC), the Governance and Nomination Committee (GNC), the Executive Compensation Committee (ECC), and the Technology Strategy Committee (TSC), have continued to function pursuant to their mandates in their respective charters. These committees provide valuable assistance in the performance of the Board's responsibilities and aid in ensuring compliance with the principles of good corporate governance.

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

### Audit Committee

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

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

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

The AC is composed of three independent directors as voting members, and four advisors. Each member is financially literate and one of the advisors is a certified public accountant with financial management expertise. The charter of the AC 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 covered the following matters in 2013 with regard to PLDT's external auditor, Sycip, Gorres, Velayo & Co. (SGV & Co.) and their audit and non-audit services. The AC discussed the external auditor's report on the results of the integrated audit of PLDT's and its subsidiaries' 2012 financial statements prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and International Financial Reporting Standards (IFRS) and on the internal controls over financial reporting (ICFR), as well as the results of internal and external quality reviews required on SGV & Co. Also passed upon were SGV & Co.'s required communications to the AC including their independence from PLDT, within the meaning of the Securities Act of the PSEC and US SEC. The AC performed a review of SGV & Co.'s integrated plan for the audit of PLDT's and its subsidiaries' 2013 financial statements and review of ICFR, as well as significant accounting and regulatory developments. The AC also evaluated SGV & Co.'s performance for 2012 and resolved to re-appoint SGV & Co. as PLDT's external auditors for the year 2013.

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

- International Standard on Assurance Engagements No. 3402 "Assurance Reports on Controls at a Service Organization", Type B Service Audit of ePLDT's Vitro Data Center;
- Review of the tabulation and registration modules relating to PLDT's stockholders meeting system;
- Business Continuity Management System Consultancy Services for PLDT, Smart and Sun;
- Interim Audit of Digitel Information Technology Services, Inc.'s financial statements as at and for the six months ended June 30, 2013;
- Accounting and Tax Advisory, and Business Model Review to the Ayala-First Pacific consortium (of which Smart is a member) in connection with Automated Fare Collection System;
- In connection with PLDT's planned retail bond offering circular:
  - Review of PLDT's reissued consolidated financial statements as at December 31, 2012, 2011 and January 1, 2011 and for each of the three years ended December 31, 2012, after effecting the new accounting standards that became effective

- January 1, 2013, exclusively for the purpose of inclusion in the said offering circular;
- Review of PLDT's consolidated financial statements as at September 30, 2013 and for the nine months ended September 30, 2013 and 2012, which will also form part of the said offering circular;
- Issuance of comfort letters; and
- The engagement of Ernst & Young (E&Y)<sup>7</sup> India by SPi India for the issuance of certain certifications for Laserwords Private Ltd., and the engagement of E&Y Singapore by Smart to perform Audit and Tax services for Smart's Singapore-based subsidiaries.

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

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

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

months ended March 31, 2013, the six months ended June 30, 2013, and the nine months ended September 30, 2013.

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

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

- Information Systems (IS)/Information Technology (IT) measures for mitigating business risks pertaining to data security, data privacy, and resilience of systems;
- Updates on the occupancy of the Company's office buildings and related workplace solutions;
- Updates on PLDT's customer experience survey results and related activities;
- Updates on Smart's customer experience self-care program, assessments and transformation, including initiatives and solutions covering the using and paying stages for data services, and network performance optimization in specific areas;
- Updates regarding network quality at PLDT and Smart; and
- Updates on the initiatives regarding quality of service specially in the areas of customer care and operations, and rehabilitation of outside plant equipment.

The AC had eight meetings for the year 2013 and a total of Php3.75 million was paid as *per diem*<sup>8</sup> to its members (all of whom are independent directors) and advisors who attended the meetings.

Members	Jan. 28	Mar. 4	Mar. 25	May 6	Aug. 6	Sept. 24	Nov. 5	Dec. 2	Total
Pedro E. Roxas *	•	•	•	•	•	•	•	•	8/8
Artemio V. Panganiban **	-	-	-	-	•	•	•	•	4/4
Alfred V. Ty	•	•	•	•	•	•	•	X	7/8
Advisors									
Corazon S. Dela Paz-Bernardo	•	•	•	•	•	•	•	•	8/8
Roberto R. Romulo	•	•	•	•	•	•	•	•	8/8
James L. Go	•	•	•	•	•	•	•	•	8/8
Setsuya Kimura	•	•	X	•	•	•	•	•	7/8

\* Acting AC Chairman starting September 25, 2012, Mr. Roxas was formally appointed as AC Chairman on May 7, 2013.  
 \*\* Appointed as AC member on May 7, 2013.

<sup>7</sup> SGV & Co. is a member practice of E&Y.  
<sup>8</sup> Php 75,000 per member.

## Governance and Nomination Committee

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

With respect to its nomination function, the GNC is responsible for the following nomination-related matters: pre-screening nominees for directors and qualifications of independent directors; preparing a recommendation to the Board on the final list of qualified nominee directors and independent directors; recommending qualified directors or independent directors in case of a vacancy; recommending qualified persons as members of Board Committees; and evaluating qualifications of persons nominated for Board-appointed positions.

The GNC is composed of five voting members, three of whom are independent directors and the other two are non-executive directors. The GNC also has two non-voting members: the Human Resources Group Head and the Chief Governance Officer of the Company. The 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 2013, the GNC reviewed and assessed PLDT's Expanded Whistleblowing Policy, the Policy on Gifts, Entertainment and Sponsored Travel and the Supplier/Contractor Relations Policy. It determined that the said policies did not require any amendment or revision and approved certain recommendations to strengthen the implementation of these policies. The GNC also reviewed, noted or approved the following:

- Content for the corporate governance training and continuing education program, including the Directors' and Officers' Corporate Governance Enhancement Sessions conducted through the selected speakers: Mr. Winthrop M. Swenson (for directors and Advisory Committee members); and Ms. Gretchen A. Winter (for officers and middle management);
- Theme for PLDT's corporate governance communication materials, as well as the design and theme for the second edition of the Corporate Governance Handbook and Corporate Governance Primer, and items intended as corporate governance incentive items and their respective designs;

- Results of the Test Run of the PLDT Governance and Ethics Survey and the need to further enhance its implementation;
- Implementation of the Periodic Conflict of Interest (COI) Disclosure System; and COI Disclosures of key personnel;
- Cases reported through the Expanded Whistleblowing (EWB) system (which includes cases received and handled by PLDT subsidiaries);
- Annual Corporate Governance Report and PSE Corporate Governance Disclosure Report for year 2012;
- Updates on certain related party transactions; and
- Updates on various proposed corporate governance reports/scorecards/awards, such as the PSEC Annual Corporate Governance Report, ASEAN Corporate Governance Scorecard and PSE Bell Awards.

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

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

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

The GNC held four meetings in 2013 and a total of Php1.95 million was paid as *per diem* to its members who attended the meetings<sup>9</sup>.

Members	Mar 1	Apr 4	Aug 1	Oct 22	Total
Manuel V. Pangilinan	•	•	•	•	4/4
Artemio V. Panganiban**	•	•	•	•	4/4
Pedro E. Roxas*	•	•	•	•	4/4
Alfred V. Ty*	X	•	•	•	3/4
Setsuya Kimura	•	•	•	•	4/4
Non-voting members					
Menardo G. Jimenez, Jr.	•	•	•	•	4/4
Ma. Lourdes C. Rausa-Chan	X	•	•	•	3/4

\* Independent director

\*\* Former Chief Justice Artemio Panganiban was elected as independent director effective April 23, 2013 and GNC member on May 7, 2013.

<sup>9</sup> Php 75,000 per meeting attended.



### Executive Compensation Committee

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

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

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

The ECC held three meetings in 2013 and a total of Php1.125 million was paid as *per diem* to its members who attended the said meetings.<sup>10</sup>

Members	Jan. 28	Mar. 4	Sept. 27	Total
Manuel V. Pangilinan	•	•	•	3/3
Artemio V. Panganiban**	-	-	•	1/1
Pedro E. Roxas*	•	•	•	3/3
Alfred V. Ty*	•	•	X	2/3
Setsuya Kimura	•	•	•	3/3
Menardo G. Jimenez, Jr. (non-voting member)	•	•	•	3/3

\* Independent director

\*\* Former Chief Justice Artemio Panganiban was elected as independent director effective April 23, 2013 and ECC member on May 7, 2013.

<sup>10</sup> Php 75,000 for each meeting attended.

## Technology Strategy Committee

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

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

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

The TSC had two meetings in 2013 and a total of Php0.975 million was given as *per diem* to its members who attended the meetings.<sup>11</sup>

Members	Sept. 20	Nov. 27	Totals
Manuel V. Pangilinan	X	X	0/2
Napoleon L. Nazareno	•	•	2/2
Ray C. Espinosa	•	•	2/2
Setsuya Kimura	•	•	2/2
Oscar S. Reyes	•	•	2/2
James L. Go	•	•	2/2
Orlando B. Veal	•	•	2/2

## Executive implementation

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

### President and Chief Executive Officer

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

### Corporate Secretary

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

### Internal Audit Organization

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

1. Risks are appropriately identified, managed, and/or reported;
2. Significant financial, managerial, and operating information are accurate, reliable and timely;
3. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
4. Resources are acquired economically, used efficiently and adequately protected;

<sup>11</sup> - Php 75,000 for each meeting attended.



5. Programs, plans and objectives are achieved;
6. Quality and continuous improvement are fostered in our control processes; and
7. Significant legislative or regulatory issues impacting us are recognized and addressed appropriately.

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

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

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

### External Audit

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

### Enterprise Risk Management

Also working in coordination with our internal audit organization and AC is the PLDT Group Enterprise Risk Management (ERM) Department (ERMD). The complex and dynamic business environment that the PLDT Group operates in gives rise to a variety of risks. The ERMD is in charge of managing an integrated risk management program with the goal of identifying, analysing and managing the PLDT Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus, sustain competitive advantage. The ERM process used by the ERMD is based on

the ISO 31000 standard on risk management. The implementation of the ERM process ensures that high-priority risks are well understood and effectively managed across all functions and units within the PLDT Group.

### Chief Governance Officer

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

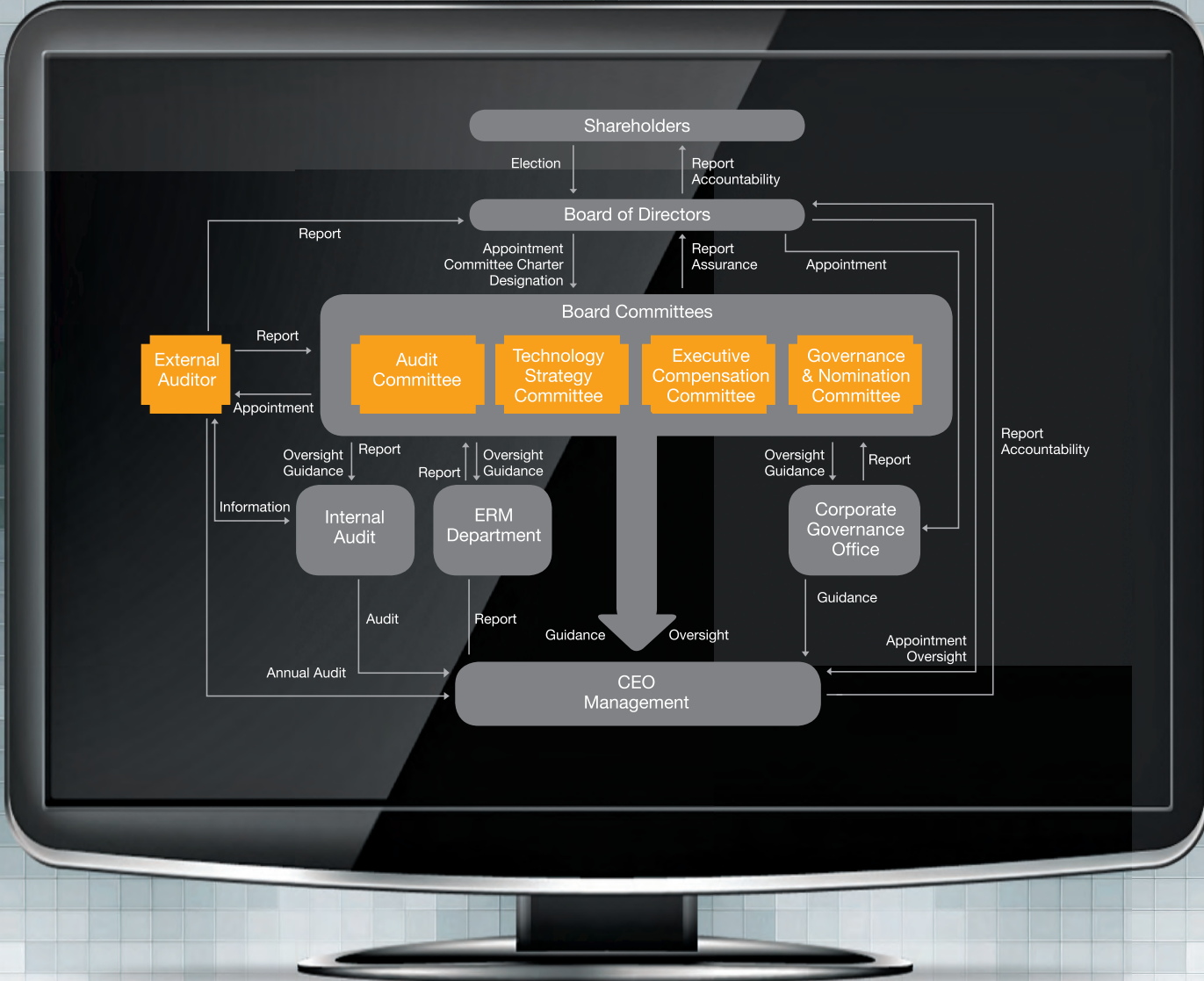
In addition, the Chief Governance Officer assists the Board and the GNC in the performance of their governance functions, including their duties to oversee the formulation or review and implementation of the corporate governance structure and policies of the Company, the establishment of an evaluation system to verify and measure compliance with the CG Manual in relation to related laws, rules and regulations, and to oversee the conduct of a self-assessment of the performance and effectiveness of the Board, the Board Committees and individual Board members in carrying out their functions.

### Corporate Governance Office

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

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

<sup>10</sup> Php 75,000 for each meeting attended.



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

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

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

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

To access the Code of Ethics, please click on the link below. <http://pldt.com/docs/default-source/policies/pldt-code-of-business-conduct-and-ethics.pdf?sfvrsn=4>

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

### Conflict of Interest (COI) Policy

This policy aims to ensure that work-related actions of PLDT's directors, employees and consultants are based on sound business principles and judgment devoid of bias or partiality. It enjoins all of them to be aware of the possibility of such bias and partiality in dealings with various entities or individuals in the course of or in relation to their work. The policy likewise mandates that if they find themselves in a possible conflict of interest situation, they should promptly disclose the matter to the relevant authorities. If warranted, the person concerned should also obtain appropriate approvals and inhibit himself from any action, transaction or decision involving an existing or potential conflict of interest.<sup>12</sup>

### Policy on Gifts, Entertainment and Sponsored Travel

This policy provides safeguards so that the custom of giving gifts is handled in accordance with the values of integrity, accountability, fairness and transparency. It aims to prevent the occurrence of situations or actions that could significantly affect objective, independent or effective performance by directors, officers, employees

and consultants of their duties and responsibilities to the Company. Specifically, it prohibits the solicitation of gifts, sponsored travel, and entertainment from third parties. Receipt and acceptance of gifts voluntarily given by such third parties are handled according to this policy.<sup>13</sup>

### Supplier/Contractor Relations Policy

This policy seeks to ensure that the Company upholds the highest professional standards in business practices and ethics in its dealings with suppliers and contractors in the procurement of goods and services. The policy also seeks to maintain PLDT's reputation for equal opportunity and honest treatment of suppliers in all business transactions. It establishes clear rules for arm's length transactions and fair treatment of prospective and existing suppliers with the objective of always obtaining the best value for the Company. The policy specifically adopts the processes of vendor accreditation and competitive bidding as the general rule to ensure that contracts are awarded only to qualified and duly-accredited suppliers and vendors who offer the best value for money for PLDT's requirements.<sup>14</sup>

### Expanded Whistleblowing (EWB) Policy

This policy provides guidelines on handling employee disclosure or complaints for violation of the CG Manual, Code of Ethics, COI Policy, Policy on Gifts, Entertainment and Sponsored Travel, and Supplier/Contractor Relations Policy as well as questionable accounting and auditing matters and violations of the Personnel Manual. The EWB Policy protects whistleblowers from retaliation and ensures confidentiality and fairness in the handling of a disclosure or complaint.<sup>15</sup>

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

Detailed implementing guidelines are likewise issued for the said policies to ensure their wide observance. Among the recent developments in this regard is PLDT's release and implementation of its Guidelines on the Proper Handling of Related Party Transactions (RPT Guidelines). The RPT Guidelines provides the process of review, approval and disclosure of the Company's Related Party Transactions (RPT), which are reviewed and approved by appropriate authorities designated. The review's principal focus is on whether an RPT is on arm's length terms and the transaction is in the best interest of PLDT and its stakeholders, as a whole, considering all relevant circumstances. Material RPTs are also reviewed by the AC, which is composed entirely of independent directors, and approved by the Board. The RPT Guidelines provides the Board of Directors with an option to require submission of approved RPTs to stockholders for their further consideration and ratification. The Head of Financial

<sup>12</sup> Approved on October 24, 2005.

<sup>13</sup> Approved on January 31, 2006.

<sup>14</sup> Approved on January 31, 2006.

<sup>15</sup> The complete name of this policy is Policy on Employee Disclosure on Violations of the Corporate Governance Rules, Questionable Accounting or Auditing Matters, and Offenses covered by PLDT's Table of Penalties. It was approved on May 9, 2006.

Reporting and Controllershship Sector, in coordination with the Company's Disclosure Committee, shall be responsible for the disclosure of RPTs in the relevant financial reports of the Company as required under Philippine Accounting Standard 24 (Revised) "Related Party Disclosures" and other applicable disclosure requirements.

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

## Procedures and Practices

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

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

### Periodic Review of CG Rules

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

### Pledge to Uphold Good Corporate Governance

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

### Conflict of Interest (COI) Disclosures

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

### Whistleblowing Complaints

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

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

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

### Training and Education

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

On December 2, 2013, PLDT directors attended a session developed and handled by Mr. Winthrop Swenson, a partner at the US-based Compliance Systems Legal Group. Mr. Swenson's session was entitled *Ensuring Effective Board Oversight of Ethics and Compliance: Emerging Trends and Lessons Learned*.

On November 26, 2013, Ms. Gretchen A. Winter, Executive Director of the Center for Professional Responsibility in Business and Society at the University of Illinois at Urbana-Champaign, spoke before PLDT officers and executives in a session entitled *Handling Ethical Dilemmas: Tools and Techniques*.

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

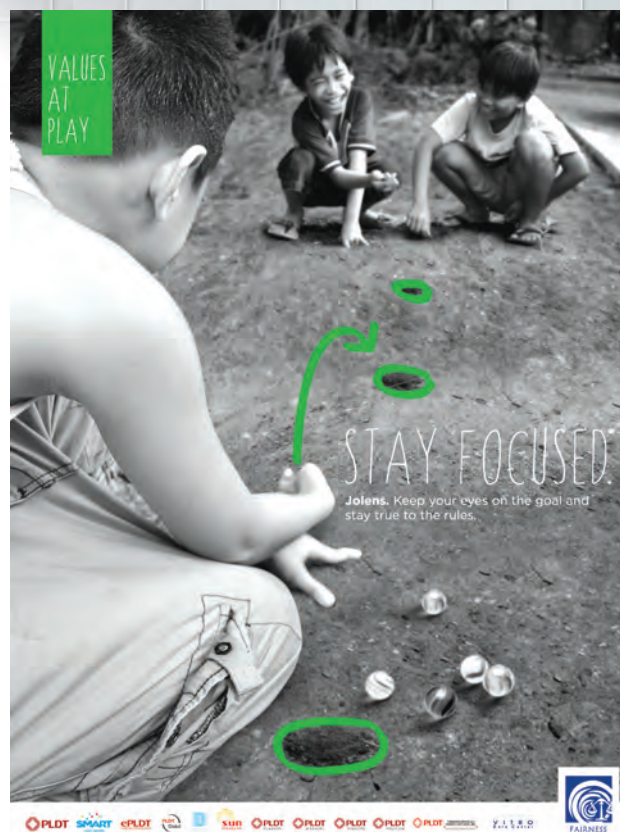
In addition to face-to-face training, PLDT has online training modules for its employees. PLDT executives with the rank of manager, senior manager and assistant vice president are required to access and complete an online training course on the PLDT EWB Policy. Supervisory and rank and file employees, on the other hand, are required to take and complete a module on the PLDT Conflict of Interest Policy.

Education and training are supplemented by the production and dissemination of relevant corporate governance communication materials, including thematic posters, calendars and newsletters. Directors and certain officers and executives of PLDT are also provided with weekly Corporate Governance Newsbriefs, which contain summaries of news articles from global online sources. The Board of Directors is also provided with CG Updates of articles on relevant topics written by noted authors and/or authorities. The Company also issues periodic advisories on corporate governance.

### Monitoring and Evaluation

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

Our Board conducts a self-assessment each calendar year to evaluate the performance of the Board as a whole, the Board Committees and the individual directors. The process, which also includes an evaluation on the performance of the CEO and Management, enables the Board to identify strengths and areas for improvement and to elicit each director's feedback and views on the Company's strategy, performance and future direction. Similarly, each Board



Committee also conducts an annual self-assessment of its performance. The members of the Board and the Board Committees accomplish their respective Self-Assessment Questionnaires for this purpose. The Board Self-Assessment Questionnaire contains the following criteria based on leading practices and principles on good governance: (1) for the Board: Leadership, Roles and Responsibilities, Independence, Stewardship, Reporting and Disclosure, Shareholders' Benefits and Training; (2) for directors: the specific duties and responsibilities of a director; and (3) for the Board Committees: Performance and Compliance. Each Board Committee Self-Assessment Questionnaire contains the following criteria: Performance & Compliance and Committee Governance. For the 2012 performance period, the results of the assessment process was duly reported to and discussed with the Board in 2013.

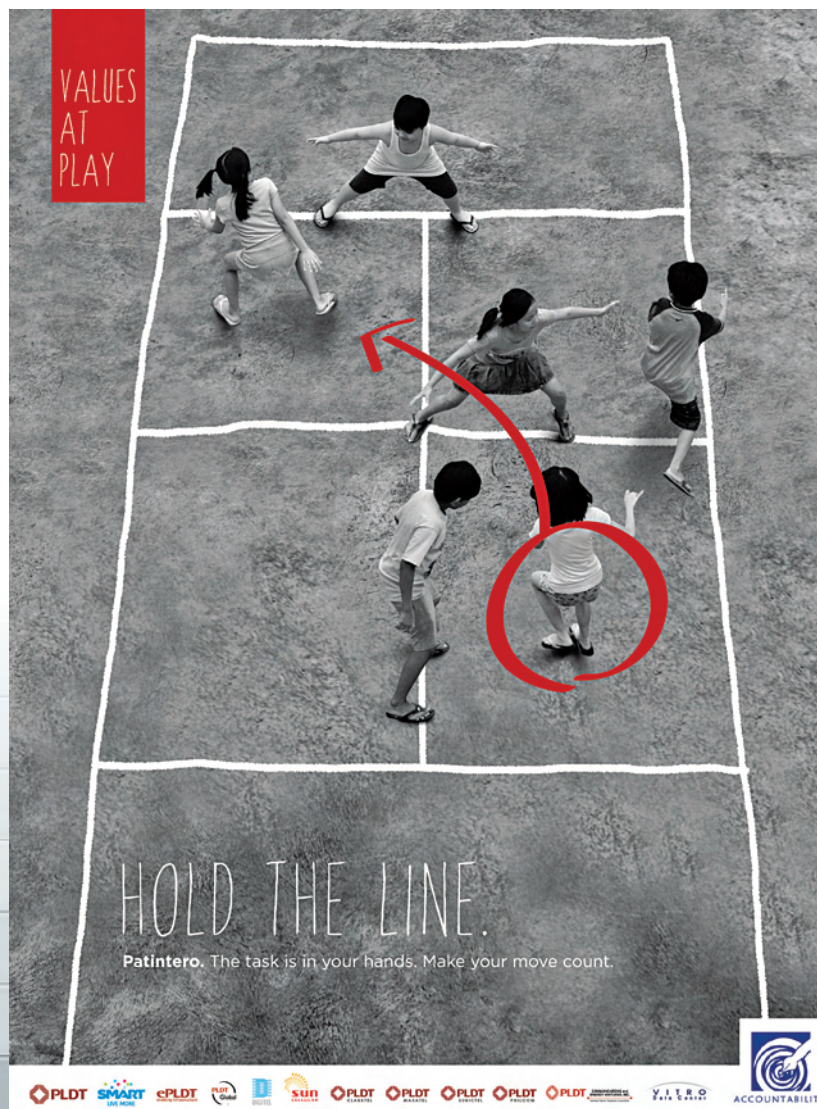
Moreover, PLDT monitors and assesses compliance with the CG Rules through a cross-functional evaluation system whereby the heads of the various business and support units/groups, including, but not limited to, Enterprise and International Carrier Business, Home Business, Finance, Human Resources, Customer Service Assurance, Technology, Supply Chain Asset Protection & Management, Public Affairs, Enterprise Risk Management, Information Technology, Regulatory, Internal Audit, Corporate Affairs and Legal Services, Corporate Governance Office and Investor Relations, conduct an evaluation of their unit/group's compliance using an evaluation questionnaire consisting of the governance regulations applicable and relevant to their respective functions, including the requirements of the Revised Code of Corporate Governance and the PSE Corporate Governance Guidelines (PSE CG Guidelines).

The results of the evaluation conducted by the heads are submitted to the Corporate Finance and Treasury Head and the Chief Governance Officer, who submit the consolidated report to the President and CEO for approval. The results of the compliance evaluation are also reported to the GNC by the CGO.

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

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

PLDT conducts focus on group discussions across all personnel levels in order to gain insights into the effectiveness of its efforts. A Governance and Ethics Survey has been tested and will be rolled out regularly to personnel to provide more quantifiable information that is tracked over time to check for improvements or deficiencies. In similar fashion, a Corporate Governance Follow Through survey has been conducted in the past two years to track the observations of newly-hired personnel. The survey is administered to PLDT's new hires six months after they are hired and thereafter, on the second and fifth year of their service. Valuable information is also obtained from the Board and Board Committee assessment process. Data are also obtained and analyzed from results of our education activities, trends in reported violations, whether within the whistleblowing system or not, key business indicators such as customer complaints, reports from business partners and all other sources of relevant information.



## Our Stakeholders

PLDT remains committed to establishing and maintaining a corporate culture anchored on performance and responsibility in fulfilling obligations to our stakeholders.

Guided by our Corporate Responsibility Statement, we deal and engage with stakeholders in the manner described below.

### Investors/Shareholders

PLDT respects, promotes and upholds shareholders' rights such as: the right to vote, pre-emptive right, the right to inspect corporate books and records, right to timely receive relevant information subject to certain conditions, right to dividends, and the appraisal right. The Company explores and implements steps to reduce excessive or unnecessary costs that impede stockholders' participation, acts with transparency and fairness at the annual and special stockholders' meetings and makes timely disclosures of material information and transactions that could potentially affect the market price of the Company's shares. In this regard, information on earning results, acquisition or disposal of significant assets, off balance-sheet transactions, related party transactions, Board membership changes, shareholdings of directors and officers and any changes thereto, and remuneration of directors and officers are promptly and accurately disclosed. To view the Minutes of the 2013 PLDT Annual Stockholders' Meeting, please click on the link below.

[http://www.pldt.com/docs/default-source/annual-meeting-of-stockholders/2013/2013\\_june14\\_annual-meeting-\(as-of-08-30-13\).pdf?sfvrsn=0](http://www.pldt.com/docs/default-source/annual-meeting-of-stockholders/2013/2013_june14_annual-meeting-(as-of-08-30-13).pdf?sfvrsn=0)

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

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

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

PLDT's Code of Ethics prohibits directors, officers and employees from dealing in the Company's shares when in possession of material non-public information about and involving the Company. Directors, officers and employees are enjoined to report to the Company their dealings in the Company's shares, regardless of whether such dealings were effected during or outside the blackout period, within three trading days from the date of the transaction, to enable the filing of the required disclosures to the PSEC and PSE. During blackout periods, dealing in Company shares by directors, officers or employees is not allowed and in any exceptional case, prior notice to the Company should be made of any such dealing in Company shares, in accordance with the Company's policy on Blackout Period/Restriction on Trading of Shares.

### Creditors

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

### Customers

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

### Suppliers

PLDT aspires to maintain mutually beneficial relationships only with like-principled suppliers that uphold PLDT's core values of fairness, accountability, integrity, and transparency in their own businesses. PLDT has over 1,500 active suppliers which serve the requirements of the PLDT Group, ranging from capital to operating expenditures as well as services. The Company's Supplier/Contractor Relations Policy provides for the general principles to be followed in vendor selection. Suppliers are required to undergo an accreditation process before they engage in business with PLDT. Among the criteria for accreditation are financial capability, technical capability, compliance with applicable laws, including those pertaining to industrial relations, environment, health and safety and intellectual property rights. The Company's purchases, as a general rule, are made on the basis of competitive bidding of accredited and qualified suppliers, in accordance with the aforementioned policy.

## Employees

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

## Communities

PLDT operates all over the Philippines and inevitably relates to local residents, non-governmental organizations and other sectors in the communities where the Company does business. The Company is aware that these communities are concerned about PLDT's products and services and the impact of its operations on such communities. No less than our CG Manual mandates that PLDT, through the Board of Directors, shall ensure that there exists a program for communicating with the sectors in the communities where the Company operates or those who are affected by its operations.

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

## Environment

PLDT is committed to do its part in addressing the pressing need to preserve and protect our environment. As such, PLDT ensures compliance with rules and regulations from local government regulatory offices such as the DENR Environmental Management Bureau,

the Laguna Lake Development Authority and other similar agencies and offices. Furthermore, projects to reduce waste and the Company's carbon footprint are also being implemented. The Company regularly monitors relevant Global Reporting Initiative indicators such as direct energy consumption, energy saved, initiatives to reduce energy consumption, total water withdrawn by source, direct and indirect greenhouse gasses emission by weight, total weight of waste by type and disposal method, and total environmental expenditures and investment.

## Advocacy and Networking

PLDT is actively engaged in the advocacy for better governance and ethics in business. This engagement is anchored in the Company's policy against corruption and bribery as set forth in its Code of Ethics, and further reinforced in specific policies, such as the Policy on Gifts, Entertainment and Sponsored Travel, Supplier/Contractor Relations Policy and CG Guidelines for Suppliers, which likewise prohibit bribery involving third parties in business dealings with the Company. These policies are implemented through anti-corruption programs and measures such as internal controls, training and communication, our whistleblowing system, third party due diligence, and support for and participation in multi-sectoral anti-corruption initiatives to eliminate graft and corruption.

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

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





# Enterprise Risk Management

THE PLDT GROUP HAS LONG RECOGNIZED ENTERPRISE RISK MANAGEMENT (ERM) AS ESSENTIAL TO THE ACHIEVEMENT OF BUSINESS GOALS AND OBJECTIVES. THE ORGANIZATION ACKNOWLEDGES ERM'S ROLE IN THE PROMOTION OF A COMPREHENSIVE UNDERSTANDING OF RISKS AND ITS EFFECT ON PERFORMANCE.

## The Group Enterprise Risk Management Department

The PLDT Group's commitment to the proactive management of existing and emerging risks is reinforced by the Group Enterprise Risk Management Department (GRMD). The GRMD develops and manages a comprehensive integrated risk management program that is implemented across all levels of the organization, with the goal of managing the Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus create even more value for the business and its stakeholders.

## The Enterprise Risk Management Framework and Process

The GRMD promulgates and encourages the adoption of a standard risk evaluation process focused on the need to properly identify, analyze, evaluate, treat and monitor risks that may affect the achievement of business objectives. The ERM process implemented is based on the Draft International Standard of ISO 31000.

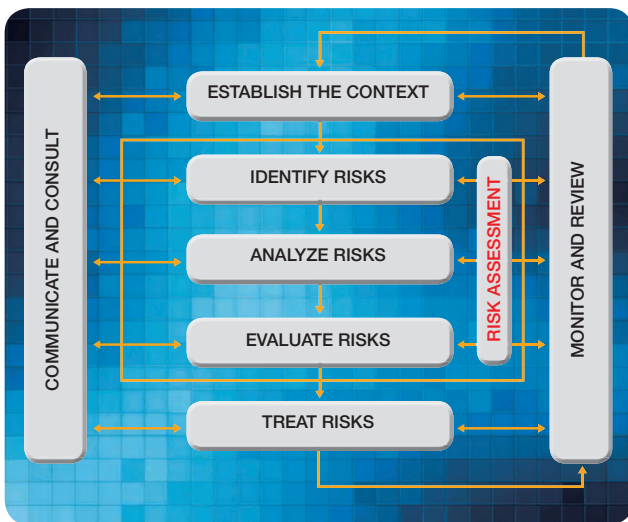
The implementation of the ERM process ensures that high-priority risks are well understood and effectively managed across all functions and units within the PLDT Group.

## PLDT Group Top 10 Risks

In 2013, the GRMD continued the implementation of a standard risk management process throughout the PLDT Group. Results of the ERM workshops conducted for the Consumer Wireless Business and Home Business were presented to the PLDT Audit Committee. Furthermore, risk management policies of Digitel have been fully aligned with the guidelines observed throughout the organization.

A risk assessment exercise was also undertaken by the Joint Executive Committee to identify and prioritize the most important risks affecting the PLDT Group in 2014. These top risks are:

1. Fast and Disruptive Pace of Technological Change
2. Evolving Business Model
3. Organization and People
4. Media and Related Investments
5. Network Quality & Consistency and IT Systems
6. Hazards
7. Market Dynamics
8. Vendor-related Issues
9. Regulatory and Political Challenges
10. Information Security and Privacy



The PLDT Group is committed to pursuing measures to ensure that all these risks are effectively managed. Treatment strategies have been developed and mitigation initiatives put in place. Risk management activities are continuously monitored and reviewed to ensure that critical risks are appropriately addressed across the organization.



# Board of Directors



**MANUEL V. PANGILINAN**

## **Manuel V. Pangilinan** **67, Filipino**

Director of PLDT since November 24, 1998. He was appointed as 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 Board of Directors of PLDT. He also serves as Chairman of Metro Pacific Investments Corp., Meralco and Philex Mining Corp., all of which are PSE-listed companies, and of several subsidiaries or affiliates of PLDT or MPIC, including, among others, Smart, Beacon Electric Asset Holdings Inc., Manila North Tollways Corp., Maynilad, Landco Pacific Corp., Makati Medical Center, Cardinal Santos Medical Center, Davao Doctors Hospital, Riverside Medical Center, Our Lady of Lourdes Hospital and Asian Hospital. He is also the Chairman of MediaQuest Holdings Inc., TV5 Network, Inc. and PLDT-Smart Foundation, Inc. He founded First Pacific Co. Ltd., a Hongkong Stock Exchange-listed company, in 1981 and served as Managing Director until 1999. He was appointed as Executive Chairman until June 2003, when he was named as CEO and Managing Director. Within the First Pacific Group, he also holds the position of President Commissioner of PT. Indofood Sukses Makmur Tbk, the largest food company in Indonesia. Outside the First Pacific Group, he is the Chairman of the Board of Trustees of San Beda College and the Hong Kong Bayanihan Trust, a non-stock, non-profit foundation which provides vocational, social and cultural activities for Hongkong's foreign domestic helpers. In February 2007, he was named the President of the Samahang Basketbol Ng Pilipinas, a national sports association for basketball. In January 2009, he assumed the chairmanship of the Amateur Boxing Association of the Philippines, a governing body of the amateur boxers in the country. In October 2009, Mr. Pangilinan was appointed as Chairman of the Philippine Disaster Recovery Foundation, Inc. (PDRF), a non-stock, non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate and rebuild areas devastated by floods and other calamities. He is the Chairman of Philippine Business for Social Progress, a social action organization made up of the country's largest corporations, Vice Chairman of the Foundation for Crime Prevention, a private sector group organized to assist the government with crime prevention, a member of the Board of Trustees of Caritas Manila and Radio Veritas-Global Broadcasting Systems, Inc., a former Commissioner of the Pasig Rehabilitation Commission, and a former Governor of the Philippine Stock Exchange. In June 2012, he was appointed as Co-Chairman of the newly organized US-Philippine Business Society, a non-profit society which seeks to broaden the relationship between the United States and the Philippines in the areas of trade, investment, education, foreign and security policies and culture. Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts Degree in Economics. He received his Master's Degree in Business Administration from Wharton School of Finance & Commerce at the University of Pennsylvania. He was conferred a Doctor of Humanities (Honoris Causa) Degree by the San Beda College (2002), Xavier University (2007), Holy Angel University (2009) and Far Eastern University (2010).

## **Napoleon L. Nazareno** **64, Filipino**

Director of PLDT 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 of PLDT since his appointment on February 19, 2004 and is concurrently the President and CEO of Smart since January 2000 and Connectivity Unlimited Resources Enterprises, Inc. since 2008. He also serves as Chairman or is a director of several



**NAPOLEON L. NAZARENO**

subsidiaries of PLDT and Smart including PLDT Communications and Energy Ventures, Inc. (PCEV), Wolfpac Mobile, Inc., Smart Broadband, Inc., I-CONTACTS Corp., ePLDT, Inc. (ePLDT), Mabuhay Investments Corp. (Mabuhay Investments), ACeS Philippines Cellular Corp. (Aces Philippines), Digital Telecommunications Phils, Inc. (Digital), Digital Mobile Phils, Inc. (Digital Mobile), PLDT Global Investments Holdings, Inc. and PLDT Global Corp. His other directorships include Meralco, a PSE-listed company, SPI Technologies, Inc., SPI CRM, Inc. and Rufino Pacific Tower Condominium Corp. He is a non-executive director of First Pacific, a Hongkong Stock Exchange-listed company. Mr. Nazareno received his Master's Degree in Business Management from the Asian Institute of Management, completed the INSEAD Executive Program of the European Institute of Business Administration in Fontainebleau, France, and was conferred a Doctor of Technology (Honoris Causa) Degree by the University of San Carlos.

## **Helen Y. Dee** **70, Filipino**

Director of PLDT since June 18, 1986. She is the Chairperson or a director of EEI Corporation, National Reinsurance Corp. of the Philippines, Petro Energy Resources Corp., Rizal Commercial Banking Corp. and Seafrost Resources Corp., all of which are PSE-listed companies. She is the Chairperson, Vice Chairperson or a director of several companies engaged in banking, insurance and real property businesses. She is also the President and/or CEO of Hydee Management and Resource Corp., Moira Management, Inc., Tameena Resources, Inc., YGC Corporate Services, Inc., Financial Brokers Insurance Agency, Inc., GPL Holdings, Inc. and Mijo Holdings, Inc., the Vice President of A. T. Yuchengco, Inc., and the Treasurer of Business Harmony Realty, Inc. Ms. Dee received her Master's Degree in Business Administration from De La Salle University.

## **Atty. Ray C. Espinosa** **57, Filipino**

Director of PLDT since November 24, 1998, the Head of Regulatory Affairs and Policies of PLDT since March 2008, and General Counsel of Meralco since 2009. In June 2013, he joined First Pacific and was appointed as First Pacific Group's Head of Government and Regulatory Affairs and Head of Communications Bureau for the Philippines. Atty. Espinosa is also a director of Meralco, and an independent director and Chairman of the Audit Committee of Lepanto Consolidated Mining Co., which are PSE-listed companies. He also holds directorships in other public and private companies. He is also a trustee of the Beneficial Trust Fund of PLDT and PLDT-Smart Foundation, Inc. He served as President & CEO of MediaQuest, TV5 Network, Inc., Signal TV, Inc. until May 2013 and prior thereto, was the President & CEO of ePLDT and its subsidiaries until April 2010. Atty. Espinosa has a Master of Laws Degree from the University of Michigan Law School.

## **James L. Go** **74, Filipino**

Director of PLDT since November 3, 2011, and is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He is the Chairman and CEO of JG Summit Holdings, Inc., and Oriental Petroleum and Minerals Corp., the Chairman of Universal Robina Corp. and Robinsons Land Corp., the Vice Chairman and Deputy Chief Executive Officer of Robinsons Retail Holdings, Inc., and a director of Meralco, which are PSE-listed companies. He is also the Chairman of JG Summit Petrochemical Corp. and JG Summit Olefins Corp., and a director of Singapore Land Ltd., Marina Center Holdings, Inc., United Industrial Corp. and Hotel Marina City Private Limited. He is also



**HELEN Y. DEE**



**ATTY. RAY C. ESPINOSA**



**JAMES L. GO**



**SETSUYA KIMURA**



**HIDEAKI OZAKI**



**ARTEMIO V. PANGANIBAN**

the President and Trustee of the Gokongwei Brothers Foundation. He was the Chairman, President and CEO of Digitel Mobile and the Vice Chairman, President and CEO of Digitel until October 26, 2011. Mr. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

**Setsuya Kimura**  
**57, Japanese**

Director of PLDT 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 Director of Network Department of NTT DoCoMo, Inc. He served as Regional CEO, Asia Pacific of NTT Communications and President & CEO of NTT Singapore Pte Ltd from 2007 to 2009, and as President & CEO of NTT Communications (Thailand) Co. Ltd from 2003 to 2007. Prior to that, he occupied various management positions in Nippon Telephone and Telegraph Co. Mr. Kimura obtained his Bachelor's Degree in Civil Engineering from Hokkaido University.

**Hideaki Ozaki**  
**48, Japanese**

Director of PLDT since December 6, 2011. He is the Vice President of Planning, Global Business of NTT Communications Corp., a company which provides telecommunication and ICT services such as Global Network, Data Centre, Cloud Services inside and outside of Japan. 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 Nippon Telegraph and Telephone Corp. from 1995 to 1999. Mr. Ozaki obtained his Bachelor's Degree in Law from University of Tokyo and Master's Degree in Law from University of Pennsylvania.

**Hon. Artemio V. Panganiban**  
**77, Filipino**

Independent director since April 23, 2013. He was appointed as an independent member of the Audit, Governance and Nomination and Executive Compensation Committees of the Board of Directors of PLDT on May 7, 2013. He served as an independent member of the Advisory Board and an independent non-voting member of the Governance and Nomination Committee of the Board of Directors of PLDT from June 9, 2009 to May 6, 2013. Currently, he is also an independent director of Meralco, Petron Corp., Bank of the Philippine Islands, First Philippine Holdings Corp., Metro Pacific Investments Corp., Robinsons Land Corp., GMA Network, Inc., GMA Holdings, and Asian Terminals, Inc., and a Non-executive director of Jollibee Foods Corp., all of which are PSE-listed companies. He also holds directorships in Metro Pacific Tollways Corp. and Tollways Management Corp. He is the Chairman of the Board of Trustees of the Foundation for Liberty and Prosperity and Chairman-Emeritus of the Philippine Dispute Resolution Center, Inc., President of the Manila Metropolitan Cathedral-Basilica Foundation, Chairman of the Board of Advisers of Metrobank Foundation, Inc., Asian Institute of Management Center for Corporate Governance, and University of Asia and the Pacific, Senior adviser of the Metropolitan Bank and Trust Co. and V. Mapa Falcon Honor Society, Adviser of Doubledragon Properties Corp., and a column writer of the Philippine Daily Inquirer. Hon. Panganiban obtained his Bachelor of Laws Degree (Cum Laude) from the Far Eastern University in 1960, and was conferred a Doctor of Laws (Honoris Causa) Degree by the University of Iloilo (1997), Far Eastern University (2002), University of Cebu (2006), Angeles University (2006) and Bulacan State University (2006).

**Ma. Lourdes C. Rausa-Chan**  
**60, Filipino**

Director of PLDT since March 29, 2011 and non-voting member of the Governance and Nomination Committee of the Board of Directors of PLDT. 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



**MA. LOURDES C. RAUSA-CHAN**



**PEDRO E. ROXAS**



**JUAN B. SANTOS**



**TONY TAN CAKTIONG**



**ALFRED V. TY**

a director of ePLDT and PLDT Global Investments Holdings, Inc. and also serves as Corporate Secretary of several subsidiaries of PLDT, PCEV, PLDT-Smart Foundation Inc. and Philippine Disaster Recovery Foundation, Inc. Prior to joining PLDT, she was the Group Vice President for Legal Affairs of Metro Pacific Corp. and the Corporate Secretary of some of its subsidiaries. Ms. Rausa-Chan obtained her Bachelor of Arts Degree in Political Science and Bachelor of Laws Degree from the University of the Philippines.

**Pedro E. Roxas**  
**57, Filipino**

Director of PLDT since March 1, 2001 and qualified as an independent director since 2002. He is the Chairman of the Audit Committee and serves as an independent member of the Governance and Nomination and Executive Compensation Committees of the Board of Directors of PLDT. He is the Chairman of Roxas Holdings, Inc., Executive Chairman and President/CEO of Roxas and Co., Inc., and an independent director of Meralco and BDO Private Bank, which are reporting or PSE-listed companies. He is also the Chairman, President or a director of companies or associations in the fields of agri-business, sugar manufacturing and real estate development including Brightnote Assets Corp., Club Punta Fuego, Inc. and Philippine Sugar Millers Association, and a member of the Board of Trustees of Philippine Business for Social Progress and Fundacion Santiago (where he is also the President). Mr. Roxas received his Bachelor of Science Degree in Business Administration from the University of Notre Dame, Indiana, USA.

**Juan B. Santos**  
**75, Filipino**

Director of PLDT since January 25, 2011. He is the Chairman of Social Security Commission/Social Security System, and a member of the Board of Directors of Alaska Milk Corp., First Philippine Holdings Corp. and Philex Mining Corp., which are PSE-listed companies. He is also a member of the Board of Directors of Philippine Investment Management (PHINMA), Inc., Sun Life Grepa Financial, Inc. and Zuellig Group Inc., a member of the Board of Advisors of Coca-Cola FEMSA Asia Division, East-West Seeds Co., Inc., a trustee of Ramon Magsaysay Award Foundation and St. Luke's Medical Center, and a consultant of the Marsman-Drysdale Group of Companies. He retired as CEO of Nestle Philippines, Inc. ("NPI") in 2003 and continued to serve as Chairman of NPI until 2005. Prior to

his appointment as President and CEO of NPI, he was the CEO of the Nestle Group of Companies in Thailand and Singapore. He served as Secretary of Trade and Industry from February to July 2005 and was designated as a member of the Governance Advisory Council, and Private Sector Representative for the Public-Private Sector Task Force for the Development of Globally Competitive Philippine Service Industries. He obtained his Bachelor of Science Degree in Business Administration from Ateneo de Manila University, pursued post graduate studies at the Thunderbird Graduate School of Management in Arizona, USA and completed the Advanced Management Course at IMD in Lausanne, Switzerland.

**Tony Tan Caktiong**  
**61, Filipino**

Director of PLDT since July 8, 2008. He is the Chairman and CEO of Jollibee Foods Corp., a PSE-listed company and 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 Corp., a PSE listed company, and a member of the Board of Trustees of Jollibee Group Foundation and Temasek Foundation. Mr. Tan Caktiong obtained his Bachelor of Science Degree in Chemical Engineering from University of Santo Tomas and honed his business skills by attending various courses and seminars in several educational institutions including, among others, the Asian Institute of Management, Stanford University (Singapore) and Harvard University.

**Alfred V. Ty**  
**46, Filipino**

Independent director of PLDT 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. and the Corporate Secretary of Metropolitan Bank and Trust Co., both of which are PSE-listed companies. He is also the Vice-Chairman of Toyota Motor Philippines Corp., the President of Federal Land, Inc., the Chairman of Lexus Manila, Inc., Cathay International Resources, Inc. and Bonifacio Landmark Realty & Development Corp., a director of Global Business Power Corp., a trustee of Metrobank Foundation, Inc., Norberto Tytana Foundation and GT-Metro Foundation, Inc. Mr. Ty received his Bachelor of Science Degree in Business Administration from the University of Southern California.



## Advisory Board



**OSCAR S. REYES**



**ROBERT R. ROMULO**



**BENNY S. SANTOSO**



**WASHINGTON Z. SYCIP**



**ORLANDO B. VEA**



**CHRISTOPHER H. YOUNG**



## Key Officers & Advisors

### **Ernesto R. Alberto** 53, 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 and President of Telesat, Inc., the President and CEO of ePLDT, the Chairman of ABM Solutions, Inc., Acasia, Bonifacio Communications Corp., ePDS, Inc., iPlus Intelligent Network, Inc., PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., and Smart-NTT Multimedia, Inc., a director of Asean Telecoms Holdings, Mabuhay Investments, PLDT Global Corp. (Philippines and Malaysia), PLDT-Philcom, Inc., PLDT-Maratel, Inc., and IP Converge Data Services, Inc. Prior to joining PLDT in 2003, was 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 Corp.

### **Rene G. Bañez** 59, Filipino

Supply Chain, Asset Protection and Management Group Head, 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 director of FEP Printing Corp., Meralco Industrial Engineering Services Corp., PLDT ClarkTel, PLDT SubicTel, PLDT Maratel, and PLDT Philcom. 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.

### **Fixed Group**

(Seated, L-R) Jun R. Florencio, Christopher H. Young, Napoleon L. Nazareno, June Cheryl A. Cabal-Revilla, Ma. Lourdes C. Rausa-Chan.

(Standing, L-R) Isaias P. Fermin, Alejandro O. Caeg, Anabelle L. Chua, Lawrence Goh, Rene G. Bañez, Ernesto R. Alberto, Menardo G. Jimenez Jr.



**June Cheryl A. Cabal-Revilla**  
**40, Filipino**

Controller and Financial Reporting and Controllershship Head, is also a director and the Chief Financial Officer/Treasurer of certain subsidiaries of PLDT and the PLDT-Smart Foundation, Inc. She is also the Chief Financial Officer of Mediascape, Inc. and Pacific Global One Aviation Co., Trustee and Chief Finance Officer of the Philippine Disaster Recovery Foundation, Controller of First Pacific Leadership Academy, Inc. and the President of Tahanan Mutual Building and Loan Association. 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 Sycip Gorres Velayo & Co. She was the 2008 Young Achievers Awardee for Commerce and Industry conferred by the Philippine Institute of Certified Public Accountants and recently joined the ranks of the distinguished pool of awardees of The Outstanding Young Men (TOYM) 2013 for community service through the program known as the Gabay Guro (2G). In March 2010, she was appointed as a member of the Financial Reporting Standards Council of the Philippines.

**Alejandro O. Caeg**  
**53, Filipino**

President and CEO of PLDT Global Corp. and concurrently the Head of PLDT, Smart, Digitel and Sun 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 until 2012 and is currently Conexus Chairman till 2014. 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 held various sales, marketing and customer service-related positions in Smart including that of Group Head of Sales and Distribution (2003-2005), Group Head of Customer Care and National Wireless Centers (1998-2001) and Marketing Head of International Gateway Facilities and Local Exchange Carrier (1997-1998). He also served as President and CEO of Telecommunications Distributors Specialist, Inc. in 2002 and as Chief Operations Adviser of I-Contacts Corp. (Smart's Call Center subsidiary) from 2001 to 2002.





**Anabelle L. Chua**  
53, Filipino

Treasurer and Corporate Finance and Treasury Head, concurrently holds the position of Chief Financial Officer of Smart since 2006 and of Digital Mobile since August 2013. She holds directorships in Philippine Telecommunications Investment Corp., Smart, Digital and several subsidiaries of PLDT, Smart and Digital including ePLDT, Digital Mobile, Aces Philippines, Mabuhay Investments, PLDT Global, PLDT Global Investments, PCEV, Wolfpac Mobile, Inc., Smart Broadband, Inc., Smart e-Money, Inc. and Chikka Holdings Limited. She is a member of the Board of Directors of Philippine Stock Exchange and Securities Clearing Corp. of the Philippines and the Board of Trustees of the PLDT-Smart Foundation and PLDT Beneficial Trust Fund, and is a director of MediaQuest and several subsidiaries of MediaQuest. She was Vice President at Citibank, N.A. where she worked for 10 years, prior to joining PLDT in 1998.

**Isaias P. Fermin**  
46, Filipino

Designated, on January 1, 2012, as Executive Vice President and Head of Home Business of the PLDT Group. He is responsible for delivering revenue and profit growth for the Home Business through a much defined brand positioning that consistently engages the consumer in all touch points, a balanced product portfolio that propels both subscriber and ARPU growth and introduction of a new line of products and services that significantly improves the consumer use experience. Concurrently, he is the Chairman of the Board of Directors of PLDT Philcom and PLDT Maratel, the CEO of Digital and a director of PLDT Global Corp. Prior to joining the PLDT Group, he was the President of Greenwich Food Corp. and Chowking Food Corp. of the Jollibee Foods Corp. from 2008 to 2011. He also served as Country Director of Nike Philippines from 2006 – 2008 and handled various posts in Unilever – Bestfoods from 1998 to 2005 as senior executive for sales, marketing, media and innovation process management.





## Wireless Group

(Seated, L-R) Emmanuel Ramon C. Lorenzana, Rolando G. Peña, Orlando B. Vea, Lawrence Goh

(Standing, L-R) Mario G. Tamayo, Jovan C. Barac, Napoleon L. Nazareno, Rene G. Bañez, Anabelle L. Chua, Charles A. Lim

### Jun R. Florencio 58, Filipino

Internal Audit and Fraud Risk Management Head, 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 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. 51, Filipino

Customer Service Assurance Head, Human Resources Group Head, and concurrently Business Transformation Office Head, 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 a 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.

### Christopher H. Young 56, 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 Corp. in 1995 as Finance Director, a position he held until joined PLDT in November 1998,



# PLDT Officers

**MANUEL V. PANGILINAN**

Chairman of the Board

**NAPOLEON L. NAZARENO**

President and Chief Executive Officer

**ERNESTO R. ALBERTO**

EVP, Enterprise, International and Carrier Business

**ISAIAS P. FERMIN**

EVP, HOME Business

**RENE G. BAÑEZ**

SVP, Supply Chain, Asset Protection and Management

**ALEJANDRO O. CAEG**

SVP, International and Carrier Business

**ANABELLE L. CHUA**

VP, Corporate Finance and Treasury  
Corporate Treasurer

**JUN R. FLORENCIO**

SVP, Internal Audit and Fraud Risk Management

**MENARDO G. JIMENEZ, JR.**

SVP, Human Resources  
Business Transformation Office

**MA. LOURDES C. RAUSA-CHAN**

SVP, Corporate Affairs and Legal Services  
Chief Governance Officer  
Corporate Secretary

**KATRINA L. ABELARDE**

FVP, Small and Medium Enterprise

**ANNA ISABEL V. BENGZON**

FVP, Office of the Finance Group Head

**ALFREDO B. CARRERA**

FVP, Regulatory Strategy and Support

**CESAR M. ENRIQUEZ**

FVP, EICB Revenue and Operations Support

**JUAN VICTOR I. HERNANDEZ**

FVP, Corporate Business

**FLORENTINO D. MABASA, JR.**

FVP, Legal Services  
Assistant Corporate Secretary

**LEO I. POSADAS**

FVP, Treasury

**JUNE CHERYL A. CABAL-REVILLA**

FVP, Financial Reporting and Controllership

**MARTIN T. RIO**

FVP, Property and Facilities Management

**RICARDO M. SISON**

FVP, Consumer Credit and Business System Management

**EMILIANO R. TANCHICO, JR.**

FVP, Human Resources Management and Development

**MELISSA V. VERGEL DE DIOS**

FVP, Investor Relations

**MIGUELA F. VILLANUEVA**

FVP, Cost and Valuation

**RAUL S. ALVAREZ**

VP, HOME Marketing Support

**JOSE A. APELO**

VP, Fixed Service Quality Management

**RAFAEL M. BEJAR**

VP, Medical Services

**MARCO ALEJANDRO T. BORLONGAN**

VP, Customer Service Operations Management

**RENATO L. CASTAÑEDA**

VP, Corporate Relationship Management G

**REBECCA JEANINE R. DE GUZMAN**

VP, HOME Customer Care and Sales Support

**ALONA S. DINGLE**

VP, Financial Reporting

**MARGARITO G. DUJALI, JR.**

VP, HOME Data Solutions

**WALTER M. GAFFUD**

VP, HOME Sales and Distribution

**GIL SAMSON D. GARCIA**

VP, Revenue and Cash Accounting

**JOSEPH IAN G. GENDRANO**

VP, Corporate Relationship Management A

**ELISA B. GESALTA**

VP, Network Services Project Management

**JOHN JOHN R. GONZALES**

VP, Corporate Relationship Management F

**MA. JOSEFINA T. GORRES**

VP, Enterprise Billing and Credit Management

**MA. CRISELDA B. GUHIT**

VP, Tax Management

**EMERALDO L. HERNANDEZ**

VP, Technical Operations Centre

**MARVEN S. JARDIEL**

VP, Enterprise Operations Support and Readiness

**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 B

**JOSELITO S. LIMJAP**

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