



THE FUTURE IS IN OUR FIBER.

85  
YEARS



2012 ANNUAL REPORT

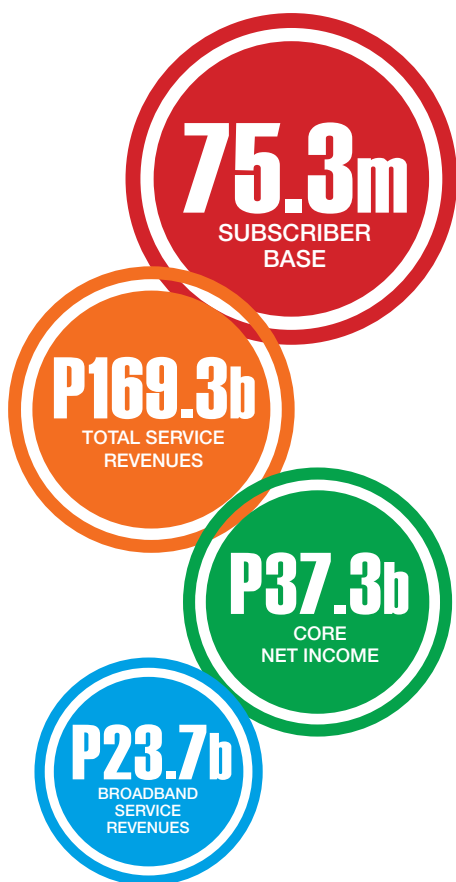
Picture a community where homes and enterprises enjoy excellent reception for telephone, video, audio, or television, and just about any other kind of digital data service. Envision that for all the major cities and towns throughout the country and you see a progressive Philippines.

We, at PLDT, are committed to that vision as we bring in fiber optic technology, which allows us to simultaneously deliver voice, video, and data services at much faster speed and larger capacity to residences and buildings.

With energy flowing through hair-thin strands of pure light, life looks good. And the future is bright.

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PLDT is the leading telecommunications service provider in the Philippines. Through its four business segments—wireless, fixed line as well as business process outsourcing (BPO) 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 2012, 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  
Smart Broadband, Inc. and Subsidiaries  
Chikka Holdings Limited and Subsidiaries  
Digitel Mobile Philippines, Inc.

### 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

### BPO\*

SPi Technologies, Inc. and Subsidiaries  
SPi CRM, Inc.

### OTHERS

PLDT Communications and Energy Ventures, Inc.

\* On December 4, 2012, our Board of Directors authorized the sale of our BPO segment, thus, it was classified as a disposal group held-for-sale and discontinued operations as at December 31, 2012.

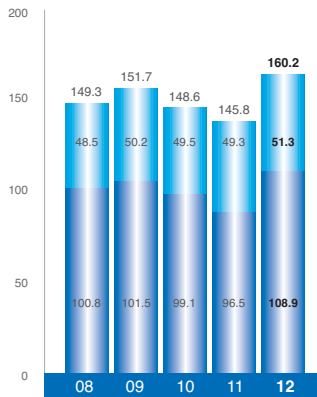
# COMPARATIVE HIGHLIGHTS

	2008	2009	2010	2011	2012
<b>FINANCIAL INFORMATION</b> (in million pesos, except cash dividends declared per common share)					
Revenues					
Service Revenues	149,334	151,706	148,597	145,834	160,189
Non-Service Revenues	2,709	2,426	2,217	2,645	3,295
	152,043	154,132	150,814	148,479	163,484
Expenses					
Depreciation and Amortization	24,151	25,159	25,881	27,539	32,354
Compensation and Employee Benefits	15,204	17,654	19,148	15,089	23,042
Repairs and Maintenance	8,216	8,261	9,087	10,053	12,604
Interconnection Costs	14,655	14,030	13,928	12,586	11,556
Selling and Promotions	5,561	5,705	5,244	7,807	9,708
Cost of Sales	5,252	5,432	4,771	5,443	8,747
Professional and Other Contracted Services	4,014	3,898	4,462	5,143	5,361
Asset Impairment	3,118	5,008	1,420	10,200	5,286
Others	10,822	11,024	10,735	12,242	15,365
	90,993	96,171	94,676	106,102	124,023
Net Income (Loss) for the Year	35,298	40,095	40,259	31,637	35,401
Continuing Operations	37,215	40,676	40,744	30,806	34,741
Discontinued Operations	(1,917)	(581)	(485)	831	660
Core Income	38,079	41,138	42,028	39,035	37,333
Continuing Operations	38,923	41,701	41,486	38,282	36,665
Discontinued Operations	(844)	(563)	542	753	668
EBITDA	87,741	86,194	83,717	79,959	77,258
Continuing Operations	87,155	85,575	82,660	78,547	75,632
Discontinued Operations	586	619	1,057	1,412	1,626
Property, Plant and Equipment	377,220	390,692	416,390	481,647	481,033
Accumulated Depreciation, Amortization and Impairment	216,894	229,436	253,206	281,505	280,955
Carrying Value	160,326	161,256	163,184	200,142	200,078
Capital Expenditures	25,203	28,069	28,766	31,207	36,396
Short and Long-Term Debts	73,911	98,729	89,646	117,275	115,792
Net Debts	33,557	56,586	52,299	70,660	78,057
Equity Attributable to Equity Holders of PLDT	105,531	98,575	97,069	151,833	149,060
Cash Dividends Declared per Common Share					
Out of Earnings for the Year	200	218	222	189	172
<b>OPERATING INFORMATION</b>					
Number of Cellular Subscribers	35,224,604	41,328,641	45,636,008	63,696,629	69,866,458
Number of Fixed Line Subscribers	1,782,356	1,816,541	1,822,105	2,166,295	2,063,794
Number of Broadband Subscribers	995,916	1,614,407	2,021,004	2,928,369	3,262,884
Wireless	547,090	1,037,720	1,355,977	2,068,409	2,359,024
Fixed Line	448,826	576,687	665,027	859,960	903,860
Number of Stockholders	2,183,666	2,183,194	2,182,391	2,181,823	12,169
Number of Employees	29,904	29,035	28,770	34,116	36,740
Wireless	5,602	5,507	5,165	8,043	8,513
Fixed Line	7,813	7,947	9,572	11,409	10,462
BPO	16,489	15,581	14,033	14,664	17,765

The 2008-2011 results have been adjusted to reflect the discontinued operations and the statement of financial position as at December 31, 2011 have been adjusted to reflect the adjustment made to the provisional amounts used in the purchase price in relation to the acquisition of Digitel.

# CONSOLIDATED FINANCIAL PERFORMANCE HIGHLIGHTS

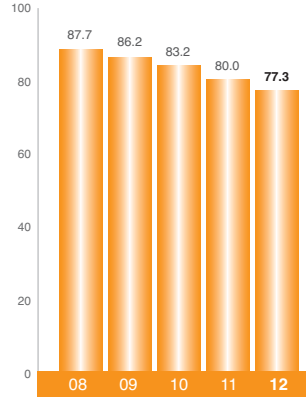
160.2b



**SERVICE REVENUES**  
(Php in billions)

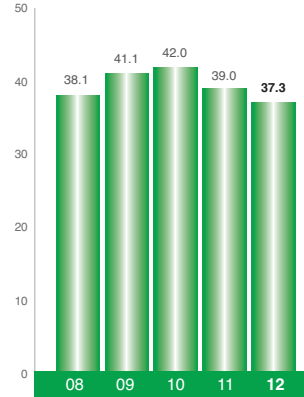
■ Wireless ■ Fixed

77.3b



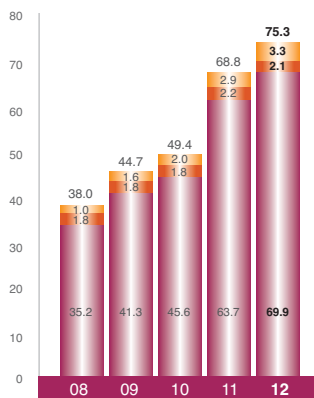
**EBITDA**  
(Php in billions)

37.3b



**CORE INCOME**  
(Php in billions)

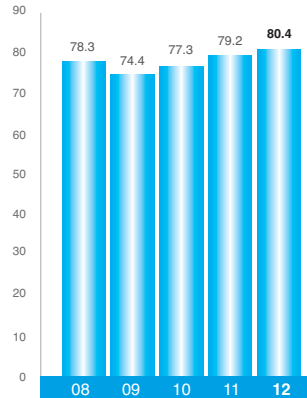
75.3m



**SUBSCRIBER BASE**  
(in millions)

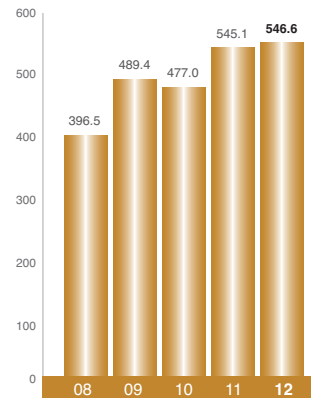
■ Wireless ■ Fixed ■ Broadband

80.4b



**CASH FLOW FROM OPERATIONS**  
(Php in billions)

546.6b



**MARKET CAPITALIZATION**  
(Year-end, Php in billions)



A MESSAGE FROM THE  
**CHAIRMAN**

“ We are not looking forward to simply restoring past levels of revenue. Our aim is to reboot growth on a future-friendly basis by pursuing great synergies and improved efficiencies throughout the now expanded PLDT Group and by developing innovative data and multimedia services which can thrive in an increasingly disruptive digital, social media-driven world. ”

# THE FUTURE IS IN OUR FIBER

AFTER PATIENT, STEADY EFFORTS WHICH STARTED AS FAR BACK AS 2010, YOUR COMPANY IS NOW READY FOR RENEWED GROWTH IN 2013 AND BEYOND.

We are not looking forward to simply restoring past levels of revenue. Our aim is to reboot growth on a future-friendly basis by pursuing great synergies and improved efficiencies throughout the now expanded PLDT Group and by developing innovative data and multimedia services which can thrive in an increasingly disruptive digital, social media-driven world.

We have reached this juncture by pursuing major transformation activities within the Group.

## PURSUING TRANSFORMATION

First, we completed our massive Php67.4 billion network transformation program for our fixed and mobile networks. This has enabled us to extend and improve our basic services as well as commence offering cutting-edge broadband services such as fiber-to-the-home (FTTH) on our fixed line network and Long-Term Evolution (LTE) on our mobile networks. These high-speed access technologies are underpinned by PLDT's extensive fiber optic network, which is the country's most extensive, robust and resilient.

Second, we have reconfigured our organization to address more effectively our key markets – Home, Individual and Enterprise. PLDT, ePLDT, Digitel, Smart and Cellular (Sun) have put in place a mesh of collaborative mechanisms that allow these organizations to work cohesively in serving our various customers – whether they be large corporations at home or Filipino workers overseas.

Third, we have methodically pursued synergies within the Group to ensure that we serve our customers in the most cost-efficient and effective ways. This has involved taking major decisions such as migrating Digitel's landline subscribers to PLDT because the former's landline network was nearing its end-of-life stage and would be progressively difficult to operate.

As I indicated in my message last year, 2012 was a difficult period representing our Year for Alignment. We took on the challenging process of realizing the benefits of the Digitel acquisition even as we contended with intense competition from other telcos but also, and perhaps more strategically, from over the top players of the internet world.

## TRANSITIONAL DYNAMICS

Our financial results reflect the impact of those transitional dynamics. In line with our guidance, consolidated core net income reached Php37.4 billion, which was 4% below the figure for 2011. Reported net income, on the other hand, was up 12% at Php35.5 billion. Moreover, total service revenues rose 10% to Php160.2 billion, after two years of decline.

What is worth noting, though, is that the 2012 second semester core net income of Php18.7 billion was 4% higher from the second semester of the previous year. This gives us confidence that we shall attain our guidance core net income for 2013 of Php38.3 billion, a gain of about one billion pesos after two years of decline.

## EXECUTION AND INNOVATION

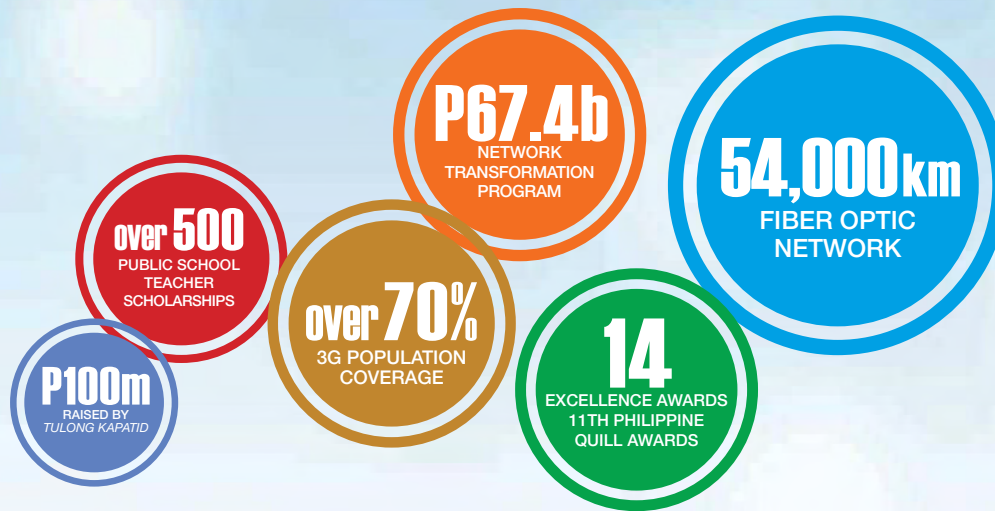
To maintain our growth momentum, we need to focus on execution and innovation.

Excellent execution is the key to implementing synergy programs that we have developed to capitalize on the Digitel acquisition. We have already realized some of these gains, such as capital expenditures (capex) savings by harmonizing network investments. Moving on into such fields as marketing and sales, however, requires an unprecedented degree of coordination among PLDT, ePLDT, Digitel, Smart, and Sun Cellular.

This is no small task given the divergent histories, cultures and dynamics of the various organizations within the Group. But this is absolutely necessary if we are to combine the strengths of the various companies and move forward as one Group.

To their credit, the leaders of the Group's various business units have approached this process with an openness of mind and flexibility. It is critical that the different companies develop a common culture along with processes and practices to back up that culture of putting the customer first.

Execution is also critical in taking advantage of the huge competitive advantage that PLDT has acquired by completing its network transformation far ahead of the competition. Our accelerated capex program in 2011 and 2012 enabled PLDT to extend its fiber optic transmission network to over 54,000 kilometers and we are now in



the process of laying down 5,000 kilometers more. We have fortified our international fiber links, increased our 3G population coverage to over 70%, grown the reach of our FTTH facilities and expanded the coverage of our LTE service. PLDT is, thus, well-positioned to grow its data businesses, both fixed and mobile. With smartphone penetration rapidly growing and social media driving usage, mobile data promises to be a key source of growth in the coming years.

But excellent execution alone will not suffice. We need to become much more prolific and focused in our innovations as we transform PLDT into a communications and multimedia services Group in an environment where the telco, media and internet worlds are merging at an accelerating pace.

We have taken steps to position PLDT to profit from that trend. Our investment via Philippine Depository Receipts (PDRs) in CignalTV places us at the cutting edge of opportunities arising from the convergence of access and content.

At the same time, we are nurturing innovation through out-of-the-box approaches both inside and outside our organization. Our wireless subsidiary Smart, for example, has set up a new business unit that has been given the mandate and the means to develop new business ideas that can be adopted by other units within the Group.

We are also fostering the development of innovative businesses through the IdeaSpace Foundation which provides incubator and accelerator support for small tech start ups selected through a national competition. The first ten winning tech start ups are already being assisted in turning their ideas into commercial products and services.

#### HARVEST OF AWARDS

Thankfully, your Company's efforts in business innovation, corporate governance and community service have won recognition here and abroad.

PLDT won the Best CEO awards from Finance Asia (for the undersigned) and Corporate Governance Asia (for Napoleon L. Nazareno), both prestigious regional publications in their respective fields. The two publications also named PLDT Best in Corporate Governance in the Philippines while the Institute of Corporate Directors of the Philippines cited PLDT as a Platinum Plus Awardee in Corporate Governance. PLDT was also cited as the Carrier Ethernet Service Provider of the Year for Asia Pacific by the 2012 Metro Ethernet Forum (MEF) held in Shanghai, China.

Smart bagged awards for Operator of the Year and Telecom CEO of the Year (for Napoleon L. Nazareno) at the 15th Telecom Asia Awards held in Bangkok, Thailand. It also won the Operator of the Year and Innovation Award for the Smart Netphone at the 2nd Asia Communications Award held in Singapore, and The Most Innovative Company Award at the Asia CEO Awards held in Manila. Its mHealth program, Secured Health Information Network and Exchange (SHINE), won two international awards and was also named as one of the country's Top 10 health program by Health Market Innovations at the 2nd Galing Likha-Kalusugan Awards held in Manila.

Moreover, Smart was cited as the Company of the Year at the 11th Philippine Quill Awards for winning a record-setting 14 Excellence Awards at the annual competition held by the International Association of Business Communicators Philippines. It also garnered 14 awards at the 48th Anvil Awards, the second year in a row that it topped the trophy count at the annual event of the Public Relations Society of the Philippines.



Finally, Sun was recognized as the Philippines' Mobile Service Provider of the Year for 2012 by Frost & Sullivan Asia Pacific Best Practices Awards, the second straight year that Sun received that distinction from the global research and consultancy firm.

#### CONSORTIUM FOR CORPORATE ACTION

In 2012, we raised the level of our community service programs establishing stronger partnerships with our kindred companies. This was particularly true in two areas: disaster preparedness and response, and entrepreneurship.

In November 2012, PLDT joined hands with Metro Pacific Investments Corporation (MPIC), Manila Electric Company (Meralco), Maynilad Water Services, Inc. (Maynilad) and other affiliated companies in forming *Tulong Kapatid* as our coordinated disaster preparedness and response program. The following month, on December 5, *Typhoon Pablo* struck southeastern Mindanao and inflicted horrific death and destruction in the provinces of Davao Oriental and Compostela Valley.

What followed has provided PLDT and its allied companies a template for working together in dealing with calamities. *Tulong Kapatid* raised more than Php100 million via a telethon on ABC Associated Broadcasting Company Development Corporation (TV5). Working together, TV5, Smart, PLDT and Meralco distributed relief goods, ready-to-eat food and water to several tens of thousands of displaced residents of the two hard-hit provinces over several weeks. Maynilad deployed its mobile water filtration station. Doctors and nurses from the Davao Doctors Hospital and Makati Medical Center staged medical missions that served several thousands of people in New Bataan and Compostela Poblacion in Compostela Valley.

Smart set up free call stations for typhoon victims and, working with *Telecoms Sans Frontieres* and Vodafone Foundation, also installed an Instant Network, using a portable cell site that fits into four suit cases, to provide mobile phone service to relief agencies in Davao Oriental. Meralco deployed 38 linemen to help the local electric cooperative restore power in the towns of Cateel and Banganga.

In partnership with the Davao Oriental provincial government and the National Housing Authority (NHA), *Tulong Kapatid* is now building about 300 homes in Banganga for families displaced by the typhoon.

In entrepreneurship, PLDT, working once more with its affiliated companies, launched the largest private sector initiative to promote tech startups in the country. As I noted earlier, IdeaSpace Foundation held a nationwide contest to select the first ten tech start ups that will each receive funding of up to Php5 million plus mentoring, logistics and legal assistance to translate their innovative ideas into commercial reality.

In the same vein, PLDT launched *Project Pagsulong*, a Php1 million national competition among young Filipinos to develop innovative business ideas that provide real-life solutions to poverty. The three winning teams have received cash grants, and pre- and post-project coaching and mentoring from partner institutions.

In education, PLDT's *Gabay Guro* continued to expand its reach, providing scholarships to over 500 public school teachers in state universities and colleges all over the country. It now plans to further extend its support for public school teachers by working with local governments and over 30 partner state colleges and universities. The target is to eventually have five scholars per year per province.

Our other education programs are evolving in the direction of going increasingly digital and online. PLDT's *Infoteach Outreach Program (Infoteach)* is strengthening its partnership with the University of the Philippines Open University (UPOU) to provide advanced online training for teachers from its partner public schools. The *Smart Schools Program* is placing greater emphasis on multimedia content generation through its *Doon Po Sa Amin Program*. The *Smart Wireless Engineering Education Program (SWEEP)* has introduced mobile applications development in its annual innovation competition.

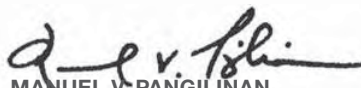
Finally, in sports, PLDT continued to support Philippine sports vigorously, particularly basketball, football, boxing and taekwondo. We are preparing well for the FIBA Asia Championship that will be held in Manila in August 2013. The reorganized Smart Gilas National Basketball Team has trained strenuously for this competition that will hopefully pave the way for Philippine participation in the FIBA World Cup in Spain in 2014.

#### OUTLOOK

Through its investments and transformation initiatives, the PLDT Group has positioned itself well in the emerging digital and multimedia world. We shall maintain and strengthen our leadership by embracing both incremental and disruptive changes.

Attaining these goals requires far-sighted leadership, an agile and flexible organization and a single-minded focus on delivering the best possible service at the most affordable prices to our customers. The road ahead is long and steep, but the challenges are exciting.

In closing, I wish to thank our shareholders for their support and the Board of Directors for their determination and dedication in building a new future for PLDT.



MANUEL V. PANGILINAN

Chairman of the Board

A LETTER FROM THE  
**PRESIDENT & CEO**



“ We are fully aware that PLDT is pursuing growth within a very dynamic industry environment. As the world of telecoms, the internet and media come together, we are constantly monitoring and evaluating how these changes may impact our business. Our strategy is to embrace change and to get ahead of the curve. The repositioning of our portfolio and our greater involvement in the media/content business is part of a far-reaching transformation that aims to strengthen PLDT’s leadership in the emerging digital world. ”

# 2013: RETURN TO GROWTH

DEAR FELLOW SHAREHOLDERS:

THE YEAR 2012 WAS A YEAR OF TRANSITION FOR PLDT. WE UNDERTOOK THE STEP-BY-STEP PROCESS OF ASSIMILATING DIGITEL AND SUN CELLULAR INTO THE GROUP. WE COMPLETED AHEAD OF SCHEDULE OUR NETWORK TRANSFORMATION PROGRAM, ENABLING US TO DEPLOY HIGH-SPEED BROADBAND IN BOTH PLDT'S FIXED NETWORK AND SMART'S CELLULAR NETWORK. FACED WITH INTENSE COMPETITION, THE GROUP STRENGTHENED ITS POSITION IN THE MOBILE BUSINESS. WE RATIONALIZED OUR BUSINESS PORTFOLIO, LEADING TO THE SALE OF OUR OUTSOURCING BUSINESS AND MOVED TOWARDS GREATER INVOLVEMENT IN THE MULTIMEDIA SPACE.

OUR FINANCIAL AND OPERATING RESULTS FOR 2012 WERE SHAPED BY THIS TRANSITION PROCESS.

Reported net income rose by 12% to Php35.4 billion. As anticipated, core income, excluding exceptional items, was lower at Php37.3 billion from Php39 billion in 2011 largely reflecting the impact of the competitive intensity in the wireless business including our response to that, as well as the cost of integrating Digitel and Sun into the group.

Consolidated service revenues rose by 10% or Php15.3 billion to Php169.3 billion in 2012 with year-on-year increases in revenues from our domestic voice, short messaging services (SMS), data/broadband and BPO services. International voice revenues, contributing 14% to total service revenues, were lower by 2% at Php23.1 billion due to the combined effect of the peso appreciation, lower international termination rates, and a decline in call volumes with the increasing adoption of alternative modes of communicating such as voice over internet protocol (VoIP) calling.

Consolidated EBITDA dipped by 3%, or Php2.7 billion, to Php77.3 billion at the end of 2012. EBITDA margin reduced to 46% from 52% in 2011 reflecting the impact of the change in revenue mix from high-margin legacy revenues such as international long distance (ILD) and SMS, to relatively lower-margin broadband services. We also booked expenses arising from a manpower rightsizing program (MRP) amounting to Php3.8 billion during the year, excluding which, EBITDA would have been Php1.1 billion higher year-on-year and margin would have been 48%.

In February 2013, as part of the rationalization of our portfolio, we announced our intention to sell our BPO business to Asia Outsourcing Gamma Ltd. (AOG), a company controlled by the private equity fund, CVC Capital

Partners. This transaction was completed at the end of April 2013. As such, for 2012, the BPO segment has since been classified as discontinued operations. Excluding discontinued operations, consolidated service revenues stood at Php160.2 billion, and EBITDA at Php75.6 billion.

Free cash flow for 2012 of Php37.8 billion remained robust, although was lower than previous year, primarily due to the higher capex for 2012 as we completed our two-year network transformation program.

For the sixth consecutive year, PLDT declared 100% of its 2012 core earnings as dividends. Total dividends per share amounted to Php172 consisting of Php120 of regular dividends and Php52 of special dividends representing 70% and 30% of core earnings per share, respectively.

## NETWORK TRANSFORMATION

With the completion of the two-year Php67.4 billion network transformation program in 2012, the PLDT Group fortified its market leadership and competitive advantage. Our base stations are now 100% equipped with single radio access network (RAN) facilities that are simpler, less costly to operate and are easily upgradeable to fourth-generation LTE technology. Our transmission network is far superior to competition with 54,000 kilometers of fiber providing high-bandwidth connections to our home and enterprise customers and to our mobile base stations. To complement our domestic fiber network, we also have robust international fiber links designed to ensure reliability and redundancy.

As a result, the PLDT Group network remains unmatched in its ability to provide high-quality voice, data and multimedia services to our customers.

## **SUBSCRIBER BASE**

At the end of 2012, PLDT's total customer base grew to over 75 million from 69 million at the end of 2011. The PLDT Group has close to 70 million cellular subscribers, 3.3 million broadband subscribers, and 2.1 million fixed line subscribers, maintaining strong market leadership in all business segments.

## **BROADBAND**

Combined fixed and wireless broadband service revenues improved by 26% year-on-year to Php23.7 billion in 2012, now accounting for 13% of total group service revenues. In addition to Php3.2 billion contributed by Digitel/Sun, PLDT DSL revenues were higher by 12% at Php10.6 billion following a 5% increase in subscribers; wireless broadband revenues were up by 4% to Php6.7 billion with a 7% rise in subscribers; while mobile internet revenues climbed by 56% to Php2.6 billion reflecting the growing use of the service.

Broadband remains the bright spot for the business as usage continues to grow strongly given a young, literate Philippine population with increasing purchasing power. Although most of usage today is by shared access or at internet cafes, we anticipate that this will shift to mobile and to homes as the cost of access devices such as smartphones, smart TVs, laptops and the like becomes more affordable by a broader market. PLDT's investments in the network have given it not only an early lead, but a distinct competitive network advantage over competition in the group's ability to consistently provide our customers with quality of experience on a wide range of fixed and mobile devices.

The PLDT group is well positioned to offer and deliver a suite of broadband services with varied speeds and price points, over multiple platforms to both retail and corporate customers. These products include FTTH, as well as bundled products such as WiFi service outside the home for DSL subscribers, direct-to-home (DTH)/content packages in addition to our fixed line service.

## **WIRELESS BUSINESS**

Revenues from our wireless business registered a 15% year-on-year increase to Php117.4 billion in 2012, mainly due to the contribution of Php20.9 billion from Sun Cellular. Competitive pressures impacted the wireless business which saw SMS revenues dip despite increase in the number of messages sent, and lower voice revenues arising from lower voice minutes registered. These revenue declines were partly offset by higher revenues from wireless broadband and mobile internet browsing.

Wireless EBITDA of Php54.4 billion was a 2% reduction versus the prior year reflecting the combined impact of lower revenues and increases in subsidies and expenses arising from the MRP undertaken during the year as part of the inclusion of Sun Cellular into the group. EBITDA margin declined to 46%, in part due to the lower margin of Digitel, and the MRP expenses.

We are beginning to see the benefits from the acquisition of Digitel Group as part of our efforts to bring growth back to the business. We successfully defended our revenue market share in the wireless business which held steady throughout 2012. In addition to this, we undertook various initiatives that aimed to grow revenues such as higher-denomination, longer-duration offers, a greater push to grow our postpaid business, and efforts to clearly differentiate and leverage the strong brand equities of Smart, Talk 'N Text and Sun Cellular.

## **FIXED LINE**

Fixed line service revenues for 2012 rose by 4% from the end of 2011 to Php61.3 billion as increases in revenues from DSL and corporate data and other network services offset declines in international and national long distance revenues.

Fixed line EBITDA dipped by 10% to Php20.3 billion in 2012 following higher cash expenses which included a Php3.0 billion charge in connection with the MRP implemented during the year. EBITDA margin was lower at 33%. Excluding the impact of the MRP expenses, EBITDA would have been higher year-on-year by Php0.6 billion and EBITDA margin would have been 38% compared with 39% in 2011.

Growth momentum in fixed line service revenues will be further fuelled by initiatives that are focused on the Home market, including FTTH, connected screens, triple-play offers with content delivered over fiber; as well as the Enterprise market through various business solutions customized for large corporates, BPOs, small-and-medium enterprises (SMEs) and micro businesses. All these are enabled by PLDT's significant capex investments that include upgrades of our fixed line to fiber and to next generation network (NGN).

## **BPO**

The strengthening of the peso during the year impacted the whole BPO industry whose revenues are largely dollar-denominated. Nevertheless, service revenues from our BPO business registered a 15% year-on-year increase to Php9.9 billion in 2012 reflecting the continued benefits from building up the sales and marketing organization for the business and the full year impact of the acquisition of a high-margin business in education publishing.

BPO EBITDA grew by 33% to Php2.1 billion and EBITDA margin improved to 21% from 18% in 2011 as a result of initiatives that focused on increasing revenues and improving efficiencies and profitability.

Following the sale of the BPO business and the subsequent investment in 20% of AOGL, PLDT will no longer reflect BPO as a separate segment in its 2013 financials, but will instead equity account the earnings from its BPO investment.

## EVOLVING INTO A MULTIMEDIA ORGANIZATION

PLDT's strategic direction is to transform itself into a multimedia organization as the telecommunications industry evolves within a more complex, digital, multimedia environment. Other telcos worldwide have begun to move in a similar direction.

Historically, MediaQuest Holdings, Inc. (MediaQuest), a wholly-owned entity of the PLDT Beneficial Trust Fund, has made investments using internal funds principally into TV5 and CignalTV. Since start of their operations, significant improvements in audience market share and subscriber base have been achieved by TV5 and CignalTV, respectively.

In 2012, PLDT announced its intention to invest Php6 billion in MediaQuest PDRs for an effective 40% economic interest in Mediascape, Inc. (Mediascape), which operates a DTH Pay-TV business under the brand name "CignalTV." PLDT also recently announced its intention to make an additional investment of Php3.6 billion in the CignalTV business, that will increase its effective economic interest to 64%.

PLDT is very optimistic about the potentials of the pay TV industry in the Philippines, and CignalTV's competitive advantages that can give it a strong position in the market. Pay TV penetration is low as the industry is fragmented, and is still in transition from analog to digital. The market leader operates a cable business with its reach largely limited to Metro Manila. Being a DTH service, CignalTV can expand its nationwide footprint faster. Its access to the PLDT Group's prepaid platform and distribution network allows it to easily offer prepaid pay TV services. Unlike the competition, CignalTV is already fully digital, and offers the most number of high-definition channels in the Philippines. In 2012, CignalTV had over 441,000 subscribers.

We are now working on making CignalTV's content available to customers of our FTTH offer, Fibr. Moving forward, we are very excited by the unparalleled opportunities for the PLDT Group to offer combinations of voice, high-speed internet, and content over multi-screens including the mobile phone, TV, tablets and laptops.

In line with its efforts to acquire access to news content, PLDT also announced its intention to invest Php1.95 billion in MediaQuest PDRs for economic interest in Hasting Holdings, Inc., which holds print-related investments including minority positions in the three leading broadsheets: *The Philippine Star*, *the Philippine Daily Inquirer*, and *BusinessWorld*.

## MERALCO

The PLDT Group continues to own a strategic stake in Meralco through PLDT Communications and Energy Ventures, Inc. (PCEV, formerly Pilitel), which together with MPIC co-owns Beacon Electric Asset Holdings, Inc. Beacon remains the largest shareholder of Meralco with a 48% equity interest.

Meralco registered another banner year in 2012 with a 9% year-on-year rise in core income to Php16.3 billion arising from increases in electricity sales volumes, an expanded customer base, and improved operating efficiencies. Approximately 70% of 2012 core earnings, equivalent to Php10.10 per share, were paid out as dividends.

The value of PLDT's investment in Meralco continues to grow. The outlook for Meralco is enhanced by its entry into power generation, complementing the anticipated continued growth in its main distribution utility business. In March 2013, Meralco announced an investment in GMR Energy (Singapore) Pte. Ltd. a 2x400 MW Liquefied Natural Gas (LNG)-fired combined cycle facility in Singapore, where Meralco has an effective 28% equity interest. This is one of the pipeline of investments in power generation lined up by Meralco.

## DEBT POSITION

Despite a modest increase in debt levels, PLDT's consolidated financial position remained robust in 2012. Consolidated gross debt increased to US\$2.9 billion with the inclusion of US\$0.5 billion of debt from Digitel, while net debt rose to US\$1.9 billion. Net debt to EBITDA stood at 1.05x, within optimum gearing levels. PLDT's US\$145 million 2012 bond matured in May 2012. The remaining debt maturities continue to be well spread out.

In 2012, PLDT became the first Philippine corporate accorded investment grade status with the upgrade of its foreign and local credit ratings by Fitch Ratings, Moody's, and Standard and Poor's.

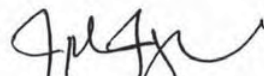
## 2013: RETURN TO GROWTH

The huge investment we made in Digitel in 2011 required us to focus on alignment and adjustment in 2012. At the same time, we completed our network transformation program which also involved hefty infrastructure investments. Not surprisingly, these moves had a dampening effect on our financial performance in 2012.

Moving forward, our mandate is clear. We are confident that we have steered PLDT back into the growth path and will see a steady rise in profitability.

We are fully aware that PLDT is pursuing growth within a very dynamic industry environment. As the world of telecoms, the internet and media come together, we are constantly monitoring and evaluating how these changes may impact our business. Our strategy is to embrace change and to get ahead of the curve. The repositioning of our portfolio and our greater involvement in the media/content business is part of a far-reaching transformation that aims to strengthen PLDT's leadership in the emerging digital world.

On behalf of your Management Team, let me assure you of our collective commitment to build a new future for PLDT.



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



## • FIBER TO THE HOME •

PLDT PROVIDES THE STRONGEST CONNECTIONS TO FAMILIES IN THE DIGITAL AGE. AT HOME, POPULAR GADGETS LIKE THE SMARTPHONE, INTERNET TV AND TELPAD CAN BE USED IN SYNC BY FAMILY MEMBERS WITH THE HELP OF A POWERFUL INTERNET CONNECTION THAT RUNS ON FIBER OPTICS TECHNOLOGY.

# PLDT GROUP CORPORATE MILESTONES

PLDT MADE MAJOR STRIDES IN 2012 IN DELIVERING ENHANCED BROADBAND DATA SERVICES TO ITS CUSTOMERS AS IT PURSUED MAJOR INITIATIVES TO TRANSFORM ITSELF INTO AN INTEGRATED MULTIMEDIA COMMUNICATIONS GROUP.

## ALL ABOUT FIBER

Working double-time, PLDT and its wireless subsidiary Smart completed ahead of schedule the Group's two-year Php67.4 billion (US\$1.6 billion) network transformation program – an initiative designed to boost service quality and reliability and more than triple voice and data capacity of the network.

Two aspects of this program stood out: First, the expansion and fortification of PLDT's domestic fiber optic cable network. Second, the transformation of Smart's mobile network into one ready for the deployment of LTE, the fourth generation of mobile data technologies.



► Complementing the expansion of its domestic infrastructure, PLDT also strengthened its international data linkages. In 2012, PLDT launched the Asia Submarine Cable Express (ASE), the only active underwater cable system in the country's east coast. With 7,200 kilometers of fiber optic cable, the ASE links the Philippines with Japan, Hong Kong, Singapore and Malaysia, while interconnecting with other major cable systems onward to the United States, Europe and the Middle East.

Of the current six international submarine cable systems in the country, the ASE is the largest in capacity, utilizing 40Gbps technology which can be further enhanced to 100Gbps. The ASE that lands in Camarines Norte is the first and only underwater cable system that bypasses the earthquake-prone Taiwan corridor, enabling PLDT to transport traffic directly to Japan and then onwards to the United States with the shortest latency and least points of failure. It also complements PLDT's three other landing stations in Batangas, Cavite and La Union.



## INNOVATIVE PRODUCTS AND SERVICES

Its network transformation enabled the PLDT Group to improve its basic services and offer advanced broadband services to better address the needs of its clients – be they in a residential, commercial, or enterprise setting – whether they are residents or Filipinos working overseas.



▶ In mid-2012, PLDT launched the country's first FTTH broadband service on its fixed network. With speeds of up to 100 Mbps, the service allows family members to enjoy seamless, simultaneous high-definition, 3D, and interactive video streaming, simultaneous and high-speed web browsing.

The Company relaunched the *TELPAD*, tripling the number of subscribers using the device from a year ago. *TELPAD* strategically provides a platform for offering a growing number of value-added services at home.



**SMART**  
**LTE** »»  
LIVE FASTER. LIVE MORE

▶ In another pioneering move, Smart introduced the country's first commercial LTE service, initially in Metro Manila and gradually to more and more areas nationwide. By April 1, 2013, Smart's LTE coverage had reached 46 cities and 40 municipalities. In early 2012, Smart introduced LTE *Plug-It* and *Pocket WiFi* devices to give subscribers an initial experience of the much faster data speeds available on LTE. Late in the year, it brought in several LTE handsets including those from Apple, Sony and Huawei.





- ▶ PLDT brought into the market *PLDT Cloud*, a suite of solutions that makes use of PLDT's new public cloud infrastructure to provide companies with all the benefits of cloud computing, such as scalability, security, and cost-efficiency.

Smart also introduced the country's first *High Definition (HD) Voice* service.

Similar to hearing the difference between AM and FM radio stations, HD Voice makes it easier for callers to recognize commonly misheard sounds.

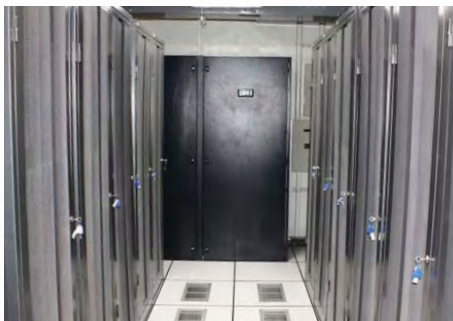
HD Voice is initially available in select areas in Makati City and Bonifacio Global City in Taguig City and can be enjoyed on smartphones running on 3G which are capable of Adaptive Multi-Rate Wideband (AMR-WB).



- ▶ PLDT launched *SIP Trunks* service or session initiation protocol trunk line solution to serve the growing use of IP-PBX or IP-based corporate phone systems in the enterprise market. *PLDT SIP Trunk* runs over PLDT's robust next generation IP network offering quality of service to corporation's expanding and complex voice applications.

PLDT SME Nation launched the Productivity Solutions

Suite—a trio of high-tech solutions for today's businesses including *CheckOut*, a web-based POS system; *Watcher*, a video-monitoring system; and *Fastrack*, a vehicle and asset-tracking service.



- ▶ PLDT ALPHA Enterprise and ePLDT expanded their network of world-class data centers with the launch of VITRO Data Centers in Mandaue, Cebu and in Subic, Zambales. The new facilities now serve as the primary data centers of customers in the Visayas-Mindanao region and for businesses north of Luzon. The Subic facility also functions as a secondary or back-up site for Luzon-based enterprise co-locators. The data center facilities are capable of concurrent maintainability, a major criterion of a Tier 3 data center, and part of a network of data centers together with VITRO Pasig.

## DEMOCRATIZING ACCESS

As the PLDT Group's network and services improved, it offered packaged solutions that would make its services accessible to a greater number of the population.

PLDT launched *myBro* with the rebranding of Canopy and WiMax services of Smart Bro, leading to 17,000 gross activations, the highest since 2009 and up 71% from 2011.



Smart launched a new marketing campaign with the catch phrase “Live More” which enabled it to reposition Smart as the premium cellular brand that delivers the country’s best mobile phone and mobile internet service. The Live More message – delivered through a series of humorous ads – is that you can make the most out of life if you have the best mobile phone service. And that conversely, you lose a part of your life if you don’t.

Smart launched the Smart Postpaid Freedom Plan, which carries no fixed monthly fees, lock-in periods, and obligations, thus enabling subscribers to pay only for what they use. Also, Smart introduced its Infinity Plan 3500, a variation of the telco’s premium offering and dubbed as the entry-level Infinity plan which treated its users to the same topnotch perks available to all other Infinity planholders.



the tri-net you love is now unli!



For its prepaid subscribers, Smart launched a string of what it called the ‘ultimate unlimited’ services, the first in the country to combine ‘tri-net’ call and text services with data. The *Tri-Net Unli* series for example, allows the user to make unli calls and texts to any Smart, Talk ‘N Text, or Sun Cellular subscriber for as low as just Php40 a day. With unlimited SMS to all networks, *Mega 250* is valid for 30 days and loaded with 180 minutes of calls to Smart, Sun and Talk ‘N Text as well as 100 mb of mobile internet.



- ▶ Smart also launched various new mobile data plans such as the Smart *FlexiSurf* Plans, a set of worry-free postpaid broadband packages that come in various combinations and price points. These are the Php299 per month SIM-only plan, the *Power Plug-It Plan 499*, and the *Pocket Wi-Fi Plan 599*. *FlexiSurf* plans may also be bundled with a netbook or a tablet of their choice, for an amortized and discounted amount.

Sun Cellular introduced the first-in-the-market *SunDroid Rush Plan 600* ◀ which offers a free Android Alcatel smartphone and Alcatel tablet with unlimited Sun calls and texts, 350 texts to other networks and Php250 consumable for other services. It also made available the lowest-priced broadband plan in the market called *Sun Broadband Plan 250* with 35 hours of internet per month to replace the earlier released Plan 299 with 30 hours of internet.



- ▶ Also during the year, Sun Cellular launched new products for corporate 2G postpaid: *Sun Plan 599* with unlimited Sun calls, unlimited texts to all networks and a choice of various free handsets such as Nokia 200, Nokia 202, Alcatel Glory X918N, Alcatel OT903 or Alcatel Glory 2 under a 24-month holding period; and *Sun Fixed Load Plan 500* with unlimited Sun calls and texts, 1,250 texts to Smart, one hour of calls to Smart and a free Alcatel Glory smartphone.



Sun Cellular introduced new offerings for corporate 3G postpaid: Sun Business Mobile WiFi Kit for transport companies. Powered by Sun Broadband, this offers unlimited Internet connection of up to 7.2 Mbps, along with a free mobile WiFi router and WiFi sticker. This aims to give transport companies more advertising leverage through the added customer perk of installing WiFi service in their vehicles. ◀



## AWARDS AND RECOGNITION

In recognition of its various innovative initiatives, the PLDT Group received numerous awards during the year.



- ▶ PLDT Chairman Manuel V. Pangilinan placed first among the roster of the Philippines' leading CEOs in the 12th Annual Poll of Asia's top companies by FinanceAsia, a leading publication in Asia.

Smart won awards for Operator of the Year and Telecom CEO of the Year for Smart President and CEO Napoleon L. Nazareno at the 15th Telecom Asia Awards in Bangkok, Thailand. It also bagged the Operator of the Year and Innovation Award for Smart Netphone at the 2nd Asia Communications Awards in Singapore, and The Most Innovative Company Award at the Asia CEO Awards held in Manila.



- ▶ PLDT received the Service Provider of the Year award and the Best in Marketing award during the 2012 MEF Carrier Ethernet Service Provider Awards for Asia Pacific held in Shanghai, China. PLDT was also one of the six finalists for the Carrier Ethernet Business Applications Award.

Smart was recognized as Operator of the Year at the Asia Communication Awards in Singapore, Best Emerging Market Carrier at the 2012 Telecoms Asia Awards held in Bangkok, and Most Innovative Company at the 2012 Asia CEO Awards in Manila. The *Netphone* – the world's first smartphone backed by an operator-managed platform – received the Best Innovation Award at the 2012 Asia Communications Awards in Singapore.



- ▶ For its part, Sun Cellular was recognized for the second year in a row as the Philippines' Mobile Service Provider of the Year for 2012 by Frost & Sullivan, a global research and consultancy firm.

Smart's electronic medical records and referral system called Secured Health Information Network and Exchange (SHINE) was likewise recognized as Best Community Telecom Project at Telecom Asia held in Bangkok, Thailand and as Best Emerging Market Initiative at the 2012 Asia Communication Awards. SHINE was also cited as one of the country's Top 10 health programs by Health Market Innovations in the Philippines.



SPI Global Holdings, Inc. (SPi Global) won the Best BPO Award for the 2nd time in Vietnam during the 2012 Sao Khue Awards given by the Vietnam Software Association (VINASA), which recognized the Vietnam operations of SPI Global for its "Outstanding BPO Service" involving the company's "Conversion Solutions" for scanning and digitizing over 30 million pages of scholarly materials in just 18 months.

PLDT and Smart clinched the award for Best Telecommunications Conference at the first Asian Conference Summit and Awards held in Singapore for its 7th Asian Carriers' Conference (ACC). An annual event, the ACC is attended by almost 1,000 delegates from 45 countries. It was cited for providing a venue for leaders around the world from the wholesale fixed and mobile telecom carriers to meet and engage with delegates from telecoms network and infrastructure providers, applications and service developers, handset and equipment manufacturers, and entertainment and content producers and distributors.



Smart was cited as the Company of the Year at the 11th Philippine Quill Awards after clinching a record-setting 14 Excellence Awards at the annual competition held by the International Association of Business Communicators Philippines.

PLDT, through its wholly-owned subsidiary ePLDT, Inc., has gained the Microsoft Silver Certified Partner status for Messaging and Hosting, the first Philippine company to receive this distinction. This directly upgrades the Company's hosted Microsoft offerings, particularly Hosted Exchange, which is the leading enterprise email platform providing business-class email, calendar and contacts on computers, phones and web browsers. Microsoft Silver Certified Partners benefit from exclusive support and resources directly provided by Microsoft.





## • FIBER TO THE COMMUNITY •

MORE THAN JUST BRIDGING PEOPLE,  
PLDT HAS BEEN COMMITTED IN EMPOWERING LOCAL COMMUNITIES  
WITH TECHNOLOGY AND INFORMATION TOOLS FOR DEVELOPMENT  
IN LINE WITH THE COMPANY'S GOAL TOWARDS NATION-BUILDING.

# PLDT GROUP CSR REPORT

GUIDED BY THE VIEW THAT BUSINESS MUST HAVE A SOCIAL PURPOSE, THE PLDT GROUP TOOK ON VARIOUS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES TO HELP OUR PEOPLE IMPROVE THEIR LIVES THROUGH DISASTER PREPAREDNESS AND RESPONSE, SUSTAINABLE LIVELIHOOD, ENVIRONMENTAL PROTECTION, DIGITAL LITERACY, BETTER QUALITY EDUCATION, AND HEALTHCARE.

“FOR US, IT IS ESSENTIAL THAT BUSINESSES TAKE ON A SOCIAL DIMENSION... WE’RE REALLY HERE BECAUSE WE WANT TO IMPROVE LIVES,” PLDT CHAIRMAN MANUEL V. PANGILINAN SAID.

## BRIDGE DURING DISASTERS

In November 2012, PLDT together with Smart, Sun, and PLDT-Smart Foundation (PSF) joined hands with affiliated companies under the Metro Pacific Investment Corporation to form *Tulong Kapatid*, the consolidated disaster preparedness and response effort of the Group.

The newly-established consortium faced its first major test just a month later, when *Typhoon Pablo* slammed into Mindanao, which caused massive death and destruction in an area of the country that hardly ever experienced such weather disturbances.

Under the banner of *Tulong Kapatid*, TV5 staged a telethon that raised over Php100 million in contributions for relief and post-disaster rehabilitation efforts in the provinces of Davao Oriental and Compostela Valley, which had borne the brunt of *Typhoon Pablo*.

Using these resources, PLDT, Smart, TV5 and Meralco delivered food, water, and relief goods to affected communities in the two provinces. Maynilad deployed a mobile water purifier to produce potable water. Meralco dispatched 38 linemen to help restore power in Davao Oriental.

Smart set up *Libreng Tawag* or free call stations to enable typhoon victims to call their families for assistance. Smart engineers also worked double time to restore damaged cell towers. In collaboration with *Telecoms Sans Frontieres* and Vodafone Foundation, Smart set up an “instant cellsite” in Banganga and Cateel, Davao Oriental using equipment that fit into four suit cases. This facility provided vital communications support for government and international relief agencies at the frontlines.

In the post-disaster, rehabilitation phase, *Tulong Kapatid* is working with the Davao Oriental provincial government, the NHA and the Philippine Contractors Association to build houses for around 300 families in Banganga.

In cooperation with the Corporate Network for Disaster Response (CNDR), Smart also enabled the flood-prone barangays in Metro Manila, Cagayan de Oro, Bacolod, and Dumaguete to develop community flood preparedness plans and conduct flood drills that involved residents, the local government, law enforcers, public schools and volunteer groups.

Smart and Sun Cellular agreed to support the efforts of the Department of Science and Technology (DOST) to set up the National Operational Assessment of Hazards and Risks (NOAH), a major government program to improve the country’s weather monitoring and flood warning system. Smart and Sun committed to host the DOST’s automated rain gauges in 600 of its cell sites all over the country. Smart also helped develop and launch the Project NOAH Mobile App for Android devices to enable smartphone users to quickly access the weather information and alerts available on the DOST’s Project NOAH website.





**Top:** PLDT launched its 66K M.V.P. Trees Movement for volunteerism and partnership that aims to plant 66,000 trees for a year up to July 14, 2013. The areas covered by the project are Benguet, Pampanga, Bulacan, Marikina, Iloilo, Cebu, and Davao.

**Left:** KILOS, another partner women's organization with 30 members, from Barangay Gumian, Infanta, Quezon, was provided with four high-speed electric sewing machines as a support to their Eco-Bag Project. Besides giving alternative income to the members, the project also supports the "No Plastic-Use Policy" of Infanta, Quezon, providing reused and recycled bag materials sold cheaply at the community market.

## CREATING LIVELIHOOD, CARING FOR THE ENVIRONMENT

PLDT's initiatives to preserve the environment and improve the people's quality of life have also produced other benefits such as new sources of livelihood.

At the Center for Rural Technology and Development of the Philippine Business for Social Progress (PBSP), some of the 80 members of farmer organization *Kanlungan* received a training on vermi-compost production with the assistance of PLDT. Aside from being a source of income, the vermi-compost production promotes solid waste management and provides farmers with low-cost organic fertilizers.

To limit the use of plastic bags and promote the so-called eco-bags, PLDT donated four high-speed sewing machines to *KILOS*, a women's organization in Gumian, Infanta, Quezon. The sewing machines were used to recycle plastic bags sold cheaply at the community market in the province. The vermi-compost and eco-bag projects were supported by the local government of Infanta through the Municipal Environment Natural Resources Office.

In the case of the five year-old PLDT *TELEpuno* project, the objective was to rehabilitate the Infanta-Real Watershed Forest Reserve in the boundaries of Infanta and Real in Quezon province by planting trees in the area. But a collateral effect was an alternative livelihood project for its partner communities within the watershed forest reserve in cooperation with PBSP.

On July 14, 2012, in time for MVP's birthday celebration, PLDT launched the 66K M.V.P. (Movement for Volunteerism and Partnership) Trees project aimed at planting 66,000 trees

until July 14, 2013. Under People's Lives Depend on Trees environmental greening project, other MVP-led companies participated in the areas of Benguet, Pampanga, Bulacan, Marikina, Iloilo, Cebu and Davao.

In late 2012, PLDT constructed a fish nursery and provided 5,500 fries to the *Samahan ng Magbubukid at Mangingisda sa Barangay Cawayan*, a farmer organization that served as a partner in the fish production project.

Smart continued to spearhead the Marikina Watershed Initiative, a broad-based multi-sectoral cooperation initiated by the Philippine Disaster Recovery Foundation (PDRF) that seeks to help save and restore the Marikina Watershed. The denuded state of the Marikina Watershed had contributed to the massive flooding in Metro Manila during Typhoon Ondoy in late 2009. In 2012, Smart conducted reforestation activities and various projects as part of a comprehensive rehabilitation program for the vital watershed.

Another major CSR initiative in 2012 for PLDT was its support for the Philippine International River Summit in Iloilo City. Co-presented by PLDT and Smart, the summit drew participants from various countries including Canada, Czech Republic, and Indonesia to discuss ways of saving vital waterways from pollution. The holding of the summit complemented the ongoing projects of Smart and Sun Cellular to develop a flood monitoring and water system in 18 of the country's major river basins, including Iloilo, under Project NOAH.

Smart also partnered with *Gawad Kalinga (GK)* in providing sustainable livelihood for its community in Sooc, Iloilo by 'upcycling' tarpaulins used for Smart's merchandising





**Left:** Project Zero, a project launched by Smart and its GK partners, is an “upcycling” project that trains GK residents to design, create and market handcrafted designer bags.

**Lower left:** Beneficiaries of GabayGuro – one of PLDT-Smart Foundation’s landmark programs – are all smiles as they listen to a tribute to the society’s unsung heroes. The Gabay Guro seeks to enhance education in the country through scholarship grants and English proficiency and computer literacy training programs for teachers.

**Lower right:** PLDT, together with Smart, recently co-presented the first-ever Philippine International River Summit in Iloilo City. A well-attended three-day summit which Philippine President Benigno Aquino III graced, it discussed the important environmental issues of the country and the current state of its rivers. This significant endeavor was made possible through the support of both telco giants.



activities. Called *Project Zero*, GK residents were trained in designing, creating and marketing handcrafted high-value designer bags through the help of fashion designer PJ Aranador. A follow-up project *Silya* is also preparing GK communities to expand their tarpaulin upcycling business to include furniture and other accessories. PLDT, meanwhile, donated sewing machines to the GK community to support livelihood projects.

In partnership with PBSP and Motolite, PLDT donated used lead-acid batteries (ULABs) for recycling. The *Balik Baterya* program made possible the proper disposal of hazardous waste from the batteries while generating funds through the production of new automotive and industrial batteries. Since the program began in 2006, PLDT has donated 964 tons of ULABs worth Php20.12 million, making it the biggest contributor of the program.

In 2012, PLDT donated 144 tons of ULABs amounting to Php3.12 million. The funds generated by the program that year funded the reforestation of 13 hectares of the Montalban-Wawa Sub-Watersheds in Rizal province and helped build classrooms for Bangkerohan and Nenita Elementary Schools in Northern Samar.

Other livelihood programs were the training in micro businesses given such as sale of PLDT-Smart cards, soap making, and personal grooming services for poor communities in Muntinlupa and Malabon through the Catmon Elementary School Parents and Teachers’ Association, and Quezon typhoon victims. PLDT also donated old directories to be used in making baskets, decors and gift items by women inmates in Camp Karingal and Quezon City jails.

## LEADING IN DIGITAL LITERACY

The PLDT Managers’ Club, Inc. (MCI) in partnership with PSF expanded its *Gabay Guro* program by providing scholarships to over 500 public school teachers in state universities and colleges all over the country. It is now gearing up to broaden its support for public school teachers by collaborating with local governments and over 30 partner state colleges and universities in different parts of the country. *Gabay Guro* hopes to eventually assist five teacher scholars per year per province.

In a grand celebration in November 2012, some 15,000 teachers were treated to a day of festivities and entertainment where a public school teacher from Cavite was honored as Teacher of the Year and another educator from Makati won a house and lot in the grand raffle sponsored by Vista Land.

To promote digital education in the Philippines, PLDT provided training to 1,000 teachers and students through its Infoteach in collaboration with the Department of Education (DepEd), Intel Philippines, Philippine Community eCenter Network and the UPOU.

Extending its reach to include Marikina, Tondo, Isabela, Legaspi, Cebu, Iloilo, Bacolod, General Santos, Davao, and Zamboanga, Infoteach offered its top teacher graduates scholarships to pursue advanced courses in UPOU.

PLDT also donated computer units and facilitated internet access for the establishment of a Community e-Center. This was in support of the eLearning Ville Program, a multi-sectoral program seeking to create a learning hub through technology. Under the Philippine Digital Literacy for Women Campaign, PLDT mobilized the resources needed to train

10,000 women in grassroots communities. This activity was also in partnership with UPOU, Philippine Community eCenter Network, and Intel Philippines.

For its Teachers Development Program, PLDT donated computers to 44 public schools in Quezon province. The program in partnership with UPOU, DepEd and the Quezon province local government aims to upgrade teachers' skills and knowledge of science, math and language through enrolment at UPOU.

PLDT also donated a two-story building with six classrooms and a computer laboratory at Catmon Elementary School in Malabon that benefited 827 students. The program dubbed *Paaralang Laan sa Dunong at Talino* was in partnership with PBSP. As part of the *Balik Eskwela* program, PLDT also donated paint and school supplies and helped in the cleaning and gardening of Putatan Elementary School in Muntinlupa, Catmon Elementary School in Malabon, and Luyang Elementary School in Cebu.

### PROMOTING INNOVATION IN EDUCATION AND ARTS

Working with PSF, Smart has strengthened its partnership with the Central Visayan Institute Foundation (CVIF) to promote the Dynamic Learning Program (DLP), a teaching method proven to significantly improve student performance despite the lack of qualified teachers, textbooks, and facilities.

Smart and PSF assisted CVIF in bringing DLP to three more DepEd school divisions in Sagay City, Negros Oriental, Basilan, and Lamitan, Basilan in addition to Cagayan de Oro, which adopted DLP in 2011. To make it easier to propagate DLP, Smart created several videos from three minutes to over an hour long for use as introductory materials for the program.

Smart also reoriented two of its major education programs: the SWEEP for colleges and universities offering electronics engineering courses and the Smart Schools Program for public high schools.

SWEEP's annual excellence and innovation competition was expanded to include mobile applications which have grown in importance because of the soaring popularity of smartphones. More importantly, winners of the SWEEP awards are being given the opportunity to develop their innovations into commercial services. For example, SWEEP winners are being assisted to join the national competition of the Ideaspaces Foundation to select tech startups that will be given funding, logistics, legal and mentoring support.

Providing aspiring artists the opportunity to turn trash into one-of-a-kind works of art, PLDT conducted the *Sining Buhay Para sa Kalikasan* – a collage art-making workshop using recyclable materials in partnership with Earth Day Network Philippines (EDNP), participated in by 85 young budding artists from CRIBS Foundation, Persons with Disability - Valenzuela, Las Piñas, Makati, and Quezon City Chapters, and Smokey Mountain's *Sandiwaan* Learning Center.

As for the Smart Schools Program, Smart shifted emphasis to online content generation under the principle of learning by doing. In 2012, Smart expanded its program of promoting online content development through the *Doon Po Sa Amin* program, a crowd-sourcing that collects local stories from various places in the country.

### BUILDING A HEALTHY NATION

In partnership with the Philippine Children's Medical Center (PCMC) and the Philippine National Red Cross, PLDT launched *Dugong Alay, Katumbas ay Buhay* Bloodletting Program that mobilized employees to donate blood. During 2003-2012, the number of blood donors reached 1,270, benefiting poor cancer patients from PCMC and as well as PLDT and Smart employees and their relatives.

To promote good nutrition among the poorer families in urban communities and in calamity areas, PLDT held feeding programs in eight areas: Cebu City, Iloilo City, Zamboanga, Laguna, Pampanga, Quezon City, Cotabato and Bacolod City.

For Operation Smile's 30th anniversary, Smart supported the international NGO's medical and surgical missions for children born with cleft lip or palate. In addition to the company's financial, connectivity and technical support, Smart also encouraged its subscribers to raise funds for Operation Smile through a Christmas campaign promoting its Text-to-Donate facility.

PLDT also continued to provide free medical and dental services as well as free medicines to victims of calamities, poor communities and indigenous groups.





**Upper left:** Also part of MVP's 66th birthday celebration were the granting of Php3.5 million to MVP-chaired Kapampangan Development Foundation (KDF) from MVP himself and PSF for the Pampanga midwives' birthing clinics, KDF's donation of wheelchairs, walkers and prosthetics to underprivileged recipients.

**Upper right:** PLDT, in partnership with EDNP, held a collage art-making workshop using recyclable materials. The one-day workshop dubbed *Sining Buhay Para sa Kalikasan* provided young aspiring artists from CRIBS Foundation, Persons with Disability – Valenzuela, Las Piñas, Makati and Quezon City chapters, and Smokey Mountain's Sandiwaan Learning Center an opportunity to turn trash into one-of-a-kind works of art.

**Middle:** PLDT employees continuously support the Company's "Dugong Alay, Katumbas ay Buhay" bloodletting program.



**Lower left:** For Operation Smile's 30th Anniversary, Smart entered into an agreement with the international NGO with roots in the Philippines to support medical and surgical missions for children born with cleft lip or palate. In addition to the Company's financial, connectivity and technical support (through the mobile app), Smart also encouraged its subscribers to raise funds for Operation Smile through a Christmas campaign promoting its Text-to-Donate facility.

**Lower right:** Sun Cellular also provides "Libreng Tawag" to disaster victims in calling their relatives free of charge.



# CORPORATE GOVERNANCE REPORT

PLDT remains committed 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. As a publicly-listed Philippine corporation, PLDT is covered by corporate governance rules and regulations of the Philippine Securities and Exchange Commission (Philippine SEC) and the Philippine Stock Exchange (PSE). At the same time, PLDT has voluntarily complied 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). PLDT as an associated company of First Pacific Company Ltd. (First Pacific), which is listed in the Hong Kong Stock Exchange (HKSE), also looks to the corporate governance standards of Hong Kong for guidance and benchmarking purposes. By committing to high standards of corporate governance, PLDT accepts the challenge of the demanding regulatory environment in which it finds itself in.

## The PLDT Manual on Corporate Governance provides for the following as regards the Board of Directors:

- the composition of the Board as well as the qualifications and grounds for disqualification for directorship;
- the requirement that at least 20% of the membership of the Board of Directors, and in no case less than two members, must be independent directors and the standards/criteria for the determination of independent directors;
- the duties and responsibilities of the Board and the individual directors;
- the manner of conduct of Board meetings including the requirement to have an independent director present in every meeting to promote transparency and the need to have an executive session for non-executive and independent directors;
- the establishment of board committees, specifically, the Audit Committee, Executive Compensation Committee and Governance and Nomination Committee including the composition and the principal duties and responsibilities of such committees, as well as the requirement for each Board Committee to have its own charter; and
- the role of the Chairman as the leader of the Board and as the prime mover in ensuring compliance with, and the performance of, corporate governance policies and practices.

PLDT also knows that beyond the boundaries of regulations and compliance lie palpable gains and benefits for companies that sincerely place emphasis on corporate governance, and seek to establish corporate cultures anchored on the values of accountability, integrity, fairness and transparency. PLDT requires loyalty to these values in order to animate and inspire its governance policies, processes and practices, as these are rightfully indispensable in creating value for its shareholders, fulfilling obligations to stakeholders and serving the ends of good business judgment and sustained profitability.

## OUR STRUCTURES

### Board of Directors

Working and serving pursuant to the mandate given by the Company's shareholders, our Board has the principal responsibility of planning, directing, monitoring and improving our governance policies, processes and practices. Our Board has the task of navigating the Company through its toughest challenges while remaining true to our values. Under the stewardship of the Board, PLDT commits to maintain the highest standards of governance and demands the utmost in performance and results from its personnel for the benefit of all its shareholders and stakeholders.

### Board Structure and Composition

At the end of 2012, our Board had 12 qualified and competent members, each highly regarded in their respective fields and/or industry, who bring together complementary skills and expertise, and the requisite independence, probity and diligence in the exercise of their fiduciary duties. Our Board had three independent directors in Rev. Fr. Bienvenido F. Nebres, S.J.,<sup>1</sup> Mr. Pedro E. Roxas and Mr. Alfred V. Ty who were selected on the basis of specific independence criteria set out under applicable laws and rules, in our By-Laws and in our CG Manual. Our CG Manual defines an independent director as "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." More specific independence criteria are enumerated in Annex A of our CG Manual.

<sup>1</sup> Rev. Fr. Bienvenido F. Nebres, S.J. resigned from the Board of Directors on September 25, 2012.

Only three members of our Board are, at the same time, executives of the Company. The rest of the members are non-executive directors of which three are independent directors. Our directors do not receive any form of compensation such as stock options, performance incentives and bonuses from the Company for their services. They are, however, entitled to a reasonable *per diem* for attendance in Board and Board Committee meetings.

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 elevating good corporate governance and principled performance to a high strategic priority for the Company. This also reflects the Company's desire to adhere to best practices and its recognition of the benefits that such a separation of the said positions bring.

## Board Responsibilities

At the start of the service of a new director, the Chairman, Chief Financial Officer, Corporate Secretary and Chief Governance Officer give a newly appointed director a briefing on the Company's structure, business and the responsibilities of the Board and its Committees and how each operates. The new director is also furnished with copies of all relevant information about the Company and 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 Philippine SEC, PSE, United States Securities and Exchange Commission (U.S. 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 or furnished to the directors.

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.

PLDT holds annual corporate governance enhancement sessions for its directors 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 ethics. The Governance and Nomination Committee (GNC) recommends the content and speakers for these sessions. All of the current directors have undergone corporate governance orientation and a majority

of the Board has attended at least one of the six corporate governance enhancement sessions organized since 2007. Our directors are also 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 (TSC).

To perform its mandate, our Board holds monthly meetings, the schedule of which is determined 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, which has the responsibility to promulgate, encourage and practice an integrated risk management framework for the organization, focusing on ensuring that critical risks are identified, evaluated, treated and monitored across all functions and units within the PLDT Group. Once every quarter, our Board reviews the quarterly financial reports. Our Board also periodically reviews reports of Board Committees, business operations updates from the heads of our three business segments and network and technology strategic plans.

Our Board is committed 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. Reflecting the significance that the Chairman of the Board of Directors attaches to succession planning, the First Pacific Leadership Academy was reorganized to facilitate the succession planning process within the PLDT Group and other companies affiliated with First Pacific. 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.

In 2012, our Board held 15 meetings. The Chairman of the Board, the President and CEO, and five other directors attended all Board meetings. At least one independent director was present in all the meetings. The Chairman of the Audit Committee<sup>2</sup> was present in the annual stockholders' meeting as well as in the special stockholders' meeting on March 22. Except for one director, all of the other directors each attended more than 75% of the meetings. The total amount of *per diem* provided for the Board of Directors in 2012 was Php28.6 million<sup>3</sup>.

<sup>2</sup> Rev. Fr. Bienvenido F. Nebres, S.J. was the chairman of the Audit Committee at the time that these two stockholders meetings were held.

<sup>3</sup> Per diem for each director is Php 200,000 per meeting.



**BOARD OF DIRECTORS 2012 MEETINGS  
ATTENDANCE PERFORMANCE**

Name of Director	Jan 9**	Jan 31	Mar 6	Mar 22*	Mar 22***	May 8	Jun 14	Jun 14****	Jun 14****	Jul 3	Aug 7	Sept 25	Oct 12**	Nov 6	Dec 4	Totals	%age
Manuel V. Pangilinan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15/15	100%
Napoleon L. Nazareno	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15/15	100%
Helen Y. Dee	✓	✓	✓	✓	✓	✓	X	X	X	✓	✓	✓	X	✓	✓	11/15	73.3%
Ray C. Espinosa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15/15	100%
James L. Go	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15/15	100%
Setsuya Kimura	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15/15	100%
Bienvenido F. Nebres, S.J.*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	11/11	100%
Hideaki Ozaki	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14/15	93.3%
Ma. Lourdes C. Rausa-Chan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15/15	100%
Pedro E. Roxas*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	14/15	93.3%
Juan B. Santos	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14/15	93.3%
Tony Tan Caktiong	✓	X	✓	✓	✓	X	✓	✓	✓	✓	✓	✓	X	✓	✓	12/15	80.0%
Alfred V. Ty*	✓	✓	✓	X	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13/15	86.7%

\* Independent Director

\*\* Special Board Meeting

\*\*\* Special Stockholders' Meeting

\*\*\*\* Annual Meeting of Stockholders

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

## Board Committees

### ADVISORY COMMITTEE 2012 MEETINGS ATTENDANCE PERFORMANCE

	Jan 9*	Jan 31	Mar 6	Mar 22*	Mar 22**	May 8	Jun 14	Jun 14***	Jun 14****	Jul 5	Aug 7	Sept 25	Oct 12*	Nov 6	Dec 4	Total
Artemio V. Panganiban	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15/15
Oscar S. Reyes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15/15
Roberto R. Romulo	✓	✓	✓	✓	x	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	13/15
Benny S. Santoso	✓	✓	✓	✓	x	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	13/15
Washington Z. SyCip	✓	x	✓	✓	✓	x	x	x	x	✓	✓	✓	✓	x	✓	9/15
Orlando B. Vea	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15/15
Christopher H. Young	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14/15

\* Special Board Meeting.

\*\*\*Annual Meeting of Stockholders.

\*\* Special Stockholders' Meeting.

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

### 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 2012 was Php15.8 million<sup>4</sup>.

To assist in the performance of the Board's responsibilities and aid in ensuring compliance with the principles of good corporate governance, our Board is supported by four standing committees namely, the Audit Committee, the Governance and Nomination Committee, the Executive Compensation Committee, and the Technology Strategy Committee, whose specific responsibilities and functions are set forth in their respective written charters.

### Audit Committee

The integrity of the Company's accounting and financial reporting principles and policies, and system of internal controls, including the integrity of the Company's financial statements and the independent audit thereof are essential components of PLDT's corporate governance, and are matters within the Board's oversight responsibilities. The Audit Committee assists the Board in this key task and provides support to the Board in discharging its oversight responsibilities over the Company's compliance with legal and regulatory requirements, its assessment and management of enterprise risks, its audit process, and the performance of the Company's internal audit organization and external auditor (including the external auditor's qualifications and independence). The Audit Committee is composed of three independent directors<sup>5</sup>, and four advisors. Each Audit Committee member is financially literate and one of the advisors is a certified public accountant with financial management expertise. The Charter of the Audit Committee may be viewed and downloaded from the PLDT website through the following link:

<http://www.pldt.com.ph/about/management/Documents/Audit%20Committee%20Charter.pdf>

<sup>4</sup> Per diem for each advisory board member is Php200,000 per meeting.

<sup>5</sup> With the resignation of Rev. Fr. Bienvenido F. Nebres, S.J., on September 25, 2012, the Audit Committee's voting members have been momentarily reduced to two independent directors.

The Audit Committee's activities in 2012 with respect to our external auditor, SyCip, Gorres, Velayo & Co. (SGV & Co.), included discussions on SGV & Co.'s report on the results of the integrated audit of PLDT's and its subsidiaries' 2011 financial statements prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and International Financial Reporting Standards (IFRS) and the internal controls over financial reporting (ICFR), as well as the results of internal and external quality reviews required of SGV & Co. Also discussed were SGV & Co.'s required communications to the Audit Committee, as well as their independence from PLDT, within the meaning of the Securities Act of the Philippine SEC and US SEC.

The Audit Committee also reviewed and approved the following:

- SGV & Co.'s engagements in International Standard on Assurance Engagements (ISAE) No. 3402, "Assurance Reports on Controls at a Service Organization", Type B Service Audit of ePLDT's Vitro Data Center, as required by the latter's customer, Accenture, and financial statements audit of Connectivity Unlimited Resource Enterprise (CURE) as of and for the period ended June 30, 2012, in connection with NTC's requirements relating to the divestment plan for CURE as committed by PLDT in its acquisition of Digital Telecommunications Phils., Inc.;
- Engagement of E&Y Australia to perform consulting service regarding support on Customer Needs-Based Segmentation Project for Smart, and the engagement of E&Y Singapore to perform tax services for Smart's subsidiaries; and
- Engagement of Pricewaterhouse Coopers (PwC) member firm, Isla Lipana & Co., to perform Business Process Alignment Project, and provide manpower services for Sarbanes-Oxley Act Section 404 (SOX 404) Compliance Process Documentation for Digital Mobile Phils., Inc.

The Audit Committee conducted an evaluation of SGV & Co.'s performance for 2011, resolved to re-appoint SGV & Co. as PLDT's external auditors for the year 2012, and reviewed SGV & Co.'s integrated plan for the audit of the 2012 financial statements and review of ICFR of PLDT and its subsidiaries.

As regards the internal auditor, the Audit Committee reviewed, noted or approved the Internal Audit and Fraud Risk Management Group (IAFRMG)'s performance report for the year 2011, the Internal Audit Plan for 2012 (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 (ISPPA), and required confirmation of the organizational independence of the Internal Audit organization, and resolved to retain the existing PLDT Internal Audit Charter. The Audit Committee also discussed the Internal Audit's report on PLDT Group's SOX 404 Compliance – Management's Overall Assessment and Conclusions as of December 31, 2011, the periodic status reports submitted by Internal Audit regarding PLDT Group's SOX 404 readiness and compliance as of year-end 2011 and as of year-end 2012, and the major internal audit and fraud risk management activities and accomplishments, including the internal audit organizational updates.

With regard to financial reporting and controls, the Audit Committee, together with PLDT Finance officers and SGV & Co., conducted a review of PLDT's audited financial statements for 2011 prepared in accordance with PFRS and IFRS, and the final results and report of SGV & Co. on its integrated audit of 2011 PFRS and IFRS financial statements and ICFR. The Audit Committee reviewed and approved the PLDT Group's 2011 Annual Report on Form 17-A and Form 20-F for Philippine and US SEC filing, respectively. It also reviewed and discussed with Finance officers, PLDT's unaudited consolidated financial results and reports for the three months ended March 31, 2012, the six months ended June 30, 2012 and the nine months ended September 30, 2012.

With regard to governance, general internal controls and risk management, the Audit Committee reviewed and approved the 2011 PLDT Audit Committee Report for inclusion in the Annual Report and conducted a self-evaluation of the Audit Committee's performance for the year 2011. It reviewed and discussed with the Corporate Secretary, Chief Legal Counsel and Chief Governance Officer the status of the Company's compliance with regulations and applicable laws and updates on significant legal matters, the periodic status reports on whistleblowing complaints received by Corporate Governance Office (CGO), as well as CGO's report on the statistics and effectiveness of, and identified system improvements to the existing Whistleblowing Policy and Procedure. The Audit Committee also discussed with the President and CEO the PLDT Group's top enterprise risks from the CEO's perspective, and the corresponding mitigation measures to address these key enterprise risks, and reviewed the Group Enterprise Risk Management Officer's periodic status reports on the PLDT Group's enterprise risk management activities.



Discussions with relevant PLDT business and operational unit heads were also conducted on the following matters:

- updates on Information Technology (IT) Group transformation and directions;
- major HR-related risks and the corresponding measures taken to address such risks;
- updates on service delivery process, quality of service, and actions taken on outstanding audit issues;
- updates on relevant tax rulings; and
- updates on results of customer experience surveys and related activities.

The Audit Committee likewise reviewed and approved the PLDT Disclosure on SEC Form 17-C in connection with the Philippine SEC Memorandum No.4-2012, "SEC Guidelines in the Performance Assessment of Audit Committees", reviewed and resolved to retain the existing PLDT Audit Committee Charter, reviewed and approved the PLDT Audit Committee's semi-annual reports of activities during 2012 and issued periodic written updates to the Audit Committee of First Pacific regarding significant items discussed during PLDT Audit Committee meetings in 2012.

The Audit Committee had nine meetings for the year 2012 and a total of Php4.20 million was paid as *per diem* to its members and advisors who attended the meetings<sup>6</sup>.

<sup>6</sup> Php75,000 for each meeting attended.



**AUDIT COMMITTEE 2012 MEETINGS  
ATTENDANCE PERFORMANCE**

	Jan 30	Mar 5	Mar 22	May 7	Jun 14	Aug 6	Sept 25	Nov 6	Dec 4	Totals
<b>AC Members</b>										
Bienvenido F. Nebres (Chairman)* <sup>1</sup>	✓	✓	✓	✓	✓	✓	x	—	—	6/7
Pedro E. Roxas*	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Alfred V. Ty*	✓	x	x	✓	✓	✓	✓	✓	✓	7/9
<b>AC Advisors</b>										
Corazon S. Dela Paz- Bernardo <sup>2</sup>	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Roberto R. Romulo	✓	✓	✓	✓	✓	✓	x	✓	x	7/9
James L. Go	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Setsuya Kimura	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9

\* Independent Director.

<sup>1</sup> Resigned effective September 25, 2012.

<sup>2</sup> Member with accounting and financial expertise.

**Governance and Nomination Committee**

The GNC oversees the development and implementation of corporate governance principles and policies as part of its governance function. It also provides assistance to the Board in making an assessment of the Board's effectiveness in the process of replacing or appointing new members of the Board and/or Board Committees, and in developing and implementing the Board's performance evaluation process. As part of its nomination function, it reviews and evaluates the qualifications of the persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board. In addition to this, it identifies persons potentially qualified to become members of the Board and/or the Board Committees.

The GNC is composed of five voting members, three of whom are independent directors and the other two are non-executive directors<sup>7</sup>. The GNC also has three non-voting members composed of an independent member of the Advisory Committee, the Human Resources Group Head and the Chief Governance Officer 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 2012, the GNC screened and identified nominees for election as directors/independent directors at the PLDT annual stockholders' meeting. It also reviewed the list and qualifications of PLDT officers for re-appointment at the organizational meeting of the Board of Directors.

In the performance of its governance function, the GNC discussed and evaluated the results of the Board Assessment for 2011 and the GNC Evaluation/Self-Assessment. The

consolidated results of the Board Assessment, along with the recommended actions, the GNC Self-Assessment results and Report on Activities for 2011 were submitted to and noted by the Board.

The GNC also reviewed and monitored the status of whistleblowing reports, disclosures to regulators, updates on regulatory developments and other reports of the CGO. It had an opportunity to hear from the corporate governance officers from PLDT subsidiaries and affiliates about the adoption and implementation of, and innovations in, corporate governance practices by these companies. The GNC also received and discussed reports pertaining to results of corporate governance ratings from domestic and international rating agencies.

The GNC guided the development of PLDT's Guidelines on Related Party Transactions which was issued on May 24, 2012 as Administrative Order No. 2137-12. The GNC also discussed PLDT's General Practice (GP) No. GP-12-002 on Stakeholder Engagement that was issued on May 16, 2012, which embodies the Company's modes of engagement with various stakeholders, including customers, shareholders/investment community, employees, suppliers, government/regulators, media, industry and communities. The GP on Stakeholder Engagement is in line with PLDT's commitment to deal with stakeholders in accordance with its core business principles of integrity, transparency, fairness, and accountability.

Finally, the GNC continues to support efforts at ethical culture building in the Company and it took a direct hand in the determination of content and selection of the speaker for the CG Enhancement Sessions for Directors and Officers for 2012, and selecting themes and designs for internal communication materials for 2013.

The GNC held three meetings in 2012 and a total of Php1.65 million was paid as *per diem* to its members who attended the meetings<sup>8</sup>.

<sup>7</sup> With the resignation of Rev. Fr. Bienvenido F. Nebres, S.J., on September 25, 2012, the GNC's voting members temporarily consist of two independent directors and two non-executive directors.

<sup>8</sup> Php 75,000 per meeting attended.

#### GOVERNANCE AND NOMINATION COMMITTEE 2012 MEETINGS ATTENDANCE PERFORMANCE

	Mar 22	July 27	Oct 24	Totals
<b>Voting Members</b>				
Manuel V. Pangilinan (Chairman)	✓	✓	✓	3/3
Pedro E. Roxas*	✓	✓	✓	3/3
Alfred V. Ty*	x	✓	✓	2/3
Bienvenido F. Nebres, S.J.* <sup>1</sup>	✓	✓	-	2/2
Setsuya Kimura	✓	✓	✓	3/3
<b>Non-Voting Members</b>				
Artemio V. Panganiban	✓	✓	✓	3/3
Menardo G. Jimenez, Jr.	✓	✓	✓	3/3
Ma. Lourdes C. Rausa-Chan	✓	✓	✓	3/3

\* Independent Director.

<sup>1</sup> Resigned effective September 25, 2012.

#### Executive Compensation Committee

The ECC provides guidance and assistance to the Board with respect to the development of a compensation philosophy consistent with the culture, strategy and control environment of the Company. It also oversees the development and administration of the Company's executive compensation programs and assists the Board in the areas of performance evaluation, succession planning and the professional development programs for officers. The ECC is composed of five voting members, three of whom are independent directors, and the other two are non-executive directors<sup>9</sup>. 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 2012, the ECC discussed and approved the discretionary pay for officers and executives for 2011 performance (in lieu of the 2011 variable pay), the 2012 variable pay targets and the corresponding variable pay payout levels, and the cancellation of the 2010-2012 Long-Term Incentive Plan (LTIP). A discretionary payout was instead approved and paid in 2012. The ECC also discussed and approved the continuation of the 2010-2012 LTIP of PLDT subsidiary SPi and to revisit the 2010-2012 LTIP of ePLDT and PLDT Global Corporation (PLDT Global). Finally, the ECC discussed and approved the presentation of the new 2012-2014 LTIP to the Board for the latter's approval and the 2012 merit increase for officers and executives.

The ECC held two meetings in 2012 and a total of Php0.83 million was paid as *per diem* to its members who attended the said meetings<sup>10</sup>.

#### EXECUTIVE COMPENSATION COMMITTEE 2012 MEETINGS ATTENDANCE PERFORMANCE

	Mar 5	Oct 3	Totals
<b>Voting Members</b>			
Manuel V. Pangilinan (Chairman)	✓	✓	2/2
Bienvenido F. Nebres, S.J.* <sup>1</sup>	✓	-	1/1
Pedro E. Roxas*	✓	✓	2/2
Alfred V. Ty*	✓	✓	2/2
Setsuya Kimura	✓	✓	2/2
<b>Non-Voting Member</b>			
Menardo G. Jimenez, Jr.	✓	✓	2/2

\* Independent Director.

<sup>1</sup> Resigned effective September 25, 2012.

#### Technology Strategy Committee

The TSC assists the Board in reviewing and approving the strategic vision for the role of technology in the Company's overall business strategy, fulfilling its oversight responsibilities for the Company's effective execution of its technology-related strategies, and ensuring the optimized use and contribution of technology to the Company's strategic objectives and growth targets. The TSC is composed of six voting members and one non-voting member. 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>

The TSC had two meetings in 2012. The first meeting was on prospects and plans regarding 3G and Long-Term Evolution (or 4G) technologies, Over the Top Providers (OTTP), Location-based Services and Cloud Computing. In the second meeting, the TSC discussed updates on the PLDT Technology Roadmap and the PLDT Group's Cloud Deployment. The gains from synergies with Digitel and Sun Cellular were also discussed in the second meeting. A total of Php1.05 million was given as *per diem* to its members who attended the meetings<sup>11</sup>.

<sup>9</sup> With the resignation of Rev. Fr. Bienvenido F. Nebres, S.J. on September 25, 2012, the ECC's voting members temporarily consist of two independent directors and two non-executive directors.

<sup>10</sup> Php75,000 per meeting attended.

<sup>11</sup> Php75,000 per meeting attended.

**TECHNOLOGY STRATEGY COMMITTEE 2012 MEETINGS  
ATTENDANCE PERFORMANCE**

	Aug 6	Oct 23	Totals
<b>Voting Members</b>			
Manuel V. Pangilinan (Chairman)	✓	✓	2/2
Napoleon L. Nazareno	✓	✓	2/2
Ray C. Espinosa	✓	✓	2/2
Setsuya Kimura	✓	✓	2/2
Oscar S. Reyes	✓	✓	2/2
James L. Go	✓	✓	2/2
<b>Non-Voting Member</b>			
Orlando B. Vea	✓	✓	2/2

## Executive Implementation

Our Board exercises oversight on management in accordance with the standards set forth in our CG Manual.

### *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.

### *Internal Audit Organization*

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

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

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

To provide for the independence of the internal audit organization, its personnel report to the head of the internal audit organization, being the Chief Audit Officer/Internal Audit Head, who reports functionally to the Audit Committee and administratively to the President and CEO. The Chief Audit Officer is accountable to management and the Audit Committee 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 Audit Committee 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 external auditor is appointed by the Audit Committee 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 Audit Committee 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 Audit Committee is the PLDT Enterprise Risk Management Department. The complex and dynamic business environment that the PLDT Group operates gives rise to a variety of risks. The Enterprise Risk Management Department is in charge of managing an integrated risk management program with the goal of identifying, analyzing and managing the PLDT Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus sustain competitive advantage.

### Chief Governance Officer

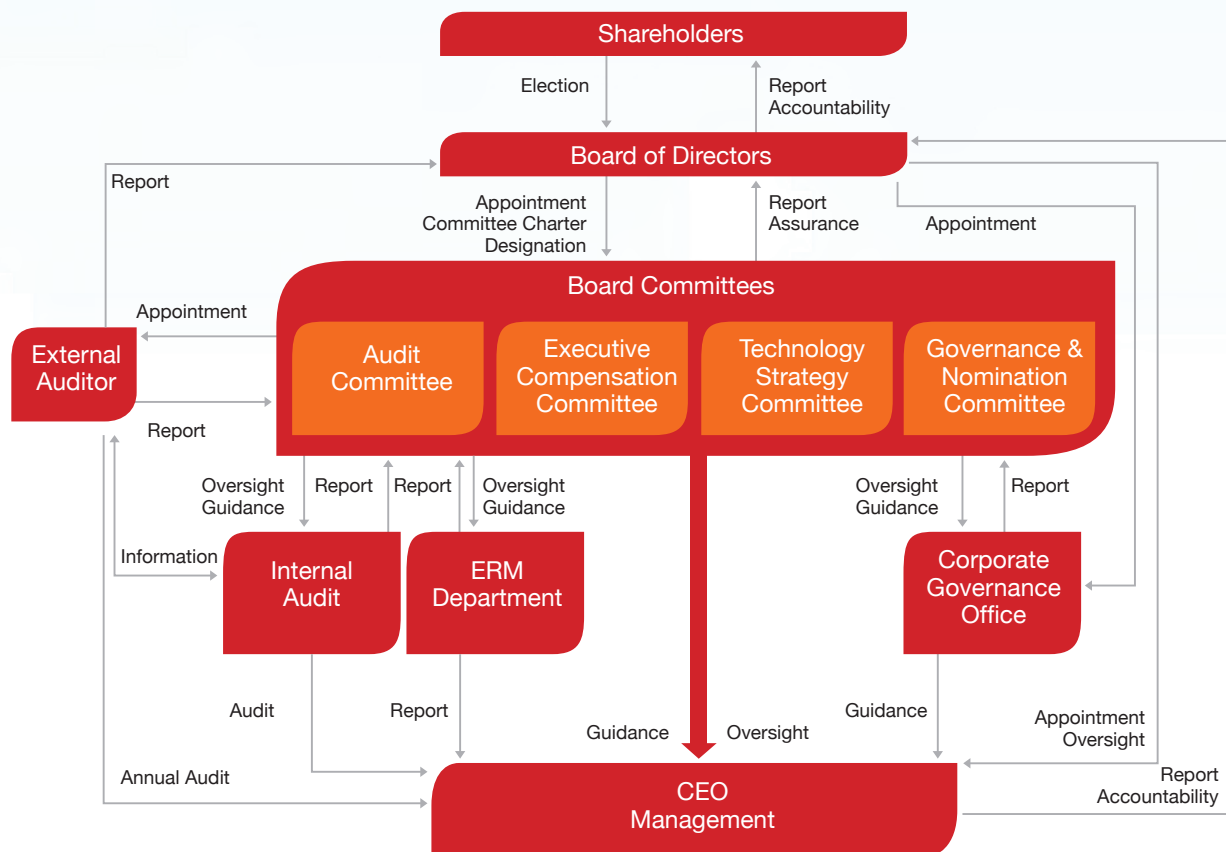
The CG compliance system established in the CG Manual includes the designation by the Board of a Chief Governance Officer who reports to the Chairman of the Board and the GNC. The primary responsibilities of the Chief Governance Officer include monitoring compliance with the provisions and requirements 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 CG Manual is the basis for the establishment of and provides operational guidance to all PLDT corporate governance structures as shown in the chart below.





## OUR POLICIES, PROCESSES AND PRACTICES

If our CG Manual provides the framework and structure of our corporate governance program, it is our Code of Ethics that animates the way we relate to our shareholders and stakeholders. It is through the Code of Ethics that PLDT commits itself to observe the values of accountability, integrity, fairness and transparency and aims to promote a culture of good corporate governance. It provides standards that govern and guide all business relationships of PLDT, its directors, officers and employees.

As part of Board oversight, the Company's corporate governance policies and their effectiveness are reviewed every two years to ensure that they continue to be compliant, appropriate and effective. The review of the Code of Ethics was conducted and reported to the GNC in October 2012.

### Key standards articulated in the PLDT Code of Ethics

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

### Other Policies

The Company also has other policies adopted by the Board to provide both general and specific guidelines that complement the Code of Ethics.

*Conflict of Interest Policy (approved on October 24, 2005)* — This policy aims to ensure that work-related actions of PLDT's directors, officers, employees and consultants are based on sound business principles and judgment devoid of bias or partiality. It enjoins all employees 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 employees who find themselves in a possible conflict of interest situation should promptly disclose the matter to the relevant authorities. If warranted, the employee concerned should also obtain appropriate approvals and inhibit himself from any action, transaction or decision involving an existing or potential conflict of interest.

*Policy on Gifts, Entertainment and Sponsored Travel (approved on January 31, 2006)* — This policy provides safeguards so that the custom of giving gifts is handled in accordance with the values of accountability, integrity, fairness and transparency. It aims to prevent the occurrence of situations or actions that could significantly affect objective, independent or effective performance of an employee's duties. 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 as well.

*Supplier/Contractor Relations Policy (approved on January 31, 2006)* — 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 an 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 and established practices 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.

*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 (or the Expanded Whistleblowing Policy, approved on May 9, 2006)* — This policy provides guidelines on handling employee disclosure or complaints of violation of rules pertaining to the aforesaid matters, protects whistleblowers from retaliation and ensures confidentiality and fairness in the handling of a disclosure or complaint.

The Policy on Gifts, Entertainment and Sponsored Travel, the Supplier/Contractor Relations Policy, and the Expanded Whistleblowing Policy, including their implementation, were reviewed and the results thereof reported to the GNC in 2011.

Detailed implementing guidelines are likewise issued for the said policies to ensure their wide observance. All these policies and rules (CG Rules) are periodically reviewed to ensure that they are appropriate for PLDT, keep pace with comparable and applicable global best practices, and are compliant with the requirements of the Philippine SEC and U.S. SEC, NYSE and HKSE corporate governance rules, as may be appropriate and applicable.

To access the Code of Ethics, the CG Manual or information on how PLDT's corporate governance practices and those required of U.S. listed companies under NYSE Section 303A.11 differ, please refer to:

[http://www.pldt.com.ph/governance/about/Documents/27623c20007849698da4df57179ec70dPLDT\\_Code\\_of\\_Business\\_Conduct\\_and\\_Ethics.pdf](http://www.pldt.com.ph/governance/about/Documents/27623c20007849698da4df57179ec70dPLDT_Code_of_Business_Conduct_and_Ethics.pdf)

[http://www.pldt.com.ph/governance/about/Documents/22336f71c88c495793d15575c2addffcltdcorpgov\\_manual.pdf](http://www.pldt.com.ph/governance/about/Documents/22336f71c88c495793d15575c2addffcltdcorpgov_manual.pdf)

<http://www.pldt.com.ph/governance/about/Documents/f7933d17962d4b2c942e50ba4980f21bpltddisclosure.pdf>

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 officers.

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



PLDT's Expanded Whistleblowing Policy facilitates the anonymous reporting of violations of CG Rules, accounting and auditing rules and regulations or the PLDT Personnel Manual. 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 any of the violations mentioned above 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 are duly processed. Upon receipt of a report, complaint or disclosure by the CGO, a preliminary evaluation is conducted to determine the veracity and plausibility of the allegations contained in the complaint or report, as well as determine the appropriate investigating unit to which the case shall be assigned for further action. The CGO monitors the developments in the cases reported and ensures appropriate reporting to the Audit Committee, the GNC, or any other relevant committee, body or authority on the results of the investigations and the prompt referrals 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 may be involved.

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 cause for disqualification in being awarded incentives and rewards in its Policy on Employee Qualification for Incentives and Rewards, including the LTIP.

To make sure that relations between the Company and its business partners are imbued with shared standards on good corporate governance, the Company has developed written corporate governance guidelines for suppliers and contractors to which the Company's suppliers and contractors are expected to consent in writing, thereby ensuring that they understand and accept these standards as indispensable in doing business with PLDT. The Company also conducts suppliers'/contractors' briefings and communicates to its business partners, including suppliers, the Company's commitment to, as well as expectations on, good corporate governance.

As part of its education and communication program, PLDT provides continuous training for its Board, senior management and employees, which includes an annual enhancement session conducted by internationally-known experts to share their insights and interact with PLDT's Board and senior management. PLDT has organized and conducted six (6) annual enhancement sessions since 2007.

In November 2012, Dr. Thomas Donaldson, the Mark O. Winkelman Professor and the Director of the Zicklin Center for Business Ethics Research, The Wharton School University of Pennsylvania, spoke before the PLDT Board of Directors, as well as other directors from First Pacific affiliates in the Philippines. Dr. Donaldson's session, entitled *Navigating the New World of Business* discussed how companies operate in

these turbulent times and navigate issues of reputational risk, governance and integrity. He spoke about major failures in the areas of governance and risk management and the dangerous patterns of rewards and cultural weakness. He emphasized that compliance is important, but that it should be augmented by right leadership, proper systems and a culture guided by the right values, such as integrity, responsibility and fairness. Dr. Donaldson conducted a similar session for PLDT's senior management on November 20, 2012. Also, present at the session were senior executives from the other First Pacific affiliate companies in the Philippines.

PLDT not only trains to get the right "tone at the top" but also applies efforts to "shape the middle". PLDT regularly provides corporate governance training for its middle management. In 2012, a special session for its executives was conducted by Mr. Keith Darcy, Executive Director of the Ethics and Compliance Officer Association (ECO) based in Waltham, Massachusetts, USA. Mr. Darcy discussed *Corporate Responsibility in the Changing Global Landscape*. He emphasized that in the changing global landscape, companies that have ethical, self-regulating cultures will be able to withstand the many upheavals that business will face. Close to 400 delegates from PLDT, Smart, ePLDT, SPi Global, PLDT Global, Digitel, Sun, Meralco, MPIC, Asian Hospital and Medical Center, Maynilad, MediaQuest, Mediascape and TV5 were present at the session.

In addition, newly-promoted or hired executives are required to undergo a half-day workshop on Ethical Decision Making as part of their competency development as managers. The highly interactive course provides personnel in the middle manager category an opportunity to discuss and develop approaches to ethical dilemmas that confront them at the workplace.

To strengthen middle management's management and implementation of internal controls in PLDT, a workshop entitled *Managing from a Position of Control* was developed and launched in 2012. The course was developed through the joint efforts of the internal audit, corporate governance, finance and human resource offices of PLDT. The course seeks to empower concerned personnel in understanding, observing and implementing internal controls within their respective spheres of authority. It provides detailed discussions on the rationale for internal controls, responsibilities of personnel and procedures for observance. A pilot course and one regular run of the workshop were conducted in 2012. Other PLDT executives and key supervisory personnel will take the course in 2013.

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

In addition to face-to-face training, PLDT has an 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 Expanded Whistleblowing Policy. Supervisory and rank-and-file employees, on the other hand, are required to take and complete a module on the PLDT Conflict of Interest Policy.

Education and training is supplemented by the production and dissemination of relevant corporate governance communication materials, including thematic posters, calendars and newsletters. Directors and certain officers and executives of PLDT are also provided with weekly Corporate Governance Newsbriefs, which contain summaries of news articles from global online sources.

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

## OUR STAKEHOLDERS

The structures, processes, programs and principles set out in the CG Manual, Code of Ethics and CG Rules are meaningless unless they find expression in our relationships with our various stakeholders. PLDT remains committed to establishing and maintaining a corporate culture anchored on performance and responsibility in fulfilling obligations to our stakeholders. PLDT knows that the welfare of its stakeholders is a critical indicator of whether or not a company is truly serious about the way it conducts its business and observes its core values. PLDT understands that proper governance should create a company that has a well-founded and proven reputation for being a safe haven for investments, a trustworthy business partner, a fair and concerned employer and a responsible corporate citizen.

### *Investors*

Pursuant to our CG Manual, it is the duty of the Board to promote and uphold stockholders' rights such as the right to vote, pre-emptive right, the right to inspect corporate books and records, right to timely receive relevant information, right to dividends, and the appraisal right. It is likewise, the Board's function to explore and implement steps to reduce excessive or unnecessary costs that impede stockholders' participation and to act with transparency and fairness at the annual and special stockholders' meetings. The Board shall likewise ensure that the Company remains faithful to its undertaking to make timely disclosures of material information and 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 the Securities Regulation Code (SRC) and its Implementing Rules and Regulations including, without limitation, earnings 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.

The Company files with the Philippine SEC and the PSE all written disclosures or reports on material information and transactions in accordance with the SRC and its Implementing Rules and Regulations and the established procedures of the Philippine SEC and the PSE regarding such matters.

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 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 Philippine SEC and the PSE. During blackout periods, dealing in Company shares by directors, officers or employees is not allowed and in any exceptional case, prior notice to the Company should be made of any such dealing in Company shares, in accordance with the Company's policy on Blackout Period/Restriction on Trading of Shares.

In addition, the Company's Guidelines on the Proper Handling of Related Party Transactions provides the procedures for the review, approval and disclosure of related party transactions in order to ensure that these, if any, are fair, on an arm's-length terms, and in the best interest of the Company and its shareholders, as a whole. Material related party transactions are reviewed by the Audit Committee and subject to approval by the Board or, as applicable, the shareholders.

PLDT takes pride in its multi-awarded investor relations office. PLDT has also been recognized several times as the company most committed to a strong dividend policy. It is an encouraging proof that sound corporate governance, concern for investors/shareholders, and profitability go hand-in-hand.

### *Customers*

It is PLDT's privilege to serve a broad range of customers from residential customers, SMEs, corporate customers covering large local and international companies, organizations and government. PLDT continually strives to satisfy its customers' expectations and concerns regarding 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.

### *Employees*

PLDT recognizes the myriad concerns of its employees. PLDT respects the rights of its personnel, chief among these are the right to self-organization, safe working conditions, rest and leisure, and work-life balance. It also provides opportunities for skills, 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 Corporate Social Responsibility (CSR) activities and obtains their feedback on company concerns. Organization and Employee Opinion Survey is conducted at regular intervals to gauge employee engagement as well as feel 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 we do business. We are 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 telecommunications 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.

### **Suppliers**

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

### **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.

### **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 the rules and regulations from local government regulatory offices such as the Department of Environment and Natural Resources' (DENR) Environmental Management Bureau, the Laguna Lake Development Authority and other similar agencies and offices. Furthermore, projects to reduce waste and the Company's carbon footprint are also being implemented. The Company regularly monitors relevant Global Reporting Initiative (GRI) indicators such as direct energy consumption, energy saved, initiatives to reduce energy consumption, total water withdrawn by source, direct and indirect greenhouse gasses emission by weight, total weight of waste by type and disposal method, and total environmental expenditures and investment.





### ***Advocacy and Networking***

PLDT is actively engaged in the advocacy for better governance and ethics in business. This engagement is founded in the Company's policy against corruption and bribery as set forth in its Code of Ethics, and further reinforced in specific policies, such as the Policy on Gifts, Entertainment and Sponsored Travel, Supplier/Contractor Relations Policy and Corporate Governance Guidelines for Suppliers, which likewise 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 reaches out to like-minded institutions and organizations in its advocacy efforts. The PLDT Group is an active sponsoring partner member of the ECOA based in Waltham, Massachusetts, USA. PLDT is an active participant in the ECOA's Annual Ethics and Compliance Conferences<sup>12</sup>. In 2012, PLDT and wireless subsidiary Smart, participated in the first ECOA Asian Symposium<sup>13</sup>. Our membership at the ECOA gives PLDT access to its vast online library on CG and related topics, opportunities to interact with other corporate governance and ethics professionals around the world, and 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.

As a telecommunications company, PLDT is naturally interested in connections. Its job is to connect people to each other, and now, increasingly to data and information. PLDT has learned that to do its job means connecting the performance and results of the present, to a future of sustained profitability and growth that in turn, requires adherence to the highest standards and principles of corporate governance. PLDT's efforts at ensuring adherence to these standards and principles means connecting Company personnel to its vision – exhibiting to each and every person that his or her efforts, when put together with that of the others in the Company, create a synergy that builds the Company's future. More importantly, it means finding the nexus between profitability and the Company's core values – ensuring that performance, results, and the very culture of the Company do not compromise long-term goals for quick gains in the present. The Company remains steadfast in its pursuit of these connections as it learns its lessons, celebrates its gains and looks forward to the challenges of the coming years.

<sup>12</sup> The latest conference was held on October 2-5, 2012 at St. Louis Missouri, USA.

<sup>13</sup> Held in Shanghai, China on January 17-18, 2012.

# 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. This commitment to the proactive management of existing and emerging risks is reinforced by the Group Enterprise Risk Management Department (GRMD).

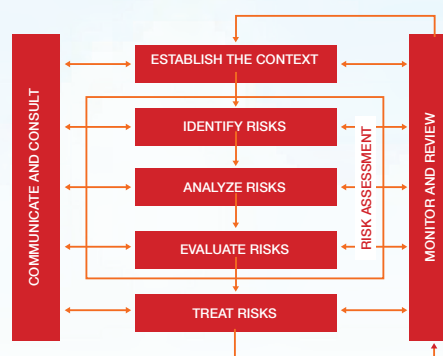
## The Group Enterprise Risk Management Department

Created in 2010, the GRMD assumed all responsibilities previously held by the ERM Committee. In accordance with its mandate, the GRMD identified key elements needed to successfully cultivate a risk-conscious culture within the PLDT Group.

Imperatives of Enterprise Risk Management	Status
Involvement of the Board of Directors	<ul style="list-style-type: none"> <li>The Board of Directors defines the strategic direction of the organization, and sets the PLDT Group's risk appetite in line with the direction.</li> <li>The Board of Directors has general oversight of risk management activities of the Company.</li> <li>In 2010, the PLDT Group Risk Management Philosophy Statement was drafted and approved to embody the Group's commitment to managing risk.</li> <li>In 2011, the PLDT Group Risk Management Policy Manual was approved. The policy aims to help the organization integrate risk management into strategic planning and business processes. The Board of Directors periodically evaluates the effectiveness of this policy.</li> </ul>
Creation of a central risk function	<ul style="list-style-type: none"> <li>In 2010, the Board of Directors formed the GRMD and issued a mandate.</li> </ul>
Establishment of a common definition of risk	<ul style="list-style-type: none"> <li>A standard definition for risk has been defined. It is continuously cascaded throughout the organization.</li> </ul>
Adoption of a standard risk evaluation process	<ul style="list-style-type: none"> <li>The risk evaluation process implemented throughout the PLDT Group is based on the Draft International Standard of ISO 31000 (discussed below). The process is documented in the Risk Management Policy Manual.</li> </ul>
Creation of an Enterprise Risk Management Knowledge Warehouse	<ul style="list-style-type: none"> <li>This tool is being developed and it shall enable sharing of information on identified risks.</li> </ul>

## The Enterprise Risk Management Framework and Process

The GRMD promulgates and encourages the use of an integrated risk management framework centered 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 Risks

In 2012, the GRMD continued the implementation of the organization's standard risk management process in critical operational units such as Network, Marketing and Finance.

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 2013. These top risks are:

1. Evolving Business Model
2. Market Dynamics
3. Regulatory and Political Challenges
4. Media and Related Investments
5. Fast Pace of Technological Change
6. Potential Points of Failure (Network Quality and IT Systems Reliability)
7. Vendor-related Issues
8. Hazards
9. People
10. Information Security and Privacy
11. Lack of New Growth Areas

The PLDT Group is committed to intently pursuing measures to ensure 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



**1** **MANUEL V. PANGILINAN**  
66, Filipino

Director of PLDT since November 24, 1998. He was appointed as Chairman of the PLDT Board after serving as President and CEO from November 1998 to February 2004. He is the Chairman of the Governance and Nomination, Executive Compensation and Technology Strategy Committees of the PLDT Board of Directors. He also serves as Chairman of Meralco, Smart, Metro Pacific Investments Corp., Landco Pacific Corp., Philex Mining Corp., Manila North Tollways Corp., TV5, Makati Medical Center, Cardinal Santos Medical Center, Asian Hospital, Inc., Riverside Medical Center, Davao Doctors Hospital, and Our Lady of Lourdes Hospital. He founded First Pacific Company Ltd. 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. He also holds the position of President Commissioner of P.T. 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, PLDT-Smart Foundation, Inc., and the Philippine Business for Social Progress, Philippine Disaster Recovery Foundation, Inc. and the Hongkong Bayanihan Trust, a non-stock, non-profit foundation that provides vocational, social and cultural activities for Hongkong's foreign domestic helpers, Vice-Chairman of the Foundation for Crime Prevention, a private sector group organized to assist the government with crime prevention, and a Member of the Board of Trustees of Caritas Manila and Radio Veritas-Global Broadcasting Systems, Inc. He is a Co-Chairman of the newly-organized US-Philippines Society, a non-profit society that 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.



**2** **NAPOLEON L. NAZARENO**  
63, 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 Chief Executive Officer of PLDT since his appointment on February 19, 2004 and is concurrently the President and Chief Executive Officer of Smart since January 2000. He also serves as Chairman of several subsidiaries of Smart including PLDT Communications and Energy Ventures, Inc. (PCEV), Wolfpac Mobile, Inc., Smart Broadband, Inc. and I-CONTACTS Corporation. His other directorships include Digitel, Digitel Mobile Phils, Inc., SPi Global Holdings, Inc., SPi Technologies, Inc., SPi CRM, Inc., Mabuhay Satellite Corporation, ACeS Philippines Cellular Satellite Corporation, PLDT Global Corporation, ePLDT, Inc., Philweb Corporation and Rufino Pacific Tower Condominium Corporation. He is a non-executive director of First Pacific Company Limited. Nazareno's business experience spans several countries in over 39 years and his exposure cuts across a broad range of industries, namely, packaging, bottling, petrochemicals, real estate and, in the last 13 years, telecommunications and information technology. In 1981, he started a successful career in the international firm Akerlund & Rausing, occupying senior management to top level positions and, in 1989, became the President and Chief Executive Officer of Akerlund & Rausing (Phils.), Inc. In August 1995, he moved to Metro Pacific Corporation where he served as President and Chief Executive Officer until December 1999.



**3** **HELEN Y. DEE**  
69, Filipino

Director of PLDT since June 18, 1986. She is the Chairperson, Vice Chairperson or a director of several companies engaged in banking, insurance and real property businesses.

**4** **ATTY. RAY C. ESPINOSA**  
57, 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 is the Head of the Regulatory Affairs and Policies Group of PLDT since March 2008. He also serves as the President and Chief Executive Officer of MediaQuest Holdings, Inc., ABC Development Corporation, Mediascape, Inc., Nation Broadcasting Corporation and other subsidiaries of MediaQuest Holdings, Inc., the Vice Chairman of the Board of Trustees of the PLDT Beneficial Trust Fund, the Vice Chairman of Philweb Corporation, a director and the General Counsel of Meralco, a director and the Chairman of the Audit Committee of the Board of Directors of Lepanto Consolidated Mining Company and a director of several companies engaged in public utility, media and infrastructure businesses. Atty. Espinosa served as President and Chief Executive Officer of ePLDT from August 21, 2000 until April 15, 2010. Prior to joining PLDT, he was a partner and member of the Executive Committee of the law firm Sycip Salazar Hernandez & Gatmaitan until June 2000.



**5** **JAMES L. GO**  
74, Filipino

Director of PLDT since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He is currently the Chairman and Chief Executive Officer of JG Summit Holdings, Inc., Robinsons, Inc., Oriental Petroleum and Minerals Corporation, Robinsons Supermarket, Inc. and Robinsons Handyman, Inc. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation and a director of Cebu Air, Inc., CFC Corporation, Robinsons Holdings, Inc., Singapore Land, Ltd., Marina Center Holdings, Inc., United Industrial Corporation and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation. He was the Chairman, President and Chief Executive Officer of Digital Mobile and the Vice Chairman, President and Chief Executive Officer of Digital, until October 26, 2011.

**6** **SETSUYA KIMURA**  
56, 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 also 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 Company.

**7** **HIDEAKI OZAKI**  
48, Japanese

Director of PLDT since December 6, 2011. He is the Vice President of Planning, Global Business of NTT Communications Corporation (NTT Com), a company which provides telecommunication service and ICT services such as Global Network, Data Centre, Cloud Services inside and

outside of Japan. 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 Corporation from 1995 to 1999.

**8** **MA. LOURDES C. RAUSA-CHAN**  
60, Filipino

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

# BOARD OF DIRECTORS



10

**9** PEDRO E. ROXAS  
57, Filipino

Director of PLDT since March 1, 2001 and qualified as an independent director since 2002. 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 Chairman of Roxas Holdings, Inc. and Roxas and Company, Inc., holding and investment companies, as well as of several companies engaged in agri-business, sugar manufacturing and real estate development, namely, Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., Hawaiian Philippine Sugar Company, Roxol Bioenergy Corporation, Roxaco Land Corporation, and Fuego Land Corporation. He is also an independent director of Meralco and BDO Private Bank, a director of Brightnote Assets Corporation, and a member of the Board of Trustees of the PLDT Beneficial Trust Fund, Philippine Business for Social Progress and Fundacion Santiago (where he is also the President).



11

**10** JUAN B. SANTOS  
74, Filipino

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



12

**11** TONY TAN CAKTIONG  
60, Filipino

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

**12** ALFRED V. TY  
45, 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 Toyota Motor Philippines Corporation and GT Capital Holdings, Inc., the President of Federal Land, Inc., the Chairman of Asia Pacific Top Management International Resources Corp. (Marco Polo Plaza Cebu), a director of Global Business Power Corp., the Corporate Secretary of Metropolitan Bank and Trust Company, the Chairman of Lexus Manila, Inc., a trustee of Metrobank Foundation, Inc. and an independent director of Digitel.



## ADVISORY BOARD

**13** ARTEMIO V. PANGANIBAN\*

**17** WASHINGTON Z. SYCIP

**14** OSCAR S. REYES

**18** ORLANDO B. VEA

**15** ROBERTO R. ROMULO

**19** CHRISTOPHER H. YOUNG

**16** BENNY S. SANTOSO



\* Elected as Independent Director effective April 23, 2013.

# KEY OFFICERS & ADVISORS

## PLDT OFFICERS & ADVISORS

### ERNESTO R. ALBERTO 52, Filipino

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

### RENE G. BAÑEZ 58, Filipino

Supply Chain, Asset Protection and Management Group Head. He was the Chief Governance Officer of PLDT from October 2004 to March 3, 2008 and the Support Services and Tax Management Group Head of PLDT from January 1999 to January 2001. He is the President of Pacific Global Aviation Company. 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 three years until December 1998. He holds directorships in some subsidiaries of PLDT.

### JUNE CHERYL A. CABAL-REVILLA 39, Filipino

Controller and Financial Reporting and Controllershship Head, is also a director and the chief financial officer/treasurer of ePLDT and Subsidiaries, ClarkTel, SubicTel, Maratel, Philcom and Subsidiaries, Digitel, Mediascape, Inc., Pacific Global One Aviation Company, Inc., Pilipinas Global Network Limited, First Pacific Learning Academy Foundation and the PLDT-Smart Foundation, Inc. She is also the Chief Finance Officer of the Philippine Disaster Recovery Foundation 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. In March 2010, she was appointed as a member of the Financial Reporting Standards Council of the Philippines.

### ALEJANDRO O. CAEG 52, Filipino

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



FROM LEFT: Napoleon L. Nazareno, Ernesto R. Alberto, Ariel P. Fermin, Rene G. Bañez, Alejandro O. Caeg, Anabelle L. Chua



**ANABELLE L. CHUA**  
52, Filipino

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

**ARIEL P. FERMIN**  
45, Filipino

Designated on January 1, 2012 as the Head for Home Business segment. He has over 20 years of solid marketing, sales and entrepreneurial experience gained from leading Fast Moving Consumer Group companies locally and globally. Prior to joining the PLDT Group, he was the President of Greenwich Food Corporation and Chowking Food Corporation of the Jollibee Food Corporation from 2008 to 2011. He also served as Country Director of Nike Philippines from 2006 to 2008 and

handled various posts in Unilever-Bestfoods California Manufacturing Company from 1998 to 2005 and senior executive for sales, marketing, media and innovation process management.

**JUN R. FLORENCIO**  
57, Filipino

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

**MENARDO G. JIMENEZ, JR.**  
50, Filipino

Human Resources Group Head and concurrently Business Transformation Office Head. He was Revenue Team Head of the Business Transformation Office from January 2008 to July 2010, the Retail Business Head of PLDT from June 2004 to December 31, 2007 and, prior to that, the Corporate Communications and Public Affairs Head. He had a stint at GMA Network, Inc., where he served as head of 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.

**GEORGE N. LIM**  
60, Filipino

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

**CHRISTOPHER H. YOUNG**  
55, British

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



Ray C. Espinosa, Jun R. Florencio, Menardo G. Jimenez, Jr., George N. Lim, Christopher H. Young, Ma. Lourdes C. Rausa-Chan, June Cheryl A. Cabal-Revilla

# KEY OFFICERS & ADVISORS



**FROM LEFT:** Napoleon L. Nazareno, Orlando B. Vea, Anabelle L. Chua, Emmanuel Ramon C. Lorenzana, Rolando G. Peña, Rene G. Bañez, Mario G. Tamayo



**FROM LEFT:** Orlando B. Vea, Charles A. Lim, Danny Y. Yu, Ricky P. Peña, Michelle C. Curran, Richard Zawila, Susan O. Ligeralde, Joel S. Lumalan, Carla G. Lanza



*Jovan C. Barac, Martin T. Backstrom, Lawrence Goh*



**FROM LEFT:** June Cheryl A. Cabal-Revilla, Nerisse S. Ramos, Ernesto A. Alberto



**FROM LEFT:** Orlando B. Veja, Ariel P. Fermin, June Cheryl A. Cabal-Revilla



**FROM LEFT:** Maulik R. Parekh, Maria Cecilia C. Ampeloquio

# 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 (EICB)

**ARIEL P. FERMIN**  
EVP, Home Business

**RENÉ G. BAÑEZ**  
SVP, Supply Chain, Asset Protection  
and Management

**ALEJANDRO O. CAEG**  
SVP, International and Carrier Business

**ANABELLE L. CHUA**  
SVP, Corporate Finance and Treasury  
Corporate Treasurer

**RAY C. ESPINOSA**  
SVP, Regulatory Affairs and Policies Office

**JUN R. FLORENCIO**  
SVP, Internal Audit and Fraud Risk  
Management

**MENARDO G. JIMENEZ, JR.**  
SVP, Human Resources  
Business Transformation Office  
Network Team

**MA. LOURDES C. RAUSA-CHAN**  
SVP, Corporate Affairs and Legal Services  
Chief Governance Officer  
Corporate Secretary

**KATRINA L. ABELARDE<sup>1</sup>**  
FVP, Small and Medium Enterprise

**ANNA ISABEL V. BENGZON<sup>1</sup>**  
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<sup>1</sup>**  
FVP, Corporate Business

**FLORENTINO D. MABASA, JR.**  
FVP, Legal Services

**LEO I. POSADAS**  
FVP, Treasury

**JUNE CHERYL A. CABAL-REVILLA**  
FVP, Financial Reporting and Controllership

**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<sup>1</sup>**  
FVP, Investor Relations

**MIGUELA F. VILLANUEVA**  
FVP, Cost and Valuation

**DANNY Y. YU**  
FVP, seconded to Digital

**RAUL S. ALVAREZ<sup>2</sup>**  
VP, Home Marketing Support

**JOSE A. APELO**  
VP, Operations Engineering and Network  
Support

**RAFAEL M. BEJAR**  
VP, Medical Services

**MARCO ALEJANDRO T. BORLONGAN**  
VP, Customer Service Operations  
and Support Management

**RENATO L. CASTAÑEDA**  
VP, Corporate Relationship Management C

**REBECCA JEANINE R. DE GUZMAN**  
VP, Home Sales and Distribution

**ALONA S. DINGLE**  
VP, Financial Reporting

**MARGARITO G. DUJALI, JR.**  
VP, Home Data Solutions

**GIL SAMSON D. GARCIA**  
VP, Revenue and Cash Accounting

**ELISA B. GESALTA**  
VP, Network Services Project Management

**MA. JOSEFINA T. GORRES**  
VP, Enterprise Billing and Credit  
Management

**MA. CRISELDA B. GUHIT**  
VP, Tax Management

**EMERALDO L. HERNANDEZ**  
VP, Core Network Operations

**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 A

**JOSELITO S. LIMJAP<sup>1</sup>**  
VP, ICT Research and Development

**ALBERT MITCHEL L. LOCSIN**  
VP, Corporate Relationship Management B

**LUIS IGNACIO A. LOPA**  
VP, Enterprise Subsidiaries Account  
Management

**MA. CARMELA F. LUQUE<sup>1</sup>**  
VP, Financial and Corporate Audit

**OLIVER CARLOS G. ODULIO**  
VP, Asset Protection  
and Risk Management Center

**LILIBETH F. PASA**  
VP, HOME Market Development and  
Business Analytics

**MARTIN T. RIO<sup>2</sup>**  
VP, Property and Facilities Management

**RICARDO C. RODRIGUEZ**  
VP, Compensation and Rewards Planning  
and Management

**GENARO C. SANCHEZ**  
VP, Network Planning and Engineering

**ANA MARIA A. SOTTO**  
VP, Business Transformation Office

**JULIETA S. TAÑECA**  
VP, Consumer Business System  
Management

**JESUS M. TAÑEDO**  
VP, VisMin Customer Service District

**PATRICK S. TANG**  
VP, Home Voice Solutions

**VICTOR Y. TRIA**  
VP, Corporate Business Solutions

<sup>1</sup> Promoted effective March 5, 2013.

<sup>2</sup> Appointed effective October 22, 2012.