

# Enriching Connections



2014 ANNUAL REPORT



## OUR COVER

PLDT has always been about connecting people.  
Touching lives and thereby, transforming them.  
In this digital age, these connections have become more powerful and pervasive.  
Seamlessly woven into the fabric of everyday life.  
Adding color and texture to ordinary events.  
Enriching connections.





PLDT is the leading telecommunications and multimedia service provider in the Philippines. Through its principal business segments— wireless, fixed line and others — PLDT offers the largest and most diversified range of telecommunications services across the Philippines’ most extensive fiber optic backbone and wireless, fixed line, broadband and satellite networks.

PLDT is listed on the Philippine Stock Exchange (PSE:TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI). In 2014, PLDT was one of the largest Philippine-listed companies in terms of market capitalization.

## MISSION/VISION

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

## VALUES

### Accountability

We take full responsibility for our actions and decisions.

### Integrity

We do the right thing.

### Fairness

We uphold justice and fair play.

### Transparency

We disclose accurate and prompt information.

## SUBSIDIARIES

### Wireless

Smart Communications, Inc. and Subsidiaries  
Digitel Mobile Philippines, Inc.  
Smart Broadband, Inc. and Subsidiary  
Chikka Holdings Ltd. and Subsidiaries  
Voyager Innovations, Inc. and Subsidiaries

### Fixed Line

PLDT Clark Telecom, Inc.  
PLDT Subic Telecom, Inc.  
PLDT Global Corp. and Subsidiaries  
PLDT-Philcom, Inc. and Subsidiaries  
PLDT-Maratel, Inc.  
Digital Telecommunications Philippines, Inc.  
ePLDT, Inc. and Subsidiaries  
Pilipinas Global Network Limited and Subsidiaries

### Others

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

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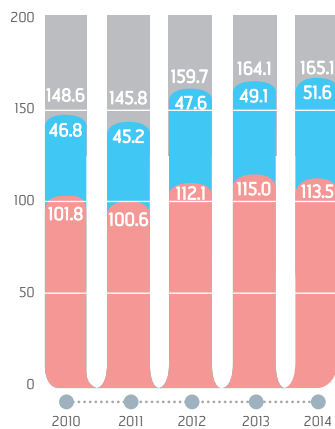
## COMPARATIVE HIGHLIGHTS

	2010	2011	2012	2013	2014
<b>FINANCIAL INFORMATION</b> (in million pesos, except cash dividends declared per common share)					
<b>Revenues</b>					
Service Revenues	148,597	145,834	159,738	164,052	165,070
Non-Service Revenues	2,217	2,645	3,295	4,279	5,892
	150,814	148,479	163,033	168,331	170,962
<b>Expenses</b>					
Depreciation and Amortization	25,881	27,539	32,354	30,304	31,379
Compensation and Employee Benefits	19,759	15,411	21,999	21,369	18,749
Repairs and Maintenance	9,087	10,053	12,604	13,107	14,988
Cost of Sales	4,771	5,443	8,747	11,806	13,512
Selling and Promotions	5,244	7,807	9,708	9,776	10,619
Interconnection Costs	13,928	12,586	11,105	10,610	10,507
Professional and Other Contracted Services	4,916	5,679	6,050	7,173	7,748
Rent	3,699	3,938	5,860	6,041	6,605
Asset Impairment	1,420	10,200	5,286	5,543	6,046
Others	6,582	7,768	8,816	9,786	10,304
	95,287	106,424	122,529	125,515	130,457
<b>Net Income for the Year</b>					
Continuing Operations	39,825	31,218	36,099	35,453	34,090
Discontinued Operations	40,314	30,351	35,556	33,384	34,090
	(489)	867	543	2,069	-
<b>Core Income</b>					
Continuing Operations	41,594	38,616	36,907	38,717	37,410
Discontinued Operations	41,056	37,827	36,356	38,816	37,410
	538	789	551	(99)	-
<b>EBITDA</b>					
	82,049	78,225	75,388	77,552	76,877
<b>Property, Plant and Equipment</b>					
Accumulated Depreciation, Amortization and Impairment	416,390	481,647	481,033	581,286	605,598
Carrying Value	253,206	281,505	280,955	388,621	413,614
	163,184	200,142	200,078	192,665	191,984
<b>Capital Expenditures</b>					
	28,766	31,207	36,396	28,838	34,759
<b>Short and Long-Term Debts</b>					
	89,646	117,275	115,792	104,090	130,123
<b>Net Debt</b>					
	52,299	70,660	78,057	71,467	102,821
<b>Equity Attributable to Equity Holders of PLDT</b>					
	97,416	153,860	145,550	137,147	134,364
<b>Cash Dividends Declared Per Common Share</b>					
Out of the Earnings for the Year	222	189	172	179	156
<b>OPERATING INFORMATION</b>					
<b>Number of Cellular Subscribers</b>					
	45,636,008	63,696,629	69,866,458	70,045,627	69,857,060
<b>Number of Fixed Line Subscribers</b>					
	1,822,105	2,166,295	2,063,794	2,069,419	2,207,889
<b>Number of Broadband Subscribers</b>					
	1,999,025	2,910,682	3,246,423	3,415,793	4,075,150
<b>Wireless</b>					
	1,355,977	2,068,409	2,359,024	2,453,826	2,986,146
<b>Fixed Line</b>					
	643,048	842,273	887,399	961,967	1,089,004
<b>Total Number of Subscribers</b>					
	49,457,138	68,773,606	75,176,675	75,530,839	76,140,099
<b>Number of Stockholders</b>					
	2,182,391	2,181,823	12,169	12,005	11,880
<b>Number of Employees</b>					
	14,737	19,452	19,125	17,899	17,496
<b>Wireless</b>					
	5,165	8,043	8,663	7,680	7,725
<b>Fixed Line</b>					
	9,572	11,409	10,462	10,219	9,771



## CONSOLIDATED FINANCIAL PERFORMANCE HIGHLIGHTS

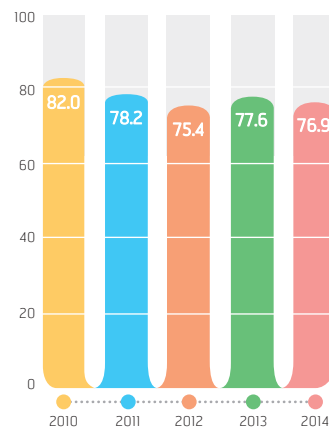
165.1B



**SERVICE REVENUES**  
(in billion pesos)

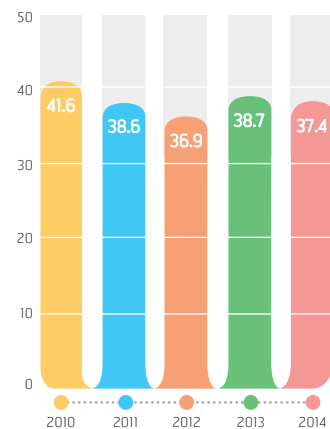
● WIRELESS ● FIXED LINE

76.9B



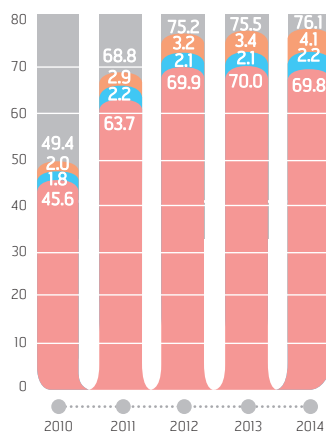
**EBITDA**  
(in billion pesos)

37.4B



**CORE INCOME**  
(in billion pesos)

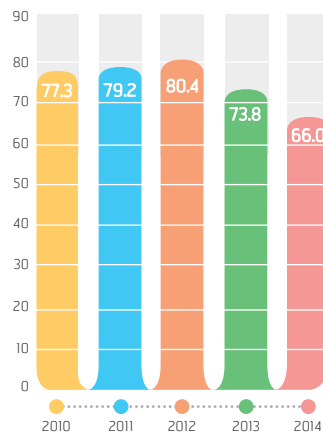
76.1M



**SUBSCRIBER BASE**  
(in millions)

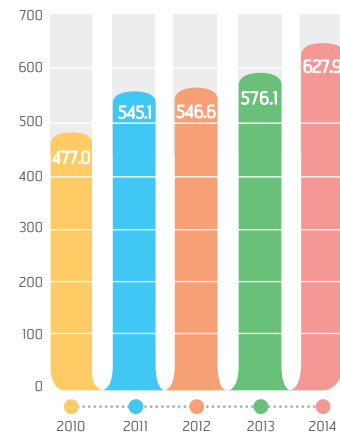
● WIRELESS ● FIXED LINE ● BROADBAND

66.0B



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

627.9B



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

## A MESSAGE FROM THE CHAIRMAN



# Enriching Connections

## TO MY FELLOW SHAREHOLDERS:

The year 2014 imposed a severe test for our Company as competition at home intensified and managed to gain some ground on our wireless business, whilst social media and other global internet communications services continued to erode the revenues of our legacy businesses. These twin influences are reflected in the mixed results we reported this year.

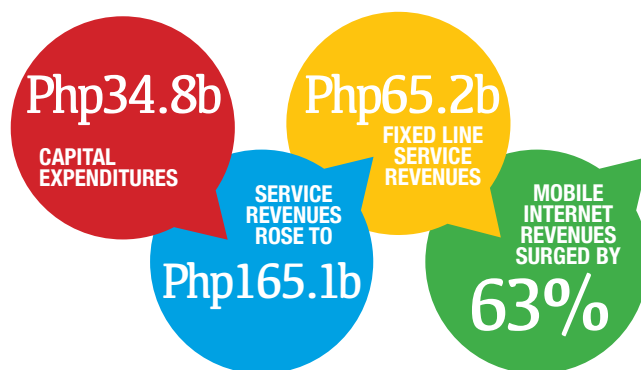
Service revenues of the PLDT Group rose 1% to Php165.1 billion, as data and broadband services combined with domestic voice businesses compensated for declines in revenues from text messaging and our toll traffic—international and national long distance voice services.

Core net income declined 3% to Php37.4 billion while Reported net income slipped 4% to Php34.1 billion. These decreases were due largely to a rise in cash operating expenses, an increase in product subsidies and a higher provision for income tax. In sum, the modest net increase in revenues was not sufficient to cover the rise in expenses.

In the face of these tests, PLDT launched major initiatives in the course of the year to stimulate growth, particularly in data, broadband and digital services. These required major investments in our network infrastructure as well as in new digital ventures that complement or enhance our existing access businesses.

These steps are intended not only to bolster PLDT's competitive and market position, but also to hasten the Group's transition from being mainly an access provider of telco services to becoming an enabler and provider of a wider range of multimedia and digital services.

In view of the elevated investments that we incurred in 2014 – which are expected to rise further into 2015 due to continued investments in our wired and wireless networks and more investments in the digital and media spaces – PLDT lowered its cash dividends slightly to 90% of core net income for 2014. For 2015, we guided our core net income lower at Php35.0 billion, a decline of about 6%.



## STRENGTHENING OUR INTEGRATED NETWORK

Underpinning our efforts to power growth and meet competition is the Group's heavy investments in the country's most extensive and resilient integrated fixed and mobile network infrastructure. Capital expenditures (capex) amounted to Php34.8 billion in 2014, Php6.0 billion higher than the previous year.

We have used these funds to expand further our fiber optic transmission and distribution networks. This included rolling out our fiber network in Palawan via Iloilo and in Bohol, through which PLDT now provides a third transmission link to Mindanao, thus strengthening the resilience of our network connection to the region.

On the back of this extensive fiber rollout, we have stepped up the deployment of high-speed broadband facilities for both our fixed and mobile services: fiber-to-the-home (FTTH) for PLDT HOME and 3G and 4G Long-Term Evolution (LTE) for Smart and *Sun Cellular*.

For 2015, PLDT has allocated Php39 billion in capex, anticipating our increased penetration of homes, the rising appetite for data services by large, medium and small enterprises, enhanced data usage arising from more smartphones being adopted, and the growing appetite of users for video and other bandwidth-heavy services.

## PROMOTING THE 'ALWAYS ON' EXPERIENCE

We simply cannot wait for the internet to engulf our business, much less resist or even attempt to stop it. The internet is here already – we must embrace it. Though mobile internet revenues surged by 63% to Php8.1 billion in 2014, there remains a lot of headroom for growth. To speed mobile data adaption, we have launched three major initiatives under our *Internet for All* campaign, aimed particularly at our prepaid subscribers who make up over 96% of our total base.

In September 2014, we launched our *Free Internet* promotion that enabled our 70 million Smart, *Talk 'N Text* and *Sun Cellular* subscribers to browse the internet for free, based on a daily data allocation of 30 MB. This promo lasted until February 2015, and succeeded in drawing in a significant number of first-time mobile internet users among our prepaid subscribers.

In February 2015, Smart through its subsidiary Voyager Innovations, Inc. (Voyager) launched the *SafeZone* mobile app, which provides prepaid users sponsored free access to a selection of popular websites in online commerce, travel, transportation and news plus *Facebook*, *Twitter* and *Instagram*. Given the enthusiastic response to *SafeZone*, this list of websites is expected to grow robustly.

In March 2015, we partnered with *Facebook* to bring its *internet.org* mobile application to the Philippines. This app provides Smart, *Talk 'N Text* and *Sun Cellular* subscribers free access to basic *Facebook* and *Messenger* services and an initial list of 24 websites that supplies news and information, e-commerce, weather alerts, online reading, jobs search and skills training. Again, more websites shall be added to the initial list in due course.

Our expectation is that these various promos will stimulate greater awareness and demand for the always-on mobile internet experience. Our intention is to capitalize on that opportunity by offering very affordable data packages through innovative applications like *PowerApp*, as well as by way of a robust and reliable access infrastructure. Rising internet usage may also help boost short messaging services (SMS) and voice revenues through packages that bundle these traditional services with data.

## SOLUTIONS FOR HOME AND ENTERPRISE

Data now account for over half of our fixed line service revenues and this fact explains in large part how PLDT has defied global trends in the wired business – unique in the way it raised its fixed line service revenues by 6% to Php57.0 billion, net of interconnection costs, in 2014. This growth has been powered primarily by rising data and multimedia usage of PLDT *HOME* and *Enterprise* customers.

We expect this trend to stay unabated, as retail customers take to a growing portfolio of video and music services and other offerings using devices like *Telpad*. A case in point is *Fam Cam*, a home monitoring service that allows users to view video of their homes using their PCs, tablets or mobiles. Originally, an enterprise service for small-and-medium enterprises (SMEs), this service migrated to retail and now provides families with a useful security solution.



Enterprise customers, especially small and medium corporations, are increasingly adopting Cloud and managed services and machine-to-machine (M2M) solutions. These include end-to-end information and communications technology (ICT) solutions like *Infrastructure as a Service (IaaS)*, *Software as a Service (SaaS)*, *Platform as a Service (PaaS)* and *Unified Communications as a Service (UCaaS)*.

PLDT's ability to serve enterprise needs has been further enhanced by its six global-grade, carrier neutral and vendor agnostic data centers which offer the largest rack capacity in the country. Our data centers are the largest, the most reliable, and the best secure.

## BEYOND ACCESS AND CONNECTIVITY

In August 2014, PLDT made a strategic investment amounting to €333 million in Rocket Internet AG (Rocket), the world's leading global e-commerce company outside of the U.S. and China. In January 2015, PLDT and Rocket formed two joint ventures: one to build e-commerce companies in the Philippines and the other to promote mobile payments globally.

These moves highlight our strategy of investing in adjacent digital businesses that are related to and/or enhance our core businesses. These businesses currently include mobile remittances through services like *Smart Money* and *Smart Padala*; e-commerce and mobile payments through websites like *Takatack* and payment services like *Pay Maya* powered by tie-ups with *VISA* and *Mastercard*; digital platforms and products such as *LockByMobile*, *Big Data* and data analytics. As the world increasingly turns digital, PLDT shall complement its existing businesses by providing life services that go beyond access and connectivity.

## AWARDS AND RECOGNITION

In 2014, the Group continued to reap rewards and recognition for its efforts in the areas of Investor Relations, Corporate Governance (CG) and Corporate Social Responsibility (CSR).

The regional publication *Finance Asia* gave its *Best CEO Award* for the Philippines to PLDT and Smart President and Chief Executive Officer (CEO) Polly Nazareno and its *Best Investor Relations* and *Most Committed to a Strong Dividend Policy Awards* to PLDT.

Your Company was also cited for having the *Most Consistent Dividend Policy* in the *4<sup>th</sup> Annual Alpha Southeast Asia's Institutional Investor Corporate Awards*. This magazine also honored PLDT with top awards in the areas of *Best CEO* and *Best Investor Relations Program*. Chaye Cabal-Revilla, PLDT Global Chief Financial Officer, was awarded *CFO of the Year, Excellence in Business Partnering* at the *2014 CFO Innovation Asia Awards* in November 2014 held in Singapore.

I am personally grateful with being recognized by the *Asian Corporate Director Recognition Award* in the *5<sup>th</sup> Asian Corporate Director of the Year Award 2014*.

PLDT won the *Asia Pacific Award for Ethernet Service Excellence* at the *2014 MEF Awards*, making it the only Philippine company to win this prestigious award. PLDT also garnered the top award for *Retail Service Provider of the Year in Asia Pacific*, which recognizes your Company's ethernet service excellence for the enterprise market.

Smart won the *Best Use of Mobile in Emergency or Humanitarian Situations* by the *GSMA Global Mobile Awards* in Barcelona, Spain for its program *SafePH: Yolanda Response* in February 2014.

Smart was also named *Best Mobile Operator* by the international publication *Telecoms.com* and by the *16<sup>th</sup> World Communications Awards*. It also won top employer citations from the *Asia Communication Awards* and the *Asia CEO Awards*.

## CORPORATE ACTION GOES DIGITAL

Reflecting the ongoing transition of its core businesses, PLDT's CSR programs are themselves turning more digital.

Among Smart's programs in education in 2014, for example, was the development of a *Learning Management System (LMS)* designed for the roughly 1,000 private and public high schools implementing the successful *Dynamic Learning Program* developed by Ramon Magsaysay Awardees Drs. Christopher and Maria Victoria Bernido. The *LMS* is a cloud-based platform that enables schools to closely monitor the academic performance of their students and teachers.

In the field of health, Smart's *Secured Health Information Network and Exchange (SHINE)* has been transformed from a proprietary software into an open-sourced electronic medical records, referral, reminder and reporting platform in cooperation with the *Ateneo Java Wireless Competency Center*. Previously deployed in the province and city of Iloilo, the new version of the platform called *SHINE OS+* is now being vetted for accreditation by the *Philippine Health Insurance Corp*. A mobile application is being developed to provide individuals access to their medical records.

Both digital solutions – the *LMS* and *SHINE OS+* – are being readied for deployment in 2015.

As in our business, our digital innovations in corporate social programs are meant to complement and enhance our other programs. Face-to-face, on-the-ground activities remain our basic programs.

In education for example, the *Gabay Guro (2G)* program run by the PLDT Managers' Club, Inc. (MCI) and the PLDT-Smart Foundation, Inc. (PSF) built and donated classrooms, and provided free training for over 2,500 teachers in Leyte and over 5,000 teachers in Capiz in early 2014. To make these activities interesting, *2G* invited celebrities like Robin Padilla, Derek Ramsay and Anne Curtis to host these events.

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2G also held several tribute-for-teacher events leading up to the *Grand Gathering* in October at the SM Mall of Asia Arena (MOA Arena), which was attended by over 20,000 teachers. The program also provided scholarships to 124 aspiring teachers, 41 of whom graduated with honors in 2014.

Meanwhile, PLDT's *Infoteach Outreach Program* expanded its reach in school year 2014-2015, providing computer and internet literacy training for over 4,500 teachers and students in public high schools in 14 cities and municipalities in various parts of the country. Done in partnership with the Department of Education (DepEd), the University of the Philippines Online University (UPOU) and *Intel*, the program is capped by an online quiz contest among graduates of the program called the PLDT *MyDSL Broadband Quiz*.

The PLDT Group was also active in other areas of corporate social action such as the environment, livelihood and disaster preparedness and response. With respect to the environment, for example, PLDT continues to work with the Department of Environment and Natural Resources (DENR), the Philippine Business for Social Progress (PBSP) and local governments of Infanta and Real, Quezon to replant the *Watershed Forest Reserve* in that area with 80,000 seedlings.

In disaster preparedness and response, Smart has coordinated more closely with national government agencies through the Office of Civil Defense (OCD) and the National Disaster Risk Reduction and Management Council (NDRRMC). Smart launched a mobile application called *Batingaw* for the NDRRMC that gives government agencies and the public access to disaster warnings, advisories and other information.

Smart also funded and co-funded the implementation of the community-based disaster preparedness program called *Noah's Ark* in the city of General Santos and the province of Cebu, respectively. Developed by the Corporate Network for Disaster Response (CNDR), the *Noah's Ark* program prepares disaster-prone communities to conduct orderly evacuations in the event of typhoons and floods.

In the field of sports, PLDT and Smart supported the *Gilas Pilipinas* team in its campaign at the *FIBA Basketball World Cup* in Spain and the *Asian Games* in South Korea. Smart also backed the *Philippine Football*

*Federation, Philippine Azkals* and the *Philippine Taekwondo Association* in various international tournaments. Aside from continuing to support the *Talk 'N Text* team in the *Philippine Basketball Association*, Smart also promoted grassroots sports development especially amongst the youth, through projects like barangay sports clinics. For its part, PLDT assisted the *Super Liga Volleyball* tournament, a developmental league for former college players. The PLDT Group has been consistently supportive of Philippine sports – by itself and through the MVP Sports Foundation – which fund at least eight national sports programs on an ongoing basis.

## OUTLOOK

In last year's Annual Report, I wrote about my visit to various leading tech companies in Silicon Valley, California and the profound impressions that my 50 fellow senior executives of the First Pacific Group and I took home with us.

I have been visiting the Metro Manila offices of Voyager, which is taking the lead in introducing many of the digital platforms and services of the PLDT Group. I felt the same sense of excitement and opportunity – the hope, future and fun that the digital world offers to our business, and to the youth and future of this country. Clearly, the digital age belongs to the young.

To be sure, we are a long way from Silicon Valley. But I am gratified that we are starting to build a similar kind of intensely creative yet disciplined environment right here in the Philippines. This is what PLDT – and the country – need to do in order to thrive in this digital age.

In aiming for this, we are pursuing our digital ambitions purposefully – focusing on adjacent businesses that link with, and enhance, our existing access business – a business which remains needed even in this digital century. PLDT has always been about connecting people. Today, we are increasingly about enriching connections.

Allow me to thank our shareholders for their steadfast support, our Board of Directors for their insight and wise counsel, and the Management and Staff for their dedication and diligence in building a new future for your Company, our Customers and our Country.

MANUEL V. PANGILINAN  
Chairman of the Board



# Digitizing Communications

DEAR FELLOW SHAREHOLDERS:

The year 2014 has brought home the message that transformational shifts are taking place in our industry and that major changes in our Company are needed to ensure its continued success in the digital world.

We faced challenges on two fronts. On the one hand, price competition in the cellular business intensified. On the other, new digital communications services offered by over-the-top (OTT) players continued to displace some of our traditional services. As I will show below, the combined impact of these two developments is reflected in our financial results for 2014.

PLDT is taking strategic initiatives on both fronts. The results will become evident this year and next as PLDT moves further forward in its transition from being a telecoms company into becoming a multimedia and digital communications group.

Core net income, excluding exceptional items, dipped by 3% or Php1.3 billion year-on-year to Php37.4 billion. This was due to lower EBITDA, an increase in non-cash expenses, and higher provision for income taxes, which together fully offset lower net financing costs and the Php1.7 billion gain recognized from the sale of Meralco shares by Beacon Asset Holdings, Inc. (Beacon).

Reported net income for 2014 declined by 4% or P1.3 billion to Php34.1 billion from P35.4 billion in 2013 as lower net forex and derivative losses during the year were absorbed by higher impairment charges related to the network upgrade, and the contribution from discontinued operations in 2013.

Consolidated service revenues for 2014 increased by Php1.0 billion or 1% from 2013 to Php165.1 billion reflecting the net effect of keen competition particularly in the wireless business, as well as the impact of the continued growth of data and broadband on our other revenue sources.

About a quarter of our service revenues in 2014 were from our data and broadband businesses, which registered a robust 18% or Php6.4 billion year-on-year rise to Php41.7 billion. In addition, modest increases of 3% and 2% were generated by our cellular and fixed line domestic voice businesses, respectively. However, as data and broadband made available OTT alternatives to SMS and international voice calling, revenues from these were lower in 2014 by 11% and 9% at Php42.0 billion and Php20.6 billion, respectively, compared with the previous year. Price-focused competition exacerbated the decline in SMS revenues.



Consolidated EBITDA for 2014 dipped by 1% or Php0.7 billion as the Php1.0 billion improvement in service revenues and the Php1.2 billion decline in provisions were overtaken by the Php1.5 billion rise in cash operating expenses particularly those related to operating an expanded network and to responding to competition. Nonetheless, EBITDA margin for 2014 remained stable at 47%.

Cash from operations for 2014 of Php83.3 billion was similar to the 2013 level. However, an increase in capex by Php5.9 billion, a higher net decrease in working capital, as well as a rise in income taxes paid resulted in lower free cash flow for 2014 of Php27.7 billion compared with Php42.0 billion in 2013.

PLDT declared a total of Php156 or 90% of its 2014 core earnings per share (EPS) as dividends. This consisted of a regular dividend of Php130 or 75% of core EPS, and a special dividend of Php26 per share or 15% of core EPS. The 2014 dividend payout is lower than the 100% payout of core earnings for 2007–2013 to take into account higher capital expenditures to support the growing data business, the investment in Rocket, as well as plans to complement the mainstream access business with investments in new adjacent businesses that will provide future sources of profits and dividends.

Even with the lower dividend payout, PLDT's dividend yield of 5.4% based on the closing share price of Php2,906 at the end of 2014 remains attractive, being one of the highest in the Philippines and in the region.

## UNPARALLELED INTEGRATED PLDT GROUP NETWORK

Capex for 2014 rose to Php34.8 billion to support the growing network requirements, particularly for the data and broadband businesses. This included investments to expand network coverage, increase fiber reach and capacity, modernize the fixed line network and improve operating efficiencies.

Anticipating the continued exponential growth in data traffic and greater smartphone ownership as well as our initiatives to stimulate data usage, PLDT is earmarking Php39.0 billion for capex in 2015.

We believe that the sustained investment in our integrated fixed and wireless network is essential in order to reinforce PLDT's ability to deliver high-quality voice, data and multi-media services to our customers.

## ROBUST FIXED LINE BUSINESS

PLDT's fixed line service revenues posted a Php3.4 billion or 6% year-on-year increase to Php57.0 billion, net of interconnection costs.

Eighty-six percent of total fixed line revenues grew vis-à-vis the previous year, with the bulk of the increase or Php3.0 billion coming from our *HOME* (consumer) and *Enterprise* (corporate) data and broadband businesses, which generated Php30.2 billion or 53% of total fixed

line service revenues. Revenues from our traditional businesses – national long distance and international long distance – continue to decrease, with their combined Php300 million decline offsetting a similar increase in domestic voice revenues.

Fixed line EBITDA was higher by Php3.3 billion or 15% year-on-year at Php25.6 billion, mainly due to higher revenues and lower provisions. EBITDA margin rose to 39% from 36% in 2013.

At the end of 2014, PLDT had over 2.2 million fixed line subscribers, of which 1.1 million had broadband subscriptions.

The outlook for the fixed line segment remains upbeat with the overall Philippine economy continuing to grow and providing sustained demand for broadband and data services.

Capitalizing on this opportunity, our *Enterprise* team has expanded its portfolio of digital connectivity and business solutions, including *M2M* services, *Cloud computing* and data center services, thus, further enabling the growth of Philippine industry, including large corporates, business process outsourcing (BPOs) and SMEs.

Domestic consumption also remains robust, fuelled by inward remittances from Filipinos abroad, as well as the greater employment and economic benefits arising from, among others, the expansion of the BPO industry. These developments have fuelled the demand for home broadband services.

Thus, our *HOME* segment has continued to expand its footprint and presence in homes nationwide by making available a compelling suite of digital services which include communication, entertainment and home monitoring, with the end goal of delivering to the customer a connected home. These *HOME* offers include a library of movies, music, games and sports, all designed to enrich our customers' multi-media experience through the internet.

## EVOLVING WIRELESS BUSINESS

Service revenues from our wireless business dipped by 1% or Php1.6 billion year-on-year to Php115.0 billion in 2014, as increases in wireless broadband and mobile internet, as well as domestic voice revenues, were offset by declines in inbound international and SMS revenues.

Efforts to grow our postpaid business bore fruit with our postpaid subscriber base having grown to over 2.7 million at the end of 2014, which generated postpaid revenues of Php21.7 billion representing 21% of total cellular revenues. The growth rates that the our wireless business posted – 14% and 16% year-on-year in revenues and subscribers, respectively – set the pace for the industry.

On the other hand, prepaid revenues declined by Php5.5 billion or 6% to Php79.1 billion as a result of price competition as well as our more robust response to defend market share in the second half of 2014.

Wireless EBITDA for 2014 was lower by Php3.8 billion or 7%, at Php50.9 billion. EBITDA margin of 44% [from 47% in 2013] reflects the pressure on revenues, the impact of the change in the wireless revenue mix, and the greater proportion of postpaid revenues to total revenues. Encouragingly, the margin for the second half of 2014 of 44% was stable versus the first half of 2014.

Our more aggressive response to competition towards the latter part of 2014 had positive results, albeit we believe 2015 will continue to be challenging in this respect. In parallel, we are continuing to manage the structural changes happening within our wireless business arising from the growth of wireless broadband and mobile internet. Various efforts were launched in 2014 to make the internet accessible to as wide a base as possible, including a campaign to increase awareness among the prepaid market of the benefits of an 'always-on' experience, and making data access affordable through low-denomination variants.

Progressively, our wireless offers will consist of service bundles containing voice, SMS and data in various combinations designed to satisfy our subscribers' different communication needs. This approach, which taps both our mainstream and digital services, should result in improved average revenue per users (ARPU) for the business.

## THRIVING BROADBAND BUSINESSES

The upward trajectory for data and broadband revenues accelerated in 2014 as revenues climbed by Php5.3 billion or 20% year-on-year to Php31.9 billion, now representing 19% of total service revenues compared with 16% in 2013. These numbers capture the surging popularity of data usage in the Philippines, particularly for social networking, supported by a young population, rising smartphone ownership and the availability of affordable data plans.

The PLDT Group's broadband subscriber base crossed the 4 million-mark in 2014, registering a 19% rise or over 659,000 net adds from the end of 2013.

Fixed broadband revenues grew by 13% to Php13.9 billion following a 13% increase in subscribers to 1.1 million, representing about 50% of our fixed line subscriber base. This is the seventh consecutive year that our fixed broadband revenues have registered year-on-year increases.

Wireless broadband revenues improved by 6% to Php9.9 billion following a 22% rise in subscribers to nearly 3 million.

Mobile internet continued to post the strongest growth, with revenues up by 63% year-on-year at Php8.1 billion as smartphone ownership among our subscriber base grew to nearly 30% with usage higher by 167% from 2013.

The outlook for our broadband businesses remains bright, and we believe that this will be the cornerstone of your Company's future growth.

## INVESTING IN THE FUTURE

In 2014, we undertook major initiatives in line with our efforts to create a new future for PLDT. We are transforming ourselves from a telco-access business to a digitally-driven multimedia communications and life solutions group.

Through our fixed and mobile broadband networks, we are delivering a growing range of multimedia content and services that address various needs of our customers at home, work, school, or wherever they may be.

Last year, we mentioned that we started to offer music, games, e-books and movies with our various offers. We continue to expand these offers.

For example, we recently announced a multi-year, multi-platform partnership with *The Walt Disney Co. Southeast Asia*, through its digital arm, *Disney Interactive*. Subscribers of Smart and PLDT HOME Telpad will be able to access the growing portfolio of *Disney's* on-line games and e-books using their smartphones, tablets, laptops and computers. In line with this, we have created a single platform called *Front Seat* to deliver movies and other video content to our customers using laptops, tablets or smartphones through our fixed and mobile data networks.

In addition to investments in content, we are expanding our presence in the digital space, specifically in adjacent businesses that complement the PLDT Group's telco access business.

In August 2014, PLDT and Rocket entered into a global strategic partnership to drive the development of online and mobile payment solutions in emerging markets.

Berlin-based Rocket's mission is to become the world's largest internet platform outside of the U.S. and China. It identifies and builds proven internet business models and transfers them to new, underserved or untapped markets where Rocket seeks to scale them into market-leading online companies. Rocket started in 2007, and now has more than 25,000 employees across its network of companies, which are active in more than 100 countries across six continents.

PLDT invested €333 million and now holds a 6.1% stake in Rocket following its IPO in early October 2014. At the end of March 2015, PLDT's stake is worth €463 million based on Rocket's closing share price of €45.99.

The investment in Rocket underscores PLDT's strategic intent to combine our world-class mobile money expertise and resources with Rocket's global network of e-commerce businesses to drive future value enhancing growth opportunities.

PLDT and Rocket are currently developing a commercial model that integrates *Smart Money* payments in selected Rocket e-commerce businesses in the Philippines to be launched in the next couple of months. Mobilization in other international markets where Rocket operates would follow shortly thereafter.

At the pace the digital world is evolving, we need to act swiftly to make changes within the PLDT Group.



There are more joint projects with Rocket in the pipeline, as well as those in the area of financial services being developed by two of our subsidiaries, Voyager and *Smart e-Money*, which are at the forefront of the PLDT Group's digital and e-commerce initiatives.

One other area in the digital space we are working on, which we believe has huge potential, is in Big Data. The data pool from our combined subscriber base of over 76 million is a rich source of insights that can be used to connect businesses and consumers more efficiently and effectively and ultimately influence transactions.

To enable such initiatives, we have been purposively expanding our technical infrastructure and our pool of skilled data specialists. Our subsidiary ePLDT has, for example, been expanding its network of data centers. It opened a new one via its subsidiary *IP Data Converge Data Services* in Parañaque last December 2014. ePLDT itself is building two more – one in Makati and another in Clark. This will bring our total number of data centers to eight, offering the largest capacity and the best quality services.

Such investments are enabling us to step up our game in areas like the enterprise market. By offering services enriched by data-driven intelligence, we shall enable companies to change how they do businesses in ways that better address their clients' needs.

Expect more announcements from us in the coming months. We are very excited about these digital initiatives as we see how a local vertical has potential to be a global horizontal business.

### GAIN FROM SALE OF INVESTMENT IN MERALCO

Through PLDT Communications and Energy Ventures, Inc. (formerly Piltel), the PLDT Group continues to co-own *Beacon*, together with Metro Pacific Investments Corp. (MPIC).

In 2014, Beacon sold 5% of its Meralco holdings to MPIC. As a result of this transaction, PLDT recognized a Php1.7 billion gain which contributed to core earnings.

Beacon remains the largest shareholder of Meralco with an interest of about 45%, with PLDT's indirect ownership at 22.5%.

Meralco's core earnings rose from Php17 billion in 2013 to P18.1 billion in 2014, of which 80% were paid out as dividends.

Even as Meralco continues to make investments to improve operational efficiencies and service delivery to its customers, it is also pursuing several projects in power generation which are expected to provide future sources of growth.

### OUR STRONG DEBT POSITION

PLDT maintained its healthy financial position in 2014. Consolidated gross debt rose by US\$0.6 billion to US\$2.9 billion while net debt increased to US\$2.3 billion. Net debt to EBITDA rose to 1.3x from 0.9x at the end of 2014.

The higher level of debt reflects the Php15 billion fixed rate bonds issued in February 2014, as well as the impact of the €333 million investment in Rocket.

PLDT's debt maturities continue to be well spread out with over half of total debt due to mature beyond 2018.

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

### 2015: RESHAPING THE BUSINESS

Our primary focus for 2015 is to expand our data businesses while maintaining the equilibrium of our core businesses and managing the declines of our traditional services.

Parallel to this, however, we will continue to proactively explore how we can make PLDT future-ready, including leveraging content and multimedia, and expanding our presence in adjacencies to PLDT's access business, particularly in the areas of e-commerce, mobile payments, financial services and big data.

Reshaping PLDT into a multimedia and digital communications group is complex and will not happen overnight. It will involve not only financial investments, but also changes in how we are organized, how we view things and how we act together as a group.

At the pace the digital world is evolving, we need to act swiftly to make changes within the PLDT Group even as we manage the long-tail of our access business. This is a delicate task, but one your PLDT team is fully committed to take on.

NAPOLEON L. NAZARENO  
President and Chief Executive Officer



## Valuing Relationships

*The most valuable lessons in life are learned at home. Even just sharing what a fun day one has had can be an unforgettable experience in connectivity.*



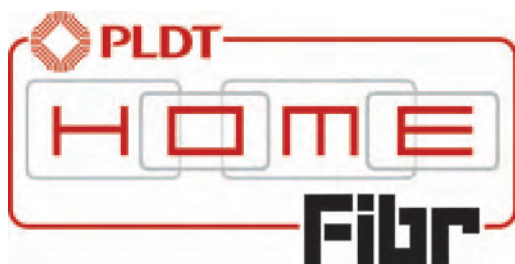


## THE PLDT GROUP CORPORATE MILESTONES

In 2014, PLDT further strengthened its integrated fixed and mobile networks to provide customers with enriched experiences through innovative multimedia and digital products and services.

### **MOST EXTENSIVE AND RESILIENT FIBER NETWORK**

The PLDT Group continued to expand the reach, power and resilience of its fiber optic infrastructure to maintain its market leadership by delivering high-speed data services in more parts of the country.

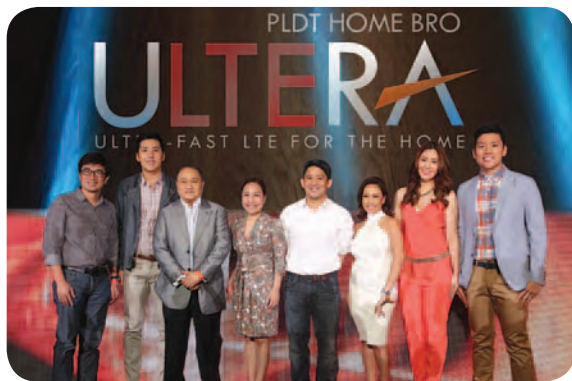


The Group's most powerful residential broadband service, was expanded to 1,500 residential sites with more than 80,000 subscribers in the country.



PLDT completed the Palawan-Iloilo domestic fiber optic network (DFON) interconnection project and the Bohol DFON expansion project.

PLDT HOME DSL crossed the one million-subscriber mark and was cited in recent surveys as the country's strongest broadband brand for homes.



PLDT HOME *Ultra* is the country's first fixed wireless broadband service utilizing TD-LTE. The deployment of this variant of the fourth-generation wireless technology has enabled PLDT to offer high-speed internet service to more homes and offices in greater number of areas of the country faster than before.

*Sun Cellular* expanded its reach to more areas in the country, including Camarines Sur, Catanduanes, Mindoro Islands, Romblon, Sorsogon, Apayao, Ilocos Sur, Isabela, Cagayan, La Union, Mountain Province, Capiz, Aklan, Bohol, Southern Leyte, Bukidnon, Agusan del Sur, Misamis Occidental, Davao del Norte, Davao Oriental and North Cotabato.



IPC opened its new, high-capacity data center in Parañaque City, boosting its ability to address the fast-growing demand for data center services of enterprises, large and small.



Smart conducted successful trials of LTE-Advanced mobile network technology in the cities of Davao, Makati and Cebu, and the resort island of Boracay. Referred to in some markets as 5G, LTE-Advanced delivers data from 100 megabits per second (Mbps) to 1 gigabit per second (Gbps), or ten times faster than 3G services and more than twice as fast as 4G-LTE services.



ePLDT obtained VITRO's first certification for the ISO 20000-1:2011 IT Service Management System standard, awarded by AJA Registrars. This certification applies to VITRO's Pasig, Subic and Cebu facilities.

PLDT ALPHA Enterprise and Smart Enterprise launched the *Philippine Internet of Everything* consortium in partnership with industry leaders and stakeholders.





## ENRICHED CONNECTIONS THROUGH DIGITAL PRODUCTS AND SERVICES

The PLDT Group introduced various services and solutions that provide powerful connections for individuals, communities and businesses.



Smart introduced a revitalized postpaid lineup that was well-received and generated robust sales. Starting at Php999 a month, users can choose from a range of premium handsets that include the *Sony Xperia M2 Aqua*, the *Samsung Galaxy A5*, and the *Sony Xperia Z3*. These new postpaid plans come with bigger volume data allocations for their mobile internet needs and music streaming on the go via *Deezer*.



PLDT *SME Nation* launched its *#TransformNow* campaign, which was geared towards encouraging SMEs to embrace technology and future-proof their business.



*Sun Cellular* began offering wearables through its light-on-the-pocket *Sun Plan499* and *Plan649*. Through these plans, *Sun Cellular* postpaid subscribers can now get their hands on various wearable devices that come with a smartphone and unlimited *Sun Cellular* call and texts, texts to other networks, mobile surfing and unlimited music streaming through *Spinnr*.



Smart's *Free Internet* offer was the big news in 2014. Under this promotional offer, which lasted from September 2014 to February 2015, active prepaid subscribers of Smart, *Sun Cellular*, and *Talk 'N Text* were allocated 30 MB of free data per day, which they could use to browse their favorite websites, access social media accounts, send and receive emails, stream music and shop online, among others – all via their mobile phones.

PLDT *HOME* launched its *Quad Core Telpad* which allows subscribers to experience four times the processing speed for use in playing interactive Games, watching thousands of movies and TV shows, and listening to thousands of songs from *Spinnr*. PLDT *HOME Telpad* also launched its most affordable plan – *Plan1499*, which accounted for 35% of all *Telpad* connects since its launch in September.



PLDT *SME Nation*, Smart Enterprise and Sun Business launched their integrated ICT solutions for the growing SME segment, ushering in the convergence of fixed and wireless solutions that enhance the competitiveness and capabilities of Philippine SMEs.



The PLDT *KaAsenso Cyberya* has proven to be more than just an all-in-one internet café accessible for any aspiring *minigosityante*. It has also paved the way for democratizing internet access, especially for the Filipino youth, by allowing them to get into the web for just one peso.



PLDT ALPHA Enterprise and Smart Enterprise launched Smart *M2M WorkForce*, Smart *M2M PowerForm* and Smart *M2M Health: Mobile ECG and Remote Fetal Care*.

## VOYAGER

Voyager launched *Takatack.com* to the public, which is the largest online marketplace that allows users to shop for products and merchants from *TackThis!*, *Lazada*, *Zalora*, *CashCash Pinoy* and others.

Voyager introduced *MePay*, the mobile payment facility for the unconnected, unbanked, and uncarded, which enables everyone to start shopping online even without a credit card.

Voyager launched *Talk2* to multiple countries. *Talk2* is a mobile application that allows customers to own a Philippine number so that their loved ones can call and text them at local rates.

## ORACLE<sup>®</sup> SALES CLOUD

ePLDT strengthened the PLDT Group's Cloud leadership by launching the *Oracle Cloud Suite*. It also launched *Visual IVR+ Solution* and offered *Microsoft O365* and is cited by *Microsoft PH* as *Cloud Compete Partner of the Year*



## NEXUSGUARD

IPC with its partner *Nexusguard*—the leading internet security provider—launched the country's first locally hosted *Distributed Denial of Service (DDoS)* attack scrubbing center to provide *DDoS* mitigation services to local enterprises.

## LOCK by MOBILE

SMI launched *LockByMobile*, an anti-fraud solution, at the Mobile World Congress in Barcelona, Spain.

AGS launched *SAP BI Cloud* and ranked second *SAP BI Reseller* in Southeast Asia.



IPC launched country's first over-the-counter payment for cloud services via *DragonPay*. Through *DragonPay*, IPC's customers on *cloud.com.ph* can enjoy convenience and flexibility as it allows consumers to pay through traditional payment establishments such as *SM Payments*, *Bayad Center* branches and its partners, *LBC*, and *Western Union* outlets, among others.



## INNOVATIVE SOLUTIONS TO REACH MORE FILIPINOS BOTH HERE AND ABROAD

The PLDT Group made satellite phone services available to a broader market to help address extraordinary communications requirements, particularly in times of natural calamities. The Group also partnered with government financial institutions in providing the unbanked access to financial services.

Smart launched *SmartSAT* to serve the needs of groups such as business, media, military and the country's disaster and emergency response agencies.

Turn your mobile into a satellite phone for uninterrupted communication even without cellular signal.

**Available now!**

**SMART**  
LIVE MORE



Smart offered the *SatSleeve*, a portable dock that instantly transforms a smartphone into a satellite phone. Smart also offered the *XT*, a stand-alone satellite phone unit designed to work in tough environments.



*Smart Money* disbursed the Department of Social Welfare and Development's conditional cash grants to close to 6,000 beneficiaries in Leyte and Samar.



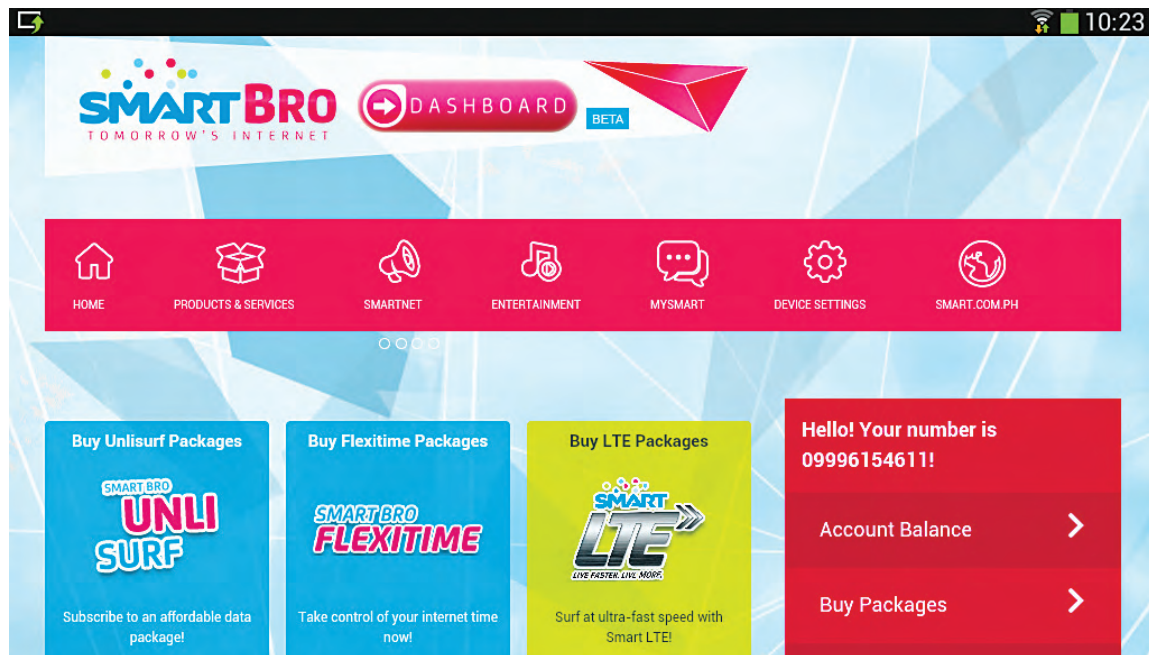
In partnership with Land Bank of the Philippines, *Smart Money* introduced the *Mobile Loan Saver*, the country's first fully electronic salary loan facility to government employees.

*Sun Cellular* launched the *Sun Todo IDD 200*, a service bundle that offers calls to the U.S., Brunei, Canada, Guam, Hawaii and Northern Marianas, among others, at a special rate of only Pph1.50 per minute.



## PROVIDING TAILOR-FIT SOLUTIONS FOR BETTER CUSTOMER EXPERIENCE

The PLDT Group introduced various solutions aimed at addressing the specific needs of customers.



The *Smart Bro Dashboard*, a one-stop portal, was offered for subscribers to manage their data accounts by giving them convenient access to their *Smart Bro* number, current load package, latest data packages Load Protect – shielding users from unwanted data charges.



Smart launched the *PowerApp*, a pioneering mobile internet service that allows subscribers to access the internet in affordable bundles.



Smart unveiled multimedia content services that are enriching people's lives. People can download publications of *Summit Publishing* titles via the e-bookstore, *Buqo*; they can watch a wide range of video content via *Viewstream* and *Blink*; mobile phone users can enjoy online gaming e-Pins via *GameX*; and access unlimited music streaming via the Smart-developed music app, *Spinnr*.

## FORGING VARIOUS PARTNERSHIPS FOR NEW SERVICES

In 2014, PLDT forged partnerships with various organizations in order to bring innovative new services to its customers.



PLDT formed a strategic partnership with Rocket – the leading internet platform outside the U.S. and China – to set up a global joint venture for payment services with a focus on emerging markets. Rocket’s prominent brands include Southeast Asian e-commerce businesses *Zalora* and *Lazada* and fast growing brands such as *Dafiti*, *Linio*, *Lumia*, *Namshi*, *Jamoda*, *Jabong*, *Westwing*, *Home24* and *HelloFresh*.



*Sun Cellular* partnered with *Easy Taxi* through which Sun subscribers can get a chance to win exclusive freebies, including a chance to book the Sun *Easy Taxi* car for free to any destination in Manila.



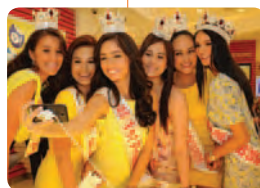
*Smart Money* teamed up with *Citi Philippines* and *VISA* to commercially launch *Charge2Phone*, the latest innovation that is set to revolutionize digital payments, allowing Filipinos to use their phones to pay for small purchases.



*Voyager* signed a partnership agreement with *Skyscanner* – the leading global travel search engine with unparalleled regional and international coverage of travel options.



PLDT *SME Nation* underscored its dedication to aggressively and continuously enable SMEs when it renewed its partnership with global tech giant *Samsung*. The partnership enhances PLDT’s broadband offerings by bundling *Samsung*’s latest gadgets, equipment and solutions.



*Sun Cellular* was tapped as the connectivity partner of premiere local and international beauty pageants – *Miss Teen Philippines*, *Miss World Philippines*, and the *Miss Earth Pageant*. At the *Miss World Philippines*, *Sun Cellular* was the first telco to launch a text-voting service that enabled *Sun Cellular* subscribers to vote for their favorite candidates with just a few clicks on their mobile phones.

PLDT *SME Nation* and *Go Negosyo* came together to host the 3<sup>rd</sup> *Filipino Technopreneurship Summit*, which aimed to ignite the Filipino’s entrepreneurial spirit by empowering them with the use of technology.





## REAPING NUMEROUS AWARDS AND CITATIONS

PLDT harvested a fresh crop of awards and recognition in various fields like investor relations, CSR, marketing and professional excellence.



### FINANCE ASIA AWARDS

*Best CEO #1 – Philippines – Napoleon L. Nazareno*  
*Best Investor Relations #1 – Philippines*  
*Best Corporate Social Responsibility #2 – Philippines*  
*Most Committed to a Strong Dividend Policy #1 – Philippines*  
*Best Managed Companies #2 – Philippines*  
*Best Corporate Governance #2 – Philippines*

### 5TH ASIAN CORPORATE DIRECTOR OF THE YEAR AWARD 2014

*Asian Corporate Director Recognition Award – Manuel V. Pangilinan*

### 10TH CORPORATE GOVERNANCE ASIA RECOGNITION AWARDS

*Asia's Icon on Corporate Governance*

### INSTITUTIONAL INVESTOR MAGAZINE'S 2014 ALL-ASIA EXECUTIVE TEAM

*Most Honored Companies in the Philippines*  
*Best CEO #3 (buy side) – Napoleon L. Nazareno*  
*Best Investor Relations Professional #3 (sell side) – Melissa V. Vergel de Dios*  
*Best Investor Relations Program #2 (sell side)*

### 4TH ANNUAL ALPHA SOUTHEAST ASIA'S INSTITUTIONAL INVESTOR CORPORATE AWARDS

*Most Consistent Dividend Policy*

### 4TH ASIAN EXCELLENCE 2014

*Best Investor Relations Company*  
*Asia's Best CEO – Napoleon L. Nazareno*

### 2014 METRO ETHERNET FORUM (MEF) AWARDS

*APAC Award for Ethernet Service Excellence – PLDT ALPHA Enterprise*

### 49TH ANVIL AWARDS

*Award of Excellence for Alpha Track Day – PLDT ALPHA Enterprise*  
*Award of Merit for the 2014 PLDT Pasaalamat Night – PLDT ALPHA Enterprise*  
*Award of Merit for Hot Joe Volumes 12-15 – PLDT ALPHA Enterprise*

### ASIA COMMUNICATION AWARDS

*Top Employer – Smart*  
*Best Content Service – SPINNR*

### ASIA CEO AWARDS

*Top Employer – Smart*

### ASEAN CORPORATE SUSTAINABILITY AWARDS

*Green Merchandising – Smart*

#### SCMAP SALUTE OF SUPPLY CHAIN EXCELLENCE AWARDS

*Green Merchandising – Smart*

#### 16TH WORLD COMMUNICATION AWARDS

*Social Contribution Award – help.ph (Smart eMoney)*

*Best Mobile Operator – Smart*

#### 2ND ANNUAL INTERNATIONAL MVNO INDUSTRY AWARDS

*Most Innovative Mobile Virtual Network Operator (MVNO) – PLDT Global*

#### CFO INNOVATION ASIA AWARDS

*Excellence in Business Partnering – June Cheryl A. Cabal-Revilla*

#### 2014 BSP STAKEHOLDERS AWARD

*Outstanding Respondent, Foreign Direct Investment Survey*

#### HOME GUARANTY CORPORATION

*Excellence Award in Housing Finance by a Building and Loan Association*

*– Tahanan Mutual Building and Loan Association (TMBLA)*

#### BIZNEWSASIA

*Financial Management Excellence Award – June Cheryl A. Cabal-Revilla*

#### PHILIPPINE QUILL AWARDS 2014

*Award of Excellence for PLDT 2013 Annual Report “Live Digital”*

*Award of Merit for Communication Management – PLDT HOME Ultera*

#### READERS DIGEST TRUSTED BRANDS

*Platinum Award as Internet Service Provider – PLDT HOME DSL*

*Gold Award for Phone Service Provider – PLDT HOME Telpad*

#### ARAW VALUE AWARDS

*Silver: Branded Communications Responsible Parenting Category*

*– PLDT HOME Telpad*

*Bronze: Branded Communications Responsible Parenting Category*

*– PLDT HOME DSL*

#### BOOMERANG AWARDS

*Black Boomerang – Outstanding Business Results Category*

*– PLDT HOME Bro*

*Silver – Campaigns Category for Technology and Telecommunications*

*– PLDT HOME Bro*

*Bronze – Effectivity in Lead Generation Category – PLDT HOME Bro*

#### ADOBO CREATIVITY AWARDS

*Advertiser of the Year – PLDT HOME DSL*

*Marketing Head of the Year – Margarito G. Dujali, Jr., PLDT HOME*

#### TELECOMS.COM AWARDS

*Best Operator OTT (Over-The-Top) Service Launch*

*– SmartNet*

*Recognition for Green Merchandising – Smart*





A photograph of four children (two boys and two girls) of diverse backgrounds, smiling and looking towards the camera. They are arranged in a circle, with their heads touching in the center. The background is a bright blue sky with light clouds. The children are wearing colorful t-shirts: one green, one blue, one red, and one yellow.

## Strengthening Bonds

*Real friends stay connected at all times. Distance and barriers cannot break their friendship as long as their connections are strong and sustained.*

# THE PLDT GROUP CORPORATE SOCIAL RESPONSIBILITY REPORT

**Serving the community is an integral part of the PLDT Group's mission to provide Filipinos the strongest connections across the country and throughout the world. With its extensive integrated fixed and mobile network, the PLDT Group is well-positioned to provide much needed assistance to communities for disaster preparedness and response, environmental protection, quality education, improved healthcare and livelihood opportunities.**

## SYSTEMATIC PREPARATION AND RESPONSE TO DISASTERS

To optimize the use of mobile phones for disaster preparedness, Smart launched in July 2014 a mobile application that transforms smartphones into lifelines during times of emergencies. Called *Batingaw* (warning bell), this mobile app was developed in partnership with the *OCD-NDRRMC* and a non-government organization called *Tudlo Innovation Solutions*.

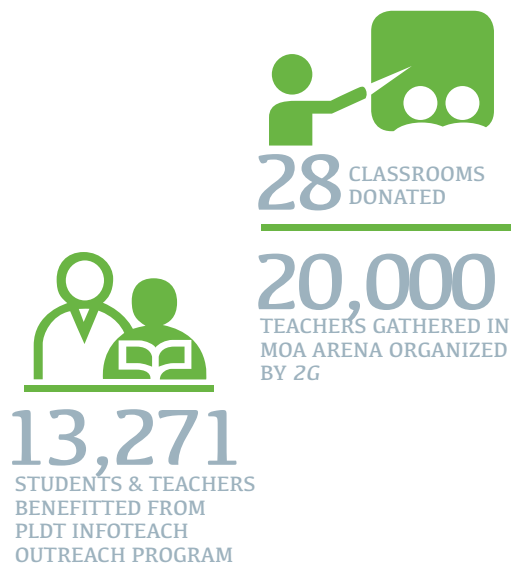
The mobile app provides government agencies, organizations, and individuals timely access to disaster alerts, weather advisories, location data and mapping information. It also features step-by-step instructions that guide users to safety during disasters. The app also enables users to quickly send information to emergency agencies. The same application, called *PINDOT*, was customized for the disaster management requirements of the Albay provincial government.

Smart and Digital Mobile Philippines, Inc. (which offers *Sun Cellular*) launched *#SafePH*, an advocacy program for disaster and emergency preparedness. The efforts under *#SafePH* for *Super Typhoon Yolanda* in 2013 won the *Best Use of Mobile for Humanitarian Response* at the *GSMA Global Mobile Awards* in Barcelona, Spain in February 2014.



PLDT, THROUGH ITS CONTINUING RELIEF OPERATIONS, AND SMART, THROUGH ITS HANDY BATINGAW RESOURCE AND REPORTING TOOL, HAVE BEEN PROVIDING ABLE ASSISTANCE TO THE GOVERNMENT IN FIRING UP IMMEDIATE RESPONSE TO NATIONWIDE DISASTERS AND EMERGENCIES.

Working with affiliated companies under the banner of *Tulong Kapatid*, PLDT and Smart have continued to participate in disaster relief operations, setting up *Libreng Tawag* (Free Call) stations in disaster-struck communities, delivering relief goods and providing medical and dental services to people affected by calamities. In Cainta, Rizal, one of the hardest-hit areas by *Typhoon Mario* in September 2014, for example, PLDT Community Relations (ComRel) distributed 800 blankets and 196 umbrellas to 996 families from four evacuation centers.



## PROVIDING EDUCATIONAL OPPORTUNITIES

Education continued to be the major focus of the CSR programs of PLDT and Smart.

2G, the teacher's advocacy program of the MCI and the PSF, granted over a thousand B.S. Education scholarships as of 2014. So far, almost 400 beneficiaries have graduated under this program, nearly 40% of whom completed their studies with honors and distinction, with a 2G scholar ranking 1<sup>st</sup> in the 2014 *Licensure Examination for Teachers (LET)*. 2G added five more schools to its roster of partner schools and granted scholarships to *Overseas Filipino Workers (OFWs)* in Hong Kong.

To help schools in communities hit by recent calamities, 2G donated 28 classrooms in Leyte, Bohol, and Capiz. It conducted livelihood programs in Bohol and Leyte, in partnership with the PLDT Employees Credit and Cooperative Inc. (PECCI); and trained over 13,000 teachers across the country, including some in Sabah, Malaysia. It also staged a gathering of some 20,000 teachers at the MOA Arena to give out awards and recognition.

Launched in 2004, PLDT's *Infoteach Outreach Program* has continued to empower public high school students and teachers nationwide by upgrading their computer and internet skills through hands-on training.

In 2014, over 4,500 students and teachers from 14 cities and municipalities in Luzon, Visayas and Mindanao graduated from the *Infoteach Computer Advanced Course*, conducted in partnership with the UPOU, DepEd, and Technical Education and Skills Development Authority

(TESDA). To date, around 13,300 public high school students and elementary and high school teachers have benefitted from the *Infoteach Outreach Program*.

Complementing the training program is the PLDT *myDSL Broadband Quiz* where top ranking student- and teacher-graduates of the *Infoteach Outreach Program* compete for substantial prizes for both contestants and their respective schools.

PLDT, together with the UPOU, also provided scholarship grants to teachers who topped the *Infoteach* course, which enable them to enroll in the *Diploma in Computer Science Program* offered online by UPOU.

Other educational programs and activities included PLDT's support for *Kariton Klasrum's* project to help children in areas hit by *Super Typhoon Yolanda*. Working in partnership with Efren Peñaflorida's *Dynamic Teen Company*, the project enabled children to continue their education while waiting for the rebuilding of proper classrooms.

In Arakan Valley, North Cotabato, PLDT partnered with the *Philippine Eagle Foundation* in the rehabilitation of the day care center and donation of school supplies to Sitio Inamong, Datu Ladayon. PLDT also continued to support DepEd's *Brigada Eskwela Project*, a nationwide public school beautification campaign undertaken before the start of a school year, when volunteers troop to public schools and prepare them for the opening of classes by cleaning, gardening, repairing, repainting, donating school supplies, gardening materials and disaster kits.

Smart sustained its digital initiatives in mobile education to help democratize access to quality education.

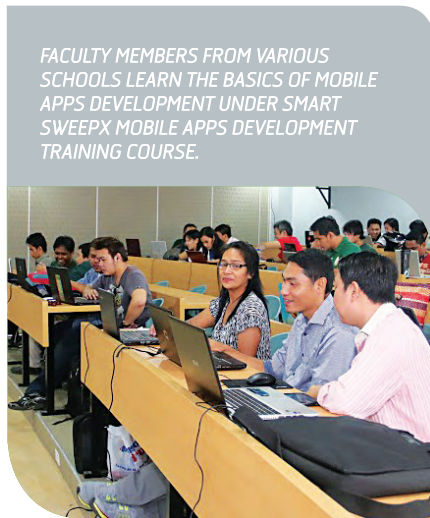
To support the DepEd's program for out-of-school youth (OSYs), Smart ran a project to digitize the course content of the *Bureau Alternative Learning System (BALS)* and packed them into a mobile app that can be downloaded into tablets. In this way, the DepEd's mobile teachers can easily access all their course materials via the *BALS* mobile app anytime, anywhere, whether they are online or offline.

Smart also conducted a trial program called the *Smart Virtual Extension Classroom (Smart VEC)* for several schools in remote islands of northern Cebu that lack expert teachers in science, math and technology courses. These schools were given access to online learning materials in these disciplines that were developed by Magsaysay Award winners Dr. Christopher Bernido and Dr. Ma. Victoria Carpio-Bernido. Teachers used tablets equipped with the *TechRemote* mobile app connected to the web via wireless data links.





GRADE SCHOOL TEACHERS FROM CEBU CITY'S PUBLIC SCHOOLS ARE EXPOSED TO AN ARRAY OF MOBILE APPS THAT THEY CAN USE TO HELP ENHANCE LEARNING OF THEIR YOUNG STUDENTS DURING SMART'S ONE-DAY WORKSHOP TAP&LEARN: TABLETS FOR LEARNING.



FACULTY MEMBERS FROM VARIOUS SCHOOLS LEARN THE BASICS OF MOBILE APPS DEVELOPMENT UNDER SMART SWEEPX MOBILE APPS DEVELOPMENT TRAINING COURSE.



2G CHAIRPERSON CABAL-REVILLA TAKES TIME TO POSE WITH VOLUNTEERS AND TEACHERS PRESENT DURING THE 2G GRAND GATHERING EVENT.

In 2014, Smart started work on its *Tablets for Education* program. It began with a workshop for teachers to study the effectiveness of tablets as learning tools for students of various education levels. Based on this and other consultations, Smart is developing a program to deploy tablets preloaded with learning materials for use by teachers and students.

Smart also launched *SWEEPx: Mobile Apps Development*, a five-day training course for teachers. *SWEEPx* aims to give college teachers with prior knowledge of *Java* and *Object Oriented Programming* the capability to create apps on *Android* devices.

To help more people learn how to create mobile applications, Smart developed a free online course on how to write *Android* apps in cooperation with the UPOU. About 700 people signed up for the course during its trial run from July to October 2014, the country's first *Massive Open Online Course (MOOC)*. Smart and UPOU are revising the *Android* course based on the experience gained in its first run. They will also offer online courses of technopreneurship and *iOS* apps development.



## LIVING HEALTHY AND HAPPY

*Dugong* PLDT, the bloodletting program conducted by PLDT in partnership with the Philippine Children's Medical Center (PCMC), Philippine National Red Cross (PNRC) and the Department of Health (DOH)-Region 7 Blood Center, mobilized PLDT employees to donate blood for people in need. More than 1,500 employees from Metro Manila and the Visayas donated their blood in 2014. Beneficiaries included indigent cancer patients at the PCMC and about 50 PLDT and Smart employees and their relatives from Cebu and Iloilo.

The PLDT medical and dental mission programs, dubbed as *PiLa na, may Doktor Tayo*, continued to offer free medical and dental services to victims of calamities and the underprivileged from rural areas and tribal minorities. In 2014, a total of 1,005 patients were treated during the medical and dental missions in Dumangas, Iloilo.

In 2014, Smart developed a new open-sourced version of its electronic medical records (EMR) platform called *SHINE*, in partnership with the *Ateneo Java Wireless Competency Center*. *SHINE* is the acronym for the *Secured Health Information Network and Exchange* which was originally developed as a cloud-based proprietary software solution in 2011. Initially deployed in Iloilo City, *SHINE* enables government hospitals and health clinics to create electronic medical records for its patients, make electronic referrals to other health facilities, generate reports and send SMS reminders to patients. It has won several awards here and abroad. Now an open-sourced platform, *SHINE OS+* offers more opportunities for creating new applications that will benefit patients and make the operations of health facilities more efficient and effective.

## ENABLING COMMUNITIES WITH EARTH-FRIENDLY LIVELIHOOD PROJECTS

To complement its reforestation activities in the *Watershed Forest Reserve* of Infanta and Real, Quezon Province, PLDT helped build a fish nursery, providing fish fry stocks to the *Samahan ng Magbubukid at Mangingisda sa Barangay Cawayan* for its *Pangasius Production* project. The locals who used to cut trees have become the vanguards of the environment. They were tapped by PLDT to produce seedlings and nurture them for the duration of the rehabilitation program. They also served as guides for PLDT employee-volunteers.

Other PLDT livelihood projects included the donation of fishnets and a fishing boat to the *Nagakakaisang Mamalakaya ni Apung Iru*, a fisher folks organization, in Apalit, Pampanga; agroforestry support to the Manobo communities in Arakan Valley, North Cotabato; and assistance to the *Weekend Bazaar* of General Santos City for the promotion of tourism and business opportunities for SMEs.

Smart collaborated with the Bureau of Fisheries and Aquatic Resources (BFAR), the Philippine National Police Maritime Group (PNP-MG), and the U.S. Agency for International Development (USAID) to launch a text hotline that enables concerned citizens to report maritime violations quickly and easily. The *700DALOY (Dedicated Alert Lines for Ocean Biodiversity)* hotline, which runs on Smart's web-based SMS platform, was piloted in Tawi-Tawi and will eventually be launched in other parts of the country. This is part of the *Ecosystems Improved for Sustainable Fisheries (Ecofish)* project of BFAR and USAID, which seeks to promote an ecosystem-based fisheries management where fishing vessel registration is also essential.



PLDT HAS BEEN CONDUCTING BLOODLETTING SESSIONS WITH EMPLOYEE-VOLUNTEERS IN PARTNERSHIP WITH PCMC, PNRC & DOH, FOR VARIOUS BENEFICIARIES.

**+**  
**1,005**  
PATIENTS TREATED ON  
MEDICAL & DENTAL  
MISSION

MORE THAN  
**1,500**  
EMPLOYEES  
DONATED THEIR  
BLOOD

SMART ORGANIZES EXHIBITS FOR BANGLOS SCULPTORS OF QUEZON.



A series of driftwood sculpture exhibits held in Makati and Alabang were organized by Smart in 2014. The art pieces were created by the *Banglos* sculptors of Quezon, *Super Typhoon Yolanda* survivors from Capiz and Palawan, and the natives from South Sierra Madre – residents of communities displaced by destructive typhoons. The proceeds of the exhibits were used to expand the sculpture training of the communities under Smart’s livelihood program and to purchase tools and equipment for production.



PLDT CHAIRMAN PANGILINAN AND PRESIDENT AND CEO NAZARENO ARE IN THE FOREFRONT IN TURNING OVER FISHNETS TO FISHERFOLKS OF APALIT, PAMPANGA.

### CARING FOR THE ENVIRONMENT

In partnership with the *PBSP* and *Motolite*, PLDT donated *used lead-acid batteries (ULABs)* for proper recycling under the *Balik Baterya* program. Funds generated from this project were used by PLDT to support its CSR programs. Among these projects were PLDT’s donation of six classrooms to various areas in the country, such as Northern Samar, Sorsogon and Camarines Sur, and establishment of 12 reading corners in La Union and Cebu.

PLDT continued to nurture 13 hectares of forest and fruit-bearing trees in the Marikina Watershed, particularly those located in the Montalban-Wawa Subwatersheds. At the Infanta-Real Quezon Watershed, PLDT planted 81,936 seedlings in 2014 for its *TELEpuno* tree planting project which benefited four farmers organizations in Infanta and Real, Quezon.

Together with the *Philippine Eagle Foundation*, PLDT has supported the *Forest Corridor Development Program* that entails the adoption of a captive Philippine eagle (renamed *MVP*), the PLDT reforestation project and conservation incentives for partner-communities.

PLDT and Smart also participated in environmental awareness and conservation programs such as the *2014 Earth Day Run* and *Shore It Up: Rescue, Restore, Revive* organized by MPIC where major activities included environmental stewardship talks, tree planting, coastal and underwater clean-up, and artificial reef placement.



AT THE WATERSHED FOREST RESERVE IN INFANTA-REAL QUEZON, PLDT COMMUNITY RELATIONS AND ITS EMPLOYEE-VOLUNTEERS ARE HARD AT WORK IN PLANTING SEEDLINGS.



## Fortifying Partnerships

*Even a seemingly uneventful moment like sharing a secret can be the most memorable event of the day. It's all about sharing. And connecting.*





# THE PLDT GROUP CORPORATE GOVERNANCE REPORT

**PLDT remains committed to its core values of accountability, integrity, fairness and transparency and maintains the highest standards of corporate governance. This commitment is anchored on the steadfast belief that responsible business conduct and a corporate culture founded on the right values are indispensable in doing business. As the Company faced various challenges in 2014, we leaned on our values and strengthened our governance practices and processes, 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 company, PLDT adopts the corporate governance rules and regulations of the Philippine Securities and Exchange Commission (PSEC) and the Philippine Stock Exchange (PSE). PLDT also complies with the corporate governance standards of the US, since its American Depositary Shares are listed and traded in the New York Stock Exchange (NYSE). Finally, as an associated company of First Pacific Co. Ltd. (First Pacific), which is listed in the Hong Kong Stock Exchange, PLDT also refers to the corporate governance standards of Hong Kong for guidance and benchmarking purposes.

These very high standards of corporate governance underscore the Company's continuing commitment to excellence in performance as it strives to fulfil its obligations to all its stakeholders.

## BOARD OF DIRECTORS

The responsibility of ensuring good corporate governance belongs, first and foremost, to our Board of Directors. This responsibility is a critical component in the mission of securing and promoting the long-term success and serve the sustained competitiveness of the Company.

Guidance in accomplishing the two-fold objective of good governance and outstanding performance is provided by our CG Manual which sets the structures for governance and allocates responsibility and authority to the various offices and bodies in the Company. For the Board, the CG Manual mandates that it shall: act within the scope of power and authority of the Company and

the Board as prescribed in the Articles of Incorporation, By-Laws, and legislative franchise of the Company and its existing laws, rules and regulations; exercise their best care, skill, judgment and observe utmost good faith in the conduct and management of the business and affairs of the Company; and act in the best interest of the Company and for the common benefit of the Company's stockholders and other stakeholders.

### *Structure and Composition*

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

The composition of the Board and the qualifications and grounds for disqualification of directors are provided in our CG Manual. Diversity and complementation of skills, expertise, experience and knowledge is desired and encouraged in order to enrich the collective processes and practices of our Board. Each member of our Board is either a business owner or leader, and/or holds senior management positions. Each Director has extensive experience in their respective fields or industries, such as telecommunications, ICT, infrastructure, power, petroleum, banking, insurance, real property development, agriculture, food manufacturing and quick-serve restaurant business. The individuals comprising the Board count on each other in the performance of the Board's functions, including the formulation of corporate vision and strategies, assessment of enterprise risks, and adequacy and effectiveness of financial reporting and internal control systems.



In keeping with the objective of promoting diversity in our Board, our CG Manual does not impose limitations or restrictions respecting race or gender in reference to the qualifications of our directors. With regard to directorships of individual directors in other stock or non-stock corporations, our Board adheres to a performance-based standard in determining whether other directorships compromise the capacity of a director to serve or perform his/her duties and responsibilities to the Company diligently and efficiently. In this way, differences in individual capabilities and the nature and demands of directorships in other companies are given due consideration in determining fitness and capacity to serve in our Board, rather than imposing a strict quantitative limit on other directorships. Independent directors, however, may not be elected, as such, to more than five listed or public companies comprising the PLDT conglomerate (i.e. its parent company, subsidiaries or affiliates). Our Board, through the Governance and Nomination Committee (GNC), ensures the diversity of its membership and the selection of competent and capable Board members using the Company's Guidelines on the Search, Screening and Selection of Directors and related Screening Checklist which contains, among others, the criteria and qualifications for directorship and a matrix on the skills, expertise and experience relevant to the responsibilities of the Board.

Our CG Manual requires that at least 20% of the membership of the Board, and in no case less than two members thereof must be independent directors<sup>1</sup>. Three independent directors in the persons of Mr. Pedro E. Roxas, Mr. Alfred V. Ty and

Retired Chief Justice Artemio V. Panganiban are currently serving in our Board. All of these independent directors were selected pursuant to the specific independence criteria set out under applicable laws and rules, our By-Laws and our CG Manual. Under our CG Manual, an independent director is, broadly, "a person who is independent of Management and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could or reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company."<sup>2</sup> Our independent directors are subject to an initial term limit of five years. After completion of five consecutive or cumulative years of service, an independent director shall no longer be eligible for re-election as such, unless said independent director has undergone a "cooling-off" period of two years. Thereafter, he/she may again qualify for election as an independent director annually, for five more consecutive or cumulative years, after which he/she is perpetually barred from being elected as an independent director. The application of this term limit is reckoned from January 2, 2012.

In 2014, there were only three directors who held executive positions in the Company: Mr. Napoleon L. Nazareno as President and Chief Executive Officer (CEO), Atty. Ma. Lourdes C. Rausa-Chan as Corporate Secretary, General Counsel and Chief Governance Officer and Atty. Ray C. Espinosa, who remains a consultant and serves as Head of PLDT Regulatory Affairs and Policies Office following his retirement from the Company in February 2014.

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

Except for our executive directors, our directors do not receive stock options, performance incentives, bonuses or any other form of compensation from the Company. However, all of our directors are entitled to a *per diem* of Php250 thousand for attendance in each Board meeting and Php125 thousand for attendance in each Board Committee meeting.

<sup>1</sup> This is substantially the same requirement in the PSEC's Revised Code of Corporate Governance (MC No. 6 Series of 2009).

<sup>2</sup> More specific independence criteria are enumerated in Annex A of our CG Manual.

### **Board Responsibilities**

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

PLDT also conducts regular and continuing training for our directors as well as knowledge-sharing and updating on compliance, corporate governance and business ethics matters. PLDT organizes Annual Corporate Governance Enhancement Sessions which provide an opportunity for our leadership to interact with international experts and keep abreast with global developments and best practices in corporate governance and business ethics. All of the current directors have undergone corporate governance orientation and have attended several of the nine corporate governance enhancement sessions organized since 2007. In 2014, two sets of Enhancement Sessions were organized and conducted for our Board. These two Enhancement Sessions were approved by the PSEC as In-House Corporate Governance Training Programs within the scope of PSEC Memorandum Circular No. 13, Series of 2013 (MC 13). All of our directors have complied with the required corporate governance training for the year 2014 under MC 13.

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

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

The Board undertakes to respect, uphold and facilitate the exercise of the stockholders' rights such as: the right to vote; pre-emptive right; right to inspect corporate books and records including minutes of Board meetings and stock registries, subject to certain conditions; right to receive information which the Company is required to disclose pursuant to the Corporation Code or Securities Regulation Code; right to dividends; and appraisal right.

Pursuant to its aforementioned duty, the Board promotes transparency and fairness in the conduct of the annual and special stockholders' meetings of the Company. Stockholders are encouraged to personally attend such meetings, raise questions, and exercise their voting rights. Within a reasonable period of time before the meeting, stockholders are apprised of their right to appoint a proxy, in case they could not personally attend such meetings and give their voting instructions in the proxy form provided. Appropriate steps to remove excessive or unnecessary costs and other administrative impediments to stockholders' participation in annual or special stockholders' meetings, whether in person or by proxy, are undertaken. Relevant and timely information is made available to the stockholders in printed or digital form and through the Company's website to enable them to make a sound judgment on all matters tabled for their consideration or approval<sup>3</sup>. The Board also ensures the timely disclosure and appropriate filing with the PSEC, PSE and, as applicable, U.S. SEC and NYSE, of material information and/or transactions that could potentially affect the market price of the Company's shares and such other information which are required to be disclosed pursuant to relevant laws and regulations.

<sup>3</sup> *The Company's tabulation, registration and reporting system has been reviewed and tested by an independent third party in accordance with the Philippine Standards on Related Services 4400 Agreed Upon Procedure issued by the Auditing Standards and Practices Council and the independent third party checked the completeness and accuracy of encoded proxies and voting instructions as well as the completeness and accuracy of the voting and attendance reports generated by the system at the annual meeting of stockholders.*



Our Board looks to ensure the continuity of executive leadership as a critical factor in sustaining the success of the PLDT Group. PLDT's Leadership Succession Planning and Development process continued in 2014. This enterprise-wide process covers senior management positions, including the President and CEO. The Board's involvement in Leadership Succession Planning and Development is performed through its Executive Compensation Committee (ECC), which reviews and updates the criteria for employment and promotion, as well as any training and development plans for senior management, keeps track of their performance and development, and reviews their potential career paths.

Our Board also leads the Company's CSR initiatives. Through the Board, the Company's resources and expertise are harnessed to respond to pressing societal and developmental issues. PLDT, by itself or through the PSF, has continuing projects in the areas of environment, education, and disaster response and rehabilitation. PLDT also continues to leverage on its business expertise to develop and implement innovative projects in nation-building, health, community and livelihood development, and youth development and sports.

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

Our Board held 13 meetings in 2014. The Chairman of the Board, the President and CEO, and seven other directors attended all Board meetings. Our three independent directors were present in all the meetings. In each meeting at least two-thirds of the Board members was present and all matters for approval in each meeting were acted upon based on the votes of at least two-thirds of the Board membership. Our non-executive directors held a meeting among themselves without the executive directors on November 4, 2014.

All of the directors were present in the Annual Stockholders' Meeting held on June 10, 2014 and consequently, the respective Chairmen of the AC, ECC, and GNC were present as well. All of the directors attended more than 75% of the meetings. The total amount of *per diem* provided to the directors for their attendance in Board meetings in 2014 was Php34 million<sup>4</sup>.

<sup>4</sup> Only one *per diem* was given to directors for the three meetings held on June 10, 2014.

Name of Director	Jan. 28	Mar. 4	Apr. 1	May 6	Jun. 10**	Jun. 10**	Jun. 10**	July 8	Aug. 5	Sept. 30	Nov. 4	Dec. 2	Dec. 10	Total	Percentage
Manuel V. Pangilinan	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Napoleon L. Nazareno	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Helen Y. Dee	√	√	√	√	√	√	√	√	√	√	x	√	x	11/13	85%
Ray C. Espinosa	√	√	√	√	√	√	√	√	√	√	√	√	x	12/13	92%
James L. Go	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Setsuya Kimura	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Hideaki Ozaki	√	x	√	√	√	√	√	√	√	√	√	√	x	11/13	85%
Artemio V. Panganiban*	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Ma. Lourdes C. Rausa-Chan	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Pedro E. Roxas*	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Juan B. Santos	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Tony Tan Caktiong	x	√	√	√	√	√	√	x	√	√	√	√	√	11/13	85%
Alfred V. Ty*	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%

\* Independent director

\*\* Three meetings were conducted on June 10, 2014, a regular Board meeting, the annual stockholders' meeting and the organizational meeting of the Board

## BOARD COMMITTEES

### Advisory Committee

Our Board is ably assisted by an Advisory Committee. The diversity of the expertise, knowledge and experience of these advisors serves to complement that of the Board. Members of the Advisory Committee attend Board meetings and provide guidance and suggestions, as necessary, on matters deliberated upon during Board meetings. The total *per diem* given to the members of the Advisory Committee for their attendance in Board meetings in 2014 was Php15.5 million.



Name of Director	Jan. 28	Mar. 4	Apr. 1	May 6	Jun. 10*	Jun. 10*	Jun. 10*	July 8	Aug. 5	Sept. 30	Nov. 4	Dec. 2	Dec. 10	Total	Percentage
Oscar S. Reyes	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Roberto R. Romulo	√	√	√	√	√	√	√	√	√	√	√	√	x	12/13	92%
Benny S. Santoso	√	√	√	√	x	x	x	√	√	√	√	√	√	10/13	77%
Washington Z. SyCip	√	√	√	x	√	√	√	√	√	x	√	√	√	11/13	85%
Orlando B. Vea	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%
Christopher H. Young	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100%

\* Three meetings were conducted on June 10, 2014, a regular Board meeting, the annual stockholders' meeting and the organizational meeting of the Board

PLDT's other Board Committees, namely the Audit Committee (AC), the GNC, the ECC, and the Technology Strategy Committee (TSC), function in accordance with their respective charters. These committees provide valuable assistance in the performance of the Board's responsibilities and aid in ensuring compliance with the principles of good corporate governance.

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

### Audit Committee

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

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

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



The AC is composed of three independent directors as voting members, and four non-voting advisors. Each member is financially literate and one of the advisors is a certified public accountant with financial management expertise. The charter of the AC may be viewed and downloaded from the PLDT website through the following link:

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

The AC's activities for 2014 consisted of the following:

With respect to the external auditor SyCip, Gorres, Velayo & Co. (SGV & Co.), a member practice of Ernst & Young Global Ltd. (E&Y), the AC discussed, reviewed and approved, or noted:

- SGV & Co.'s report on the results of their integrated audit of PLDT's and its subsidiaries' 2013 financial statements prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and International Financial Reporting Standards (IFRS), and of the internal controls over financial reporting (ICFR);
- SGV & Co.'s required communications (to the AC) including their independence from PLDT, within the meaning of the Revised Securities Act of the PSEC and the US SEC;
- The summary of audit, audit-related and non-audit services and fees of SGV & Co. and E&Y that were approved by the AC in 2013;
- The non-audit engagements for PLDT and its subsidiaries in 2014;
- SGV & Co.'s integrated plan for the audit of PLDT's and its subsidiaries' 2014 financial statements and review of ICFR; and
- SGV & Co.'s status report on the integrated audit of 2014 financial statements and ICFR.

As regards the internal audit group, the AC discussed, reviewed and approved, or noted:

- The Internal Audit and Fraud Risk Management Group (IAFRMG)'s performance report for the year 2013, IAFRMG Head's statement of compliance with the International Standards for the Professional Practice of Internal Auditing, and required confirmation of the organizational independence of PLDT Internal Audit organization;

- The retention of the existing PLDT Internal Audit Charter until the next review in 2015;
- PLDT's Internal Audit Plan for 2014 (original and updated), and for 2015;
- Internal Audit's report on PLDT Group's Sarbanes-Oxley – Section 404 (SOX 404) Compliance – Management's Overall Assessment and Conclusions as of December 31, 2013, the PLDT Group's SOX 404 compliance approach for 2014, and periodic status reports from Internal Audit on the PLDT Group's SOX 404 readiness and compliance as of year-end 2013 and as of year-end 2014;
- PLDT's transition to Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s 2013 Updated Internal Control – Integrated Framework (COSO IC-IF 2013); and
- The major IAFRMG activities and accomplishments, including the internal audit organizational updates.

Relative to financial reporting and controls, the AC:

- Approved the reissued Consolidated Financial Statements of PLDT as of December 31, 2012, December 31, 2011, and January 1, 2011 and for each of the three years in the period ended December 31, 2012, 2011 and 2010 after effecting the new accounting standards that became effective January 1, 2013, exclusively for the purpose of inclusion in the planned retail bond offering circular;
- Reviewed with PLDT Finance officers and SGV & Co. and approved PLDT's audited financial statements for 2013 prepared in accordance with PFRS and IFRS and the report of SGV & Co. on the final results of its integrated audit of 2013 PFRS and IFRS financial statements and ICFR and the PLDT Group's 2013 Annual Report on Form 17-A (for PSEC filing) and on Form 20-F (for US SEC filing);
- Reviewed with the Finance officers and approved PLDT's unaudited consolidated financial results and reports for the three months ended March 31, 2014, the six months ended June 30, 2014, and the nine months ended September 30, 2014; and
- Discussed with Finance officers and the General Counsel comments from the U.S. SEC regarding PLDT's Form 20-F and PLDT's draft response thereto.

With regard to governance, general internal controls and risk management, the AC:



- Conducted the self-evaluation of the PLDT Audit Committee's performance for the year 2013 and also went through an orientation on US laws that are relevant to the Audit Committee function.
- Reviewed and discussed with the Corporate Secretary, General Counsel and Chief Governance Officer the Information Statement/ Proxy Form, and the status of Company's compliance with regulations and applicable laws, and updates on significant legal matters and the Expanded Whistleblowing Status Reports on whistleblower complaints; and
- Reviewed and noted the Group Enterprise Risk Management (ERM) Officer's update reports on PLDT Group's enterprise risk management activities and discussed with the Group ERM Officer the PLDT Group's Top 10 Risks for 2014, and the results of Internal Audit's Group-wide Review of Enterprise Risk Management Process.

The AC also conducted discussions with the PLDT business and operational unit heads regarding global Information Technology (IT) security events in 2013 and 2014 and the PLDT Group IT's measures to address these threats, PLDT's customer experience concerns, relevant tax rulings and updates on regulatory matters. Finally, the AC issued periodic written reports to the Audit Committee of First Pacific Co. Ltd. (FPC) regarding significant items discussed during the PLDT Audit Committee meetings held in 2014.

The AC had eight regular meetings and two special meetings for the year 2014. Members of the AC are each entitled to a *per diem* of Php125 thousand for every meeting attended and a total of Php7.5 million was paid as *per diem* to its members and advisors who attended the meetings.

Members	Jan. 28	Mar. 3	Apr. 1	Apr. 11**	May 5	Aug. 4	Sept. 30	Oct. 17**	Nov. 3	Dec. 1	Total
Pedro E. Roxas*	√	√	√	√	√	√	√	√	√	√	10/10
Artemio V. Panganiban*	√	√	√	√	√	√	√	√	√	√	10/10
Alfred V. Ty*	√	√	x	√	√	√	√	√	√	√	9/10
<b>Non-Voting Members</b>											
Corazon S. Dela Paz-Bernardo	√	√	√	-	√	√	√	-	√	√	8/8
Roberto R. Romulo	√	√	√	-	x	√	√	-	√	√	7/8
James L. Go	√	√	√	-	√	√	√	-	√	√	8/8
Setsuya Kimura***	√	√	√	-	√	√	√	-	√	√	8/8

\* Independent Director  
 \*\* Special meetings of the AC  
 \*\*\* Attended the special meeting on October 17, 2014 as an observer only.

### Governance and Nomination Committee

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

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

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

The GNC is composed of five voting members, three of whom are independent directors and the other two are non-executive directors. The GNC also has two non-voting members: the Human Resources Group Head and the Chief Governance Officer of the Company. The charter of the GNC may be accessed and downloaded from the PLDT website through the following link:

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

In the performance of its governance function, the GNC's activities in 2014 included the following:

- Reviewed and assessed the Code of Business Conduct and Ethics and Conflict of Interest Policy, and determined that the principles, values and procedures embodied therein remain sound and continue to be appropriate for the Company and hence, do not require any amendment or revision. The GNC, however, approved recommendations to strengthen their implementation, including the continuing education and training sessions, monitoring of the implementation of CG policies, thorough and comprehensive investigation of whistleblower complaints, and adoption of enabling policies to address identified risk areas;
- Reviewed and approved the content for the corporate governance training and continuing education program, including the Corporate Governance Enhancement Sessions for the Board of Directors and senior and middle management, and approved the theme "Good Governance Means Good Business" and related creative concepts for the 2015 CG communication materials;
- Reviewed and noted the results of the PLDT Governance and Ethics Survey, including some revisions that were undertaken, such as the addition of new questions/items, updates on the development of the Online Periodic Conflict of Interest (COI) Disclosure System and COI Disclosures of key personnel, and the inclusion of the periodic renewal of the Pledge to Uphold Good Corporate Governance (CG Pledge) in the Online COI Disclosure System;
- Assisted the Board in implementing the Board Assessment for 2013 performance, which included the performance evaluation of the Board Committees and Individual Directors; and

- Reviewed and approved or noted the development and implementation of the Periodic Disclosure of Gifts, Entertainment and Sponsored Travel pursuant to the Policy on Gifts, Entertainment and Sponsored Travel, the development of an Online Gifts Policy Disclosure System, the Expanded Whistleblowing cases and how these were handled, including those of the PLDT subsidiaries, Corporate Governance Report, the PSE Corporate Governance Disclosure Report for year 2013 as well as the Company's compliance reports to various CG Reports/Scorecards/Awards, such as the PSEC Corporate Governance Guidelines Disclosure and the ASEAN CG Scorecard.

In the performance of its nomination functions, the GNC's activities in 2014 included the following:

- Pre-screened nominees for directors and independent directors, and submitted to the Board the final list of qualified nominees for director and independent director for election at the Annual Stockholders' Meeting held on June 10, 2014;
- Reviewed and confirmed HR's evaluation of the qualifications of officers and recommended their re-appointment as such at the Board's Organizational Meeting held on June 10, 2014; and
- Reviewed and confirmed HR's evaluation of proposed promotions to officer rank for approval by the Board.

Finally, the GNC submitted the following reports to the Board: (a) Consolidated Report on the 2013 Board and Board Committees Assessment; (b) GNC Annual Report of Activities for 2013; and (c) GNC Self-Assessment for 2013 Performance.

The GNC held three meetings in 2014 and a total of Php2.375 million was paid as *per diem* to its members who attended the meetings.



Members	Mar. 28	July 30	Nov. 5	Total
Manuel V. Pangilinan	✓	✓	✓	3/3
Artemio V. Panganiban*	✓	✓	✓	3/3
Pedro E. Roxas*	✓	✓	✓	3/3
Alfred V. Ty*	✓	x	x	1/3
Setsuya Kimura	✓	✓	✓	3/3
<b>Non-voting members</b>				
Menardo G. Jimenez, Jr.	✓	✓	✓	3/3
Ma. Lourdes C. Rausa-Chan	✓	✓	✓	3/3

\* Independent Director

### Executive Compensation Committee

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

The ECC is composed of five voting members, three of whom are independent directors, while the other two are non-executive directors. The ECC also has one non-voting member, who is the head of the Human Resources Group of the Company. The charter of the ECC may be viewed and downloaded from the PLDT website through the following link:

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

In 2014, the ECC discussed and approved the payout of the 2013 Variable Pay for Officers and Executives, the 2014 Variable Pay Targets and the corresponding Variable Pay payout levels, the proposed new salary structure for Officers and Executives as recommended by Management retroactive to January 1, 2014; and the 2014 Merit Increase for Officers and Executives. It also reviewed the compensation structure and levels for Board members and endorsed the proposed new Board meeting fee or *per diem* of Php250 thousand per meeting and Board Committee meeting fee or *per diem* of Php125 thousand per meeting to the Board for approval.

The ECC held three meetings in 2014 and a total of Php2.125 million was paid as *per diem* to its members who attended the said meetings.

Members	Mar. 3	July 29	Sept. 29	Total
Manuel V. Pangilinan	✓	✓	✓	3/3
Artemio V. Panganiban*	✓	✓	✓	3/3
Pedro E. Roxas*	✓	✓	✓	3/3
Alfred V. Ty*	x	✓	✓	2/3
Setsuya Kimura	✓	✓	✓	3/3
Menardo G. Jimenez, Jr. (non-voting member)	✓	✓	✓	3/3

\* Independent Director

### Technology Strategy Committee

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

The TSC is composed of seven members. Under the charter of the TSC, at least one of its members must have a general knowledge or understanding of the technologies relevant to the Company's line of business. A copy of the charter of the TSC may be viewed and downloaded from the PLDT website through the following link:

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

In 2014, the TSC discussed the Current State of the Network, Improving Quality of Experience, the Network and Technology Roadmap, Platforms and Service Capabilities, the Status and Business Impact of Major Capital Expenditures Programs in 2014, the Technology Programs and Estimated Capital Expenditures for 2015, the Intelligent Network, and Service Delivery Platforms. Among the items presented and discussed were operations initiatives to improve Customer Experience on availability and quality of service, management of operational expenses, and strengthening the network in preparation for extreme weather conditions and in the midst of climate change.

The TSC had three meetings in 2014 and a total of Php2.425 million was given as *per diem* to its members who attended the meetings.

Members	Aug. 6	Sept. 23	Nov. 25	Total
Manuel V. Pangilinan	✓	✓	x	2/3
Napoleon L. Nazareno	✓	✓	✓	3/3
Ray C. Espinosa	✓	✓	✓	3/3
Setsuya Kimura	✓	✓	✓	3/3
James L. Go	✓	✓	✓	3/3
Oscar S. Reyes	✓	✓	✓	3/3
Orlando B. Veja	✓	✓	✓	3/3



### ***Executive Implementation***

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

### ***President and Chief Executive Officer***

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

### ***Corporate Secretary***

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

### ***Internal Audit Organization***

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

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

4. Resources are acquired economically, used efficiently and adequately protected;
5. Programs, plans and objectives are achieved;
6. Quality and continuous improvement are fostered in our control processes; and
7. Significant legislative or regulatory issues impacting us are recognized and addressed appropriately.

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

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

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

### ***External Audit***

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

### ***Enterprise Risk Management***

Also working in coordination with our internal audit organization and AC is the PLDT Group ERMD. The complex and dynamic business environment that the PLDT Group operates in gives rise to a variety of risks. The ERMD is in charge of managing an integrated risk

management program with the goal of identifying, analysing and managing the PLDT Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus sustain competitive advantage. The ERM process used by the ERMD is based on the ISO 31000 standard on risk management. The implementation of the ERM process ensures that high-priority risks are well understood and effectively managed across all functions and units within the PLDT Group.

**Chief Governance Officer**

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

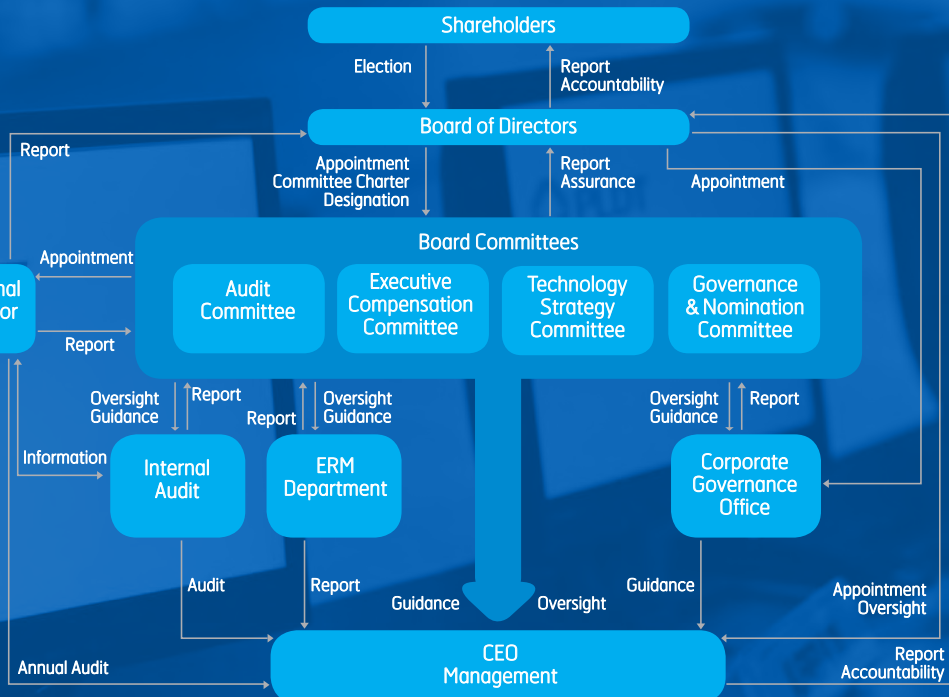
In addition, the Chief Governance Officer assists the Board and the GNC in the performance of their governance functions, including their duties to oversee the formulation or review and implementation of the corporate governance structure and policies of the Company, the establishment of an evaluation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

**Corporate Governance Office**

PLDT's corporate governance initiatives comprise three stages: compliance, competence and eventually, culture. It is the responsibility of the Corporate Governance Office, through the supervision and direction provided by the Chief Governance Officer to ensure progress through these three stages by attending to the three task areas of engineering, education and enforcement. Hence, the CGO is responsible for the continuing development, drafting, issuance and review of appropriate corporate governance policies, addressing reports received through the whistleblowing facility, responding to 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 observance of corporate governance policies and adherence to our core values.

All of the offices and bodies described above have been given the appropriate authority and responsibility through the PLDT CG Manual. The chart below shows the operational relationships between or among these offices and bodies.

To access our CG Manual, please click on the link below:  
[http://pldt.com/docs/default-source/policies/22336f71c88c495793d15575c2adddfcpldtcorpgov\\_manual.pdf?sfvrsn=2](http://pldt.com/docs/default-source/policies/22336f71c88c495793d15575c2adddfcpldtcorpgov_manual.pdf?sfvrsn=2)





## POLICIES AND PRACTICES

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

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

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

- Compliance with applicable laws, rules and regulations;
- Ethical handling of conflicts of interest, corporate opportunities and confidential information;
- Protection and proper use of Company assets;
- Fair dealing with employees, customers, service providers, suppliers, creditors and competitors;
- Compliance with reporting and disclosure obligations to the relevant regulators and to investors;
- Compliance with disclosure and financial reporting controls and procedures;

- Assessment and management of risks involved in business endeavors; and
- Adoption of international best practices of good corporate governance in the conduct of the Company's business.

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

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

### ***Conflict of Interest Policy***

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



In 2014, PLDT launched an automated system for periodic Conflict of Interest Disclosures which now allows all officers, executives and employees to make on-line disclosures regarding potential or actual conflicts of interest or expressly affirm that they have no updates to their conflict of interest disclosures. The system will facilitate the approval and monitoring of disclosures from all PLDT personnel.

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

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

This policy provides safeguards so that the custom of giving gifts is handled in accordance with our core values. It aims to prevent the occurrence of situations or actions that could significantly affect objective, independent or effective performance by directors, officers, employees and consultants of their duties and responsibilities to the Company. Specifically, it prohibits the solicitation of gifts, sponsored travel, and entertainment from third parties. Receipt and acceptance of gifts voluntarily given by such third parties are handled according to this policy. In connection with this, PLDT strengthened its monitoring of gifts, entertainment and travel in 2014 by requiring all personnel to submit to their Group Heads, periodic disclosures of offers and/or acceptance of such.

#### ***Supplier/Contractor Relations Policy***

This policy seeks to ensure that the Company upholds the highest professional standards in business practices and ethics in its dealings with suppliers and contractors in the procurement of goods and services. The policy also seeks to maintain PLDT's reputation for equal opportunity and honest treatment of suppliers in all business transactions. It establishes clear rules for arm's length transactions and fair treatment of prospective and existing suppliers with the objective of always obtaining the best value for the

Company. The policy specifically adopts the processes of vendor accreditation and competitive bidding as the general rule to ensure that contracts are awarded only to qualified and duly-accredited suppliers and vendors who offer the best value for money for PLDT's requirements.

In relation to this policy, in 2014 PLDT issued its Policy on Vendor Sanctions, which established a cross-functional vendor compliance committee that handles the cases involving vendors and provides a more balanced monitoring of vendor compliance.

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

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

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

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

For 2014, there were five new whistleblowing complaints received by the CGO. As at December 31, 2014, five cases were pending, including a complaint received in 2013, while three cases were deemed closed, including complaints received in previous years. The complaints covered allegations of violation of the Code of Business Conduct and Ethics, Conflict of Interest Policy, Policy on Gifts, Entertainment and Sponsored Travel and Supplier/ Contractor Relations Policy. One complaint included allegations of retaliation which was endorsed to the appropriate investigating unit for further action.

All CG policies, including the Code of Ethics, are reviewed at least once every two years to ensure that they are appropriate for PLDT, keep pace with comparable and applicable global best practices, and are compliant with the requirements of the Philippine and U.S. SEC, NYSE and Hong Kong Stock Exchange corporate governance rules, as may be appropriate and applicable. In 2014, the Code of Business Conduct and Ethics and the Conflict of Interest Policy were reviewed and it was determined that said policies do not require any amendment or revision. The PLDT CG Manual was however amended on July 8, 2014 in conformity with PSEC Memorandum Circular No. 9, series of 2014.

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

#### ***Pledge to Uphold Good Corporate Governance***

Together with the automated Conflict of Interest disclosure system, employees were also provided with a quick mechanism to reaffirm their CG Pledge. The CG Pledge is an undertaking by individual employees to observe the highest standards of ethics in their daily work. The on-line CG Pledge allows easier monitoring and compilation of data on those who have or have not re-affirmed their CG Pledges. Manual signing of the CG Pledge is still required for newly-hired employees and for newly-promoted Executives. Manual signing and re-affirmation is also requested during face-to-face or on-line educational interventions by the CGO.

#### ***Protection of Technology Resources and Information***

In 2014, PLDT issued a Unified Information Technology Policy, which is applicable to PLDT, Smart and Sun, and provides for the protection of information assets, the proper use of technology resources, and policy statements on social media and data privacy.

#### ***Training and Education***

PLDT provides continuous training for its Board and Management. The highlight of this continuing education and communication program is the annual enhancement session conducted by internationally-known experts who share their experience, expertise and insights to PLDT's Board and Management. In 2014, two enhancement sessions were organized and conducted for our Board of Directors.

On April 1, 2014, our Board attended a one-hour briefing entitled Corporate Governance Requirements Under U.S. Laws and Regulations and Foreign Corrupt Practices Act (FCPA) of 1977. It was handled by Mr. Garth W. Bray, a partner at Sullivan & Cromwell, LLP, U.S. legal counsel of PLDT. On December 4, 2014, the PLDT Board of Directors held another Corporate Governance Enhancement Session. There were two topics discussed in this particular session. The first speaker, no less than Atty. Teresita J. Herbosa, Chairperson of the PSEC, who spoke about *Corporate Governance: What to Expect from the SEC*. Following the Chairperson's talk was a discussion on *Corporate Governance Trends and Current Topics in Developed Economies and their application in the Philippines and other ASEAN Countries*. It was handled jointly by Mr. Graham Winter and Ms. Kelly Austin. Mr. Winter and Ms. Austin are partners at the Hong Kong office of global law firm *Gibson Dunn and Crutcher*.

On December 1, 2014, PLDT's Senior and Middle Management attended a session developed and handled by Mr. Chris Lowney, Chairman of the Board of the U.S.-based Catholic Health Initiatives, author of the books *Heroic Leadership, Heroic Living and Pope Francis: Why He Leads the Way He Leads*, and former Managing Director of J.P. Morgan & Co. in New York, Tokyo, Singapore and London. His session was entitled: *21st Century Leadership and Governance: Thriving Amid Change, Complexity, and Lots of Choices*. All of our Officers, save for three individuals, attended this session or the Session for Directors on December 4, 2014.



Below is a record of trainings attended by PLDT's Directors for the year 2014.

Training Details	Attendees
<b>Briefing on Corporate Governance Requirements Under U.S. Laws and Regulations and Foreign Corrupt Practices Act of 1977</b> Mr. Garth W. Bray, Partner, Sullivan & Cromwell, LLP April 1, 2014	Manuel V. Pangilinan Napoleon L. Nazareno Ray C. Espinosa Helen Y. Dee James L. Go Juan B. Santos Hideaki Ozaki Setsuya Kimura Artemio V. Panganiban Pedro E. Roxas Ma. Lourdes C. Rausa-Chan Alfred V. Ty
<b>Corporate Governance: What To Expect From the SEC</b> Hon. Teresita J. Herbosa, Chairperson, Philippine Securities and Exchange Commission	Manuel V. Pangilinan Napoleon L. Nazareno Ray C. Espinosa Helen Y. Dee James L. Go
<b>Corporate Governance Trends &amp; Current Topics in Developed Economies &amp; Their Application in the Philippines &amp; Other ASEAN Countries</b> Mr. Graham Winter, Partner Ms. Kelly Austin, Partner Gibson Dunn & Crutcher December 4, 2014	Juan B. Santos Hideaki Ozaki Artemio V. Panganiban Ma. Lourdes C. Rausa-Chan
<b>ASEAN Corporate Governance Scorecard Orientation*</b> Mr. Ricardo Nicanor N. Jacinto, President & CEO, Institute of Corporate Directors March 31, 2014	Ray C. Espinosa Artemio V. Panganiban Pedro E. Roxas
<b>Distinguished Corporate Governance Speaker Series*</b> John Colvin, Institute of Corporate Directors April 29, 2014	Alfred V. Ty
<b>Corporate Governance Seminar*</b> SGV & Co. August 12, 2014	Tony Tan Caktiong
<b>Seminar on Corporate Governance*</b> Leonardo G. Matignas, Jr., Partner, SGV & Co. March 22, 2014	Helen Y. Dee
<b>21<sup>st</sup> Century Leadership and Governance: Thriving Amid Change, Complexity, and Lots of Choices</b> Chris Lowney, Chairman-Catholic Health Initiatives December 1, 2014	Ma. Lourdes C. Rausa-Chan

\*Organized externally

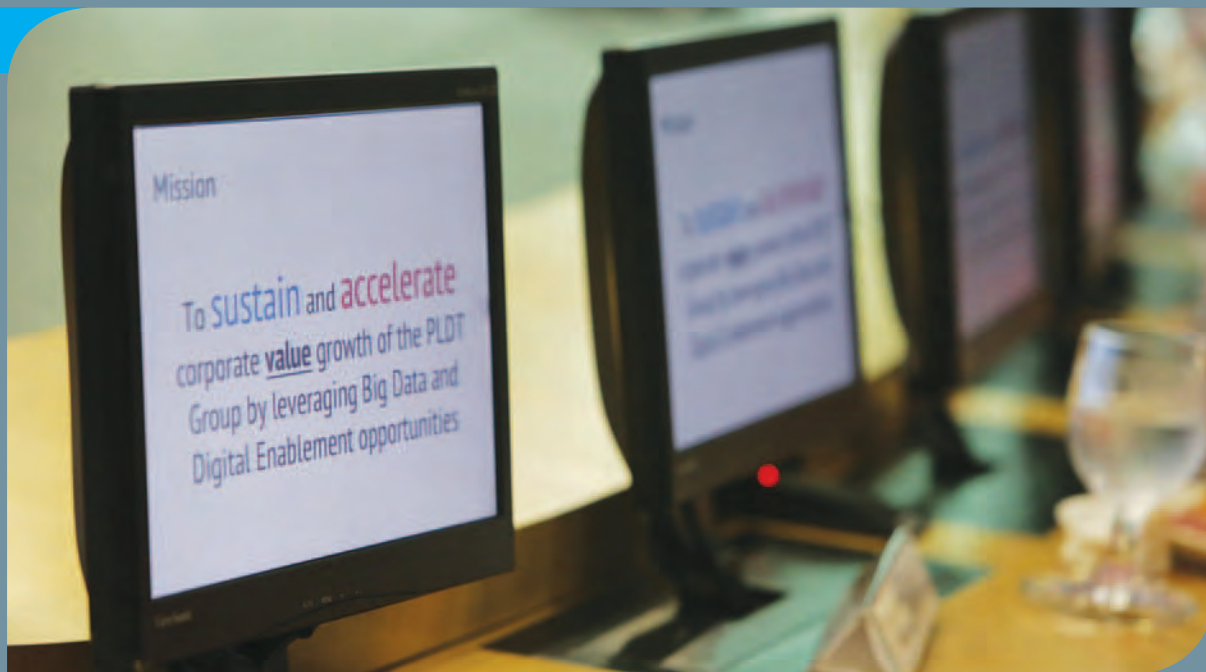
In addition to its periodic conduct of New Employee or Executive Orientations, the CGO completed Corporate Governance Refresher Courses for the Information Technology Group and the Network Build and Technology Groups in 2014. Aside from face-to-face training, PLDT has online training modules for its employees. PLDT executives with the rank of manager, senior manager and assistant vice president are required to access and complete an online training course on the PLDT 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. PLDT also conducted two Vendor and Supplier Briefings in October 2014 to promote better understanding and compliance by vendors, suppliers and contractors with PLDT's Code of Ethics and other relevant policies.

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 Company also issues periodic advisories on corporate governance.

#### **Monitoring and Evaluation System**

PLDT's corporate governance monitoring and evaluation system consists of the annual performance self-assessment conducted by the Board and the Board Committees, the review of the effectiveness of the Company's CG Rules and their implementation every two years, the annual compliance evaluation conducted





by Management, and other tools employed to monitor observance of the CG Rules and corporate values by Company personnel.

Our Board conducts a self-assessment each calendar year to evaluate the performance of the Board as a whole, the Board Committees and the individual directors. The process, which also includes an evaluation of the performance of the CEO and Management, enables the Board to identify strengths and areas for improvement and to elicit individual director's feedback and views on the Company's strategy, performance and future direction. Similarly, each Board Committee also conducts an annual self-assessment of its performance. The members of the Board and the Board Committees accomplish their respective Self-Assessment Questionnaires for this purpose. The Board Self-Assessment Questionnaire contains the following criteria based on leading practices and principles on good governance: (1) for the Board: Leadership, Roles and Responsibilities, Independence, Stewardship, Reporting and Disclosure, Shareholders' Benefits and Training; (2) for individual directors: the specific duties and responsibilities of a director; and (3) for the Board Committees: Performance and Compliance. Each Board Committee Self-Assessment Questionnaire contains the following criteria: Performance & Compliance and Committee Governance. For the 2013 performance period, the results of the assessment process was duly reported to, and discussed with, the Board in 2014.

Moreover, PLDT monitors and assesses compliance with the CG Rules through a cross-functional evaluation system whereby the heads of the various business and support units/groups, including, but not limited to, Enterprise and International Carrier Business, Home Business, Finance, Human Resources, Customer Service Assurance, Technology, Supply Chain Asset Protection & Management, Public Affairs, Enterprise Risk Management,

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

In 2014, PLDT confirmed its full compliance with its CG Manual which contains relevant provisions of the Revised Code of Corporate Governance of the PSEC and certain corporate governance standards under the U.S. Securities Exchange Act and NYSE Company Manual. In compliance with the respective Memorandum Circulars of the PSEC and the PSE, PLDT disclosed its Annual Corporate Governance Report with Consolidated Changes for Year 2014 on January 12, 2015 and filed its PSE CG Guidelines Disclosure Report for Year 2013 on March 31, 2014.

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

PLDT conducts focus group discussions across all personnel levels in order to gain insights into the effectiveness of its efforts. A Governance and Ethics Survey has been tested and will be rolled-out regularly

## The PLDT Group CSR Statement

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

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

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

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

### OUR STAKEHOLDERS

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

#### *Investors/Shareholders*

PLDT respects, promotes and upholds shareholders rights such as the: right to vote; pre-emptive right; right to inspect corporate books and records including minutes of Board meetings and stock registries, subject to certain conditions; right to receive timely relevant information, whether in printed or digital form; right to dividends; and appraisal right. The Company explores and implements steps to reduce excessive or unnecessary costs that impede stockholders' participation in annual and special stockholders' meetings and acts with transparency and fairness in said meetings. It makes timely disclosures

of material information and transactions that could potentially affect the market price of the Company's shares. In this regard, information on earnings results, acquisition or disposal of significant assets, off balance-sheet transactions, related party transactions, Board membership changes, shareholdings of directors and officers and any changes thereto, and remuneration of directors and officers are promptly and accurately disclosed.

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

Moreover, PLDT's Code of Ethics prohibits directors, officers and employees from dealing in the Company's shares when in possession of material non-public information about and involving the Company. Directors, officers and employees are enjoined to report to the Company their dealings in the Company's shares, regardless of whether such dealings were effected during or outside the blackout period, within three trading days from the date of the transaction, to enable the filing of the required disclosures to the PSEC and 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.

To view the Minutes of the 2014 PLDT Annual Stockholders' Meeting, please click on the link below: <http://www.pldt.com/docs/default-source/annual-meeting-of-stockholders/2014/minutes-of-2014-annual-meeting-of-nbsp-stockholders.pdf?sfvrsn=0>

On August 5, 2014, the Board approved the amendment of our dividend policy, increasing the dividend payout rate to 75% from 70% of our core earnings per share as regular dividends. In declaring dividends, the Company takes into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, the Company may consider the option of returning additional cash to shareholders in the form of special dividends of up to the balance of core earnings or to undertake share buybacks. PLDT was able to pay out approximately 90% of its core earnings for the year 2014.

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

#### **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. PLDT's credit has been rated at "investment grade" by the three major international credit-rating agencies.

#### **Customers**

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

#### **Suppliers**

PLDT aspires to maintain mutually beneficial relationships only with like-principled suppliers that uphold PLDT's core values of fairness, accountability, integrity, and transparency in their own businesses. PLDT has around 1,000 accredited suppliers that 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 among accredited and qualified suppliers, in accordance with the aforementioned policy.

#### **Employees**

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

#### **Communities**

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



**PLDT's leadership and personnel unequivocally affirm that confronting this challenge entails finding the nexus between principled performance and outstanding results.**

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

**Environment**

PLDT is committed to do its part in addressing the pressing need to preserve and protect our environment. As such, PLDT ensures compliance with rules and regulations from local government regulatory offices such as the DENR, Environmental Management Bureau, the Laguna Lake Development Authority and other similar agencies and offices. Furthermore, projects to reduce waste and the Company's carbon footprint are also being implemented. The Company regularly monitors relevant, environmentally-sensitive information 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. In 2014, PLDT successfully completed and submitted its disclosure on greenhouse gas emission, energy use and climate change data to CDP. CDP works with institutional investors and public companies by providing information on how firms cope with threats and opportunities arising from climate change. The Company has also instituted programs on energy-conservation measures on Company buildings, service vehicles re-fleeting, network facilities resource optimization as well as continuing maintenance of these facilities. Finally, training is conducted to raise awareness and competency of employees and to ensure compliance with laws and regulations, promote waste minimization and sustainable practices.

**Advocacy and Networking**

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

Amidst the challenging, complex and ever-evolving business environment that it finds itself in, PLDT accepts the fact that sustaining profitability will remain a formidable challenge for any company. More particularly, the challenge requires PLDT and its subsidiaries and affiliates to make the leap from a telecommunication-access business to a converged digital communication business. PLDT's leadership and personnel unequivocally affirm that confronting this challenge entails finding the nexus between principled performance and outstanding results. What this simply means is that directors and officers have the responsibility to be examples, enablers and enforcers, while the rest of the Company is accountable for keeping themselves empowered, involved and informed. In doing this, our Company can confidently demonstrate that in terms of performance, prospects for growth or on matters of ethics and corporate governance, it can stand shoulder to shoulder with the best in the world.

## Cherishing Moments

*The little boy will someday be himself a father and will remember the strong ties he had with the most important man in his life. Then, he, too, will be the same to his children. Loving. Constantly sharing and connecting.*





# THE PLDT GROUP ENTERPRISE RISK MANAGEMENT REPORT

**Unprecedented changes in the telecommunications sector highlight the need for a comprehensive understanding of risks by industry players. The PLDT Group recognizes the important role of ERM in its pursuit to provide customers with only the best voice, video and data services. ERM allows the organization to pursue a systematic approach to identifying, controlling and monitoring both existing and emerging risks.**

## THE GROUP ENTERPRISE RISK MANAGEMENT DEPARTMENT

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

The 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.

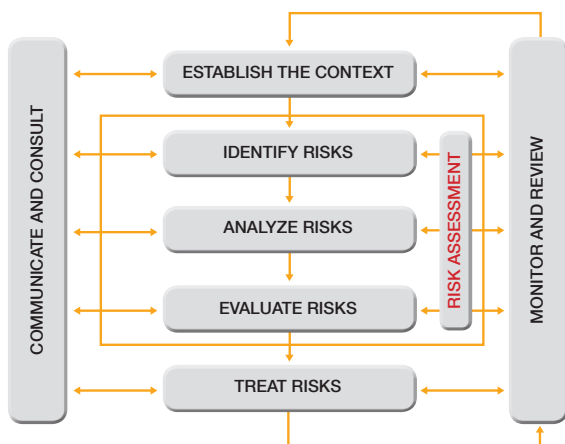
## THE ENTERPRISE RISK MANAGEMENT FRAMEWORK AND PROCESS

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

## PLDT GROUP TOP 10 RISKS

A risk assessment exercise was undertaken by the Joint Executive Committee to identify and prioritize the most important risks affecting the PLDT Group for 2015. These top risks are:

1. Competitive Situation
2. Changing Revenue Mix
3. Disruptive Nature of OTT Services
4. Rapid Change of Technology
5. Monetization of Data and Other New Services
6. People
7. Increased Level of Investments
8. Cyber Security Concerns
9. Natural Disasters
10. Regulatory and Political Risks



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



## BOARD OF DIRECTORS



### MANUEL V. PANGILINAN • 68, FILIPINO

Director of PLDT since November 24, 1998. He was appointed as Chairman of the Board of Directors of PLDT after serving as its President and Chief Executive Officer from November 1998 to February 2004. He is the Chairman of the Governance and Nomination, Executive Compensation and Technology Strategy Committees of the Board of Directors of PLDT. He also serves as Chairman of Metro Pacific Investments Corp. (MPIC), Manila Electric Co. (Meralco) and Philex Mining Corp., all of which are PSE-listed companies, and of several subsidiaries or affiliates of PLDT or MPIC, including, among others, Smart Communications, Inc. (Smart), Beacon Electric Asset Holdings Inc. (Beacon), Manila North Tollways Corp., Maynilad Water Services Corp. (Maynilad), Landco Pacific Corp., Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corp. (Cardinal Santos Medical Center), Davao Doctors Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital and Asian Hospital Inc. He is also the Chairman of MediaQuest Holdings Inc. (MediaQuest), TV5 Network Inc. (TV5) and PLDT-Smart Foundation, Inc.

Mr. Pangilinan founded First Pacific Co. Ltd. (First Pacific), a Hong Kong Stock Exchange-listed company, in 1981 and served as Managing Director until 1999. He was appointed as Executive Chairman until June 2003, when he was named as Chief Executive Officer and Managing Director. Within the First Pacific Group, 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, Mr. Pangilinan is the Chairman of the Board of Trustees of San Beda College and the Hong Kong Bayanihan Trust, a non-stock, non-profit foundation which provides vocational, social and cultural activities for Hong Kong's foreign domestic helpers. In February 2007, he was named the President of the Samahang Basketbol ng Pilipinas, a national sports association for basketball. In January 2009, he assumed the chairmanship of the Amateur Boxing Association of the Philippines, a governing body of the amateur boxers in the country. He is a Co-Chairman of the Philippine Disaster Recovery Foundation, Inc. (PDRF), a non-stock, non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate and rebuild areas devastated by floods and other calamities, and of the newly organized U.S.-Philippine Business Society, a non-profit society which seeks to broaden the relationship between U.S. and the Philippines in the areas of trade, investment, education, foreign and security policies and culture. He is the Chairman of Philippine Business for Social Progress, a social action organization made up of the country's largest corporations, Vice Chairman of the Foundation for Crime Prevention, a private sector group organized to assist the government with crime prevention, and a member of the Board of Trustees of Caritas Manila and Radio Veritas-Global Broadcasting Systems, Inc. He was a former Commissioner of the Pasig Rehabilitation Commission and a former Governor of the Philippine Stock Exchange.

Mr. Pangilinan has received numerous prestigious awards including the Ten Outstanding Young Men of the Philippines (TOYM) for International Finance (1983), the Presidential Pamana ng Pilipino Award by the Office of the President of the Philippines (1995), Best CEO in the Philippines by Institutional Investor (2004), CEO of the Year (Philippines) by Biz News Asia (2004), People of the Year by People Asia Magazine (2004), Distinguished World Class Businessman Award by the Association of Makati Industries, Inc. (2005), Man of the Year by Biz News Asia (2005), Management Man of the Year by the Management Association of the Philippines (2005), Order of Lakandula (Rank of a Komandante) in recognition of his contributions to the country by the Office of the President of the Republic of the Philippines (2006), Business Icon Gold Award for having greatly contributed to the Philippine economy through achievements in business and society by Biz News Asia magazine (2008), Global Filipino Executive of the Year for 2010 by Asia CEO Awards, Philippines Best CEO for 2012 by Finance Asia, Sports Patron of the Year for his invaluable contributions to the Philippine Sports (2010) and Executive of the Year (2013) by the Philippine Sportswriters Association (PSA).

Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts Degree in Economics. He received his Master's Degree in Business Administration from Wharton School of Finance & Commerce at the University of Pennsylvania. He was conferred a Doctor of Humanities Degree (Honoris Causa) by the San Beda College (2002), Xavier University (2007), Holy Angel University (2009) and Far Eastern University (2010).



### NAPOLEON L. NAZARENO • 65, 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 PLDT and Smart including PLDT Communications and Energy Ventures, Inc. (PCEV), Smart Broadband, Inc., Smart e-Money, Inc., Connectivity Unlimited Resources Enterprises, Inc. I-Contacts Corp., ePLDT, Inc. (ePLDT), Mabuhay Investments Corp. (Mabuhay Investments), ACeS Philippines Cellular Corp. (ACeS Philippines), Digital Telecommunications Phils, Inc. (Digitel) Digital Mobile Phils, Inc. (Digital Mobile), PLDT Global Investments Holdings, Inc. and PLDT Global Corp. (PLDT Global). His other directorships include Meralco, a PSE-listed company, Meralco Powergen Corp., Cignal TV, Inc. (Cignal) and Rufino Pacific Tower Condominium Corp. He is a non-executive director of First Pacific, a Hong Kong Stock Exchange-listed company, and a Supervisory Board Member of Rocket Internet AG, a company which provides a platform for the rapid creation and scaling of consumer internet businesses outside the U.S. and China.

Mr. Nazareno's business experience spans several countries in over 30 years and his exposure cuts across a broad range of industries, namely, packaging, bottling, petrochemicals, real estate and, in the last 14 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 Corp. where he served as President and Chief Executive Officer until December 1999.

Mr. Nazareno is also the Chairman of the Board of Trustees and Governors of Asian Institute of Management, the President and Trustee of First Pacific Leadership Academy, a trustee of Ideospace Foundation, Inc. and Philippine Disaster Recovery Foundation, Inc., a director of Operation Smile and a member of Analitika. He was a board member of the GSM Association Worldwide from November 2004 to November 2012 and Wholesale Applications Community from July 2010 to 2012. He was appointed to the Private Sector Advisory Board of the Commission on Information and Communications Technology under the Office of the President of the Philippines in February 2006. He was voted Corporate Executive Officer of the Year (Philippines) for three consecutive years at the 2004, 2005 and 2006 Best-Managed Companies and Corporate Governance Polls conducted by Asiamoney, was awarded the Telecom CEO of the Year at the 15th Telecoms Asia Awards, an influential Asian telecommunications industry magazine in Bangkok, and was cited as "Best Telecom CEO in Asia 2013" by the All-Asia Executive Team Survey conducted by the New York-based Institutional Investor.

Mr. Nazareno received his Master's Degree in Business Management from the Asian Institute of Management, completed the INSEAD Executive Program of the European Institute of Business Administration in Fontainebleau, France, and was conferred a Doctor of Technology Degree (Honoris Causa) by the University of San Carlos.



**HELEN Y. DEE • 71, FILIPINO**

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



**RAY C. ESPINOSA • 59, FILIPINO**

Director of PLDT since November 24, 1998, the Head of Regulatory Affairs and Policies of PLDT since March 2008, and General Counsel of Meralco since 2009. In June 2013, he joined First Pacific and was appointed as First Pacific Group's Head of Government and Regulatory Affairs and Head of Communications Bureau for the Philippines. Atty. Espinosa is also a director of Meralco, Metro Pacific Investments Corp. and Roxas Holdings, Inc., and an independent director and Chairman of the Audit Committee of Lepanto Consolidated Mining Co., which are PSE-listed companies. He is the Chairman of PhilStar Group of Companies, Business World Publication Corp., a director and Corporate Secretary of Philippine Telecommunications Investment Corp., a director of Metro Pacific Resources, Inc. and BTF Holdings, Inc. and a trustee of the Beneficial Trust Fund of PLDT and PLDT-Smart Foundation, Inc.

Atty. Espinosa served as President & CEO of MediaQuest, TV5 and Signal TV, Inc. until May 2013 and prior thereto, was the President & CEO of ePLDT and its subsidiaries until April 2010.

Atty. Espinosa has a Master of Laws degree from the University of Michigan Law School and is a member of the Integrated Bar of the Philippines. He was a partner at Sycip Salazar Hernandez & Gatmaitan from 1982 to 2000, and a foreign associate at Covington and Burling (Washington, D. C., USA) from 1987 to 1988.



**JAMES L. GO • 76, FILIPINO**

Director of PLDT since November 3, 2011, and is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corp., the Chairman of Universal Robina Corp. and Robinsons Land Corp., the Vice Chairman and Deputy Chief Executive Officer of Robinsons Retail Holdings, Inc., which are PSE-listed companies. He is also the Chairman of JG Summit Petrochemical Corp. and JG Summit Olefins Corp., and a director of Cebu Air, Inc., CFC Corp., United Industrial Corp., Marina Center Holdings Private Ltd. and Hotel Marina City Private Ltd.. He is also the President and a Trustee of the Gokongwei Brothers Foundation. He was the Vice Chairman and President and Chief Executive Officer of Digital until October 26, 2011. Mr. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.



**SETSUYA KIMURA • 58, JAPANESE**

Director of PLDT since July 5, 2011. He is a member of the Governance and Nomination, Executive Compensation and Technology Strategy Committees, and Advisor of the Audit Committee of the Board of Directors of PLDT. He is the Director of Network Department of NTT DoCoMo, Inc. He served as Regional CEO, Asia Pacific of NTT Communications and President & CEO of NTT Singapore Pte. Ltd. from 2007 to 2009, and as President & CEO of NTT Communications (Thailand) Co. Ltd from 2003 to 2007. Prior to that, he occupied various management positions in Nippon Telephone and Telegraph Co. Mr. Kimura obtained his Bachelor's Degree in Civil Engineering from Hokkaido University.



**HIDEAKI OZAKI • 50, JAPANESE**

Director of PLDT since December 6, 2011. He is the Vice President of Corporate Planning and Carrier Relations, Global Business of NTT Communications Corp. (NTT Com), a company which provides telecommunication and ICT services such as Global Network, Data Centre and Cloud Services inside and outside of Japan. He served as part-time Director of NTT Communications Philippines from July 2009 to February 2012. Prior to that, he served as Vice President of Global Strategy, Global Business Division of NTT Com since 2006 and as Director of Legal and Internal Audit Department of NTT Com from 2003 to 2006. He also served as Vice President of Sales and Corporate Planning of NTT Communications (Thailand) Co., Ltd. from 1999 to 2003 and as Manager of Overseas Business Planning, Global Service Division of Nippon Telegraph and Telephone Corp. from 1995 to 1999. Mr. Ozaki obtained his Bachelor's Degree in Law from University of Tokyo and Master's Degree in Law from University of Pennsylvania.





**HON. ARTEMIO V. PANGANIBAN • 78, FILIPINO**

Independent director of PLDT since April 23, 2013 and an independent member of the Audit, Governance and Nomination and Executive Compensation Committees of the Board of Directors of PLDT since May 7, 2013. He served as an independent member of the Advisory Board and an independent non-voting member of the Governance and Nomination Committee of the Board of Directors of PLDT from June 9, 2009 to May 6, 2013. Currently, he is also an independent director of Meralco, Petron Corp., Bank of the Philippine Islands, First Philippine Holdings Corp., Metro Pacific Investments Corp., Robinsons Land Corp., GMA Network, GMA Holdings, and Asian Terminals, Inc., and a regular director of Jollibee Foods Corp., all of which are PSE-listed companies. He also holds directorships in Metro Pacific Tollways Corp. and Tollways Management Corp. He is the Chairman of the Board of Trustees of the Foundation for Liberty and Prosperity, a trustee of Claudio Teehankee Foundation, Chairman-Emeritus of the Philippine Dispute Resolution Center, Inc., President of the Manila Metropolitan Cathedral-Basilica Foundation, Chairman of the Board of Advisers of Metrobank Foundation, Inc., Asian Institute of Management Ramon V. Del Rosario, Sr. C.V. Starr Center for Corporate Governance and University of Asia and the Pacific College of Law, member of the Board of Advisers of De La Salle University College of Law and Johann Strauss Society, member of the Advisory Board of World Bank (Philippines), senior adviser of the Metropolitan Bank and Trust Co. and V. Mapa Falcon Honor Society, adviser of Double Dragon Properties Corp., member of the Philippine National Committee of the Asean Law Association, and a column writer of the Philippine Daily Inquirer.

Hon. Panganiban served the Supreme Court of the Philippines for more than 11 years, first as Justice (October 10, 1995 to December 20, 2005) and later, as Chief Justice (December 21, 2005 to December 6, 2006) during which he sat concurrently as Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy.

He was the recipient of numerous awards in recognition of his role as jurist, practising lawyer, professor, civic leader, Catholic lay worker and business entrepreneur, including as "The Renaissance Jurist of the 21st Century" given by the Supreme Court on the occasion of his retirement from the Court.

Hon. Panganiban obtained his Bachelor of Laws Degree (Cum Laude) from the Far Eastern University in 1960, and was conferred a Doctor of Laws Degree (Honoris Causa) by the University of Iloilo (1997), Far Eastern University (2002), University of Cebu (2006), Angeles University (2006) and Bulacan State University (2006). He was co-founder and past president of the National Union of Students of the Philippines.



**MA. LOURDES C. RAUSA-CHAN • 61, FILIPINO**

Director of PLDT since March 29, 2011 and is a non-voting member of the Governance and Nomination Committee of the Board of Directors of PLDT. She has been serving as Corporate Secretary, Corporate Affairs and Legal Services Head and Chief Governance Officer of PLDT since November 1998, January 1999 and March 2008, respectively. She is a director of ePLDT and PLDT Global Investments Holdings, Inc. and also serves as Corporate Secretary of several subsidiaries of PLDT, PCEV, PLDT-Smart Foundation Inc. and Philippine Disaster Recovery Foundation, Inc. Prior to joining PLDT, she was the Group Vice President for Legal Affairs of Metro Pacific Corporation and the Corporate Secretary of some of its subsidiaries. Ms. Rausa-Chan obtained her Bachelor of Arts Degree in Political Science and Bachelor of Laws Degree from the University of the Philippines.



**PEDRO E. ROXAS • 59, FILIPINO**

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



**JUAN B. SANTOS • 76, FILIPINO**

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

Mr. 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 the CEO of the Nestle Group of Companies in Thailand and Singapore. He served as Secretary of Trade and Industry from February to July 2005 and was designated as a member of the Governance Advisory Council, and Private Sector Representative for the Public-Private Sector Task Force for the Development of Globally Competitive Philippine Service Industries.

Mr. Santos was bestowed the prestigious Management Man of the Year Award for 1994 by the Management Association of the Philippines and was the Agora Awardee for Marketing Management given by the Philippine Marketing Association in 1992. He obtained his Bachelor of Science Degree in Business Administration from Ateneo de Manila University, pursued post graduate studies at the Thunderbird Graduate School of Management in Arizona, USA and completed the Advanced Management Course at IMD in Lousanne, Switzerland.



**TONY TAN CAKTIONG • 62, FILIPINO**

Director of PLDT since July 8, 2008. He is the Chairman and Chief Executive Officer of Jollibee Foods Corp., a PSE-listed company and a leader in the fastfood business, which owns and operates a chain of restaurants nationwide and abroad. He is an independent director of First Gen Corp., a PSE-listed company, and a member of the Board of Trustees of Jollibee Group Foundation, Temasek Foundation and St. Luke's Medical Center. Mr. Tan Caktiong obtained his Bachelor of Science Degree in Chemical Engineering from University of Santo Tomas and honed his business skills by attending various courses and seminars in several educational institutions including, among others, the Asian Institute of Management, Stanford University (Singapore) and Harvard University.



**ALFRED V. TY • 47, FILIPINO**

Independent director of PLDT since June 13, 2006. He serves as an independent member of the Audit, Governance and Nomination and Executive Compensation Committees of the Board of Directors of PLDT. He is the Vice Chairman of GT Capital Holdings, Inc. and the Corporate Secretary of Metropolitan Bank and Trust Co., both of which are PSE-listed companies. He is also the Vice Chairman of Toyota Motor Philippines Corp., the President of Federal Land, Inc., the Chairman of Lexus Manila, Inc. and Bonifacio Landmark Realty & Development Corp., a director of Global Business Power Corp. and Cathay International Resources, Inc., a trustee of Metrobank Foundation, Inc., Norberto Tytana Foundation and GT-Metro Foundation, Inc. He is a Honorary Consul of the Consulate of Uruguay. Mr. Ty received his Bachelor of Science Degree in Business Administration from the University of Southern California.



ADVISORY BOARD



OSCAR S. REYES

ROBERTO R. ROMULO

BENNY S. SANTOSO

WASHINGTON Z. SYCIP

ORLANDO B. VEA

CHRISTOPHER H. YOUNG

## PLDT KEY OFFICERS



### ERNESTO R. ALBERTO • 54, FILIPINO

Appointed as Enterprise, International and Carrier Business Head in September 2011. Prior to that, he was the Customer Sales and Marketing Group Head since February 2008. He leads all revenue generation relationship initiatives of the Enterprise and International and Carrier Business, including product/market development, product management, marketing, sales and distribution, and customer relationship management. He is the Chairman and President of Telesat, Inc., the President and CEO of ePLDT, the Chairman of ABM Solutions, Inc., Acasia, Bonifacio Communications Corp. (Bonifacio Communications), ePDS, Inc., iPlus Intelligent Network, Inc., PLDT Clark Telecom, Inc. (PLDT ClarkTel), PLDT Subic Telecom, Inc., (PLDT SubicTel) and Smart-NTT Multimedia, Inc., a director of Asean Telecoms Holdings, Mabuhay Investments, PLDT Global Corp. (Philippines and Malaysia), PLDT-Philcom, Inc. (PLDT-Philcom), PLDT-Maratel, Inc. (PLDT Maratel) and IP Converge Data Services, Inc. Mr. Alberto 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 Corp. Mr. Alberto obtained his Master's Degree in Economic Research from the University of Asia and the Pacific.

### RENE G. BAÑEZ • 60, FILIPINO

Supply Chain, Asset Protection and Management Group Head, was the Chief Governance Officer of PLDT from October 2004 to March 3, 2008 and the Support Services and Tax Management Group Head of PLDT from January 1999 to January 2001. He is director of FEP Printing Corp., Meralco Industrial Engineering Services Corp., PLDT ClarkTel, PLDT SubicTel, PLDT Maratel and PLDT Philcom. He served as Commissioner of the Philippine Bureau of Internal Revenue from February 2001 to August 2002. Prior to joining PLDT, he was the Group Vice President for Tax Affairs of Metro Pacific Corp. for three years until December 1998. He obtained his Bachelor of Laws Degree from the Ateneo de Manila University.





**FROM LEFT:**  
 JUNE CHERYL A. CABAL-REVILLA  
 NAPOLEON L. NAZARENO  
 RAY C. ESPINOSA  
 ANABELLE L. CHUA  
 ALEJANDRO O. CAEG  
 MA. LOURDES C. RAUSA-CHAN  
 ERNESTO R. ALBERTO  
 RENE G. BAÑEZ  
 JUN R. FLORENCIO  
 ISAIAS P. FERMIN  
 MENARDO G. JIMENEZ, JR.

**JUNE CHERYL A. CABAL-REVILLA**  
 • 41, FILIPINO

Controller and Financial Reporting and Controllershship Head, is also a director and/or the Chief Financial Officer/Treasurer of several subsidiaries of PLDT including PLDT ClarkTel, PLDT SubicTel, PLDT-Philcom, PLDT-Maratel, Digitel, ePLDT, Telesat, Inc., Mabuhay Investments, PLDT-SNMI, Pilipinas Global Network Limited, Pacific Global One Aviation and PLDT Global Corp., among others. She is also the Chief Financial Officer of Cignal, Treasurer of PLDT-Smart Foundation, Inc. and the Philippine Disaster Recovery Foundation, Comptroller of First Pacific Leadership Academy 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 SGV & Co. Ms. Cabal-Revilla obtained her Bachelor of Science Degree in Accountancy from De La Salle University and Master's Degree in Business Management Major in Finance from Asian Institute of Management.

**ALEJANDRO O. CAEG • 55, FILIPINO**

President and CEO of PLDT Global Corp. and concurrently the Head of PLDT, Smart, Digitel and Sun International & Carrier Business. He is Smart's representative to the Conexus Mobile Alliance (one of Asia's largest cellular roaming alliances), where he was also designated as its Deputy Chairman until 2012 and Conexus Chairman until 2014. Prior to joining PLDT in 2009, he worked in PT Smart Telecom (Indonesia) as its Chief Commercial Strategy Officer from July 2008 to December 2008 and as Chief Commercial Officer from January 2006 to June 2008. He also held various sales, marketing and customer service-related positions in Smart including that of Group Head of Sales and Distribution (2003-2005), Group Head of Customer Care and National Wireless Centers (1998-2001) and Marketing Head of International Gateway Facilities and Local Exchange Carrier (1997-1998). He also served as President and 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. Mr. Caeg graduated with a Bachelor's Degree in AB Applied Economics and obtained MBA credits from De La Salle University Manila.

**ANABELLE L. CHUA • 54, FILIPINO**

Treasurer and Corporate Finance and Treasury Head, concurrently holds the position of Chief Financial Officer of Smart since 2006 and of Digitel Mobile since August 2013. She holds directorships in Philippine Telecommunications Investment Corp., Smart, Digitel, Beacon and several subsidiaries of PLDT, Smart and Digitel including ePLDT, Digitel Mobile, Aces Philippines, Mabuhay Investments, PLDT Global Corp., PLDT Global Investments, PLDT Digital Investments Pte Ltd., PCEV, Smart Broadband, Inc., Smart e-Money, Inc., Voyager Innovations, Inc. and Chikka Holdings, Ltd. She is a member of the Board of Directors of Philippine Stock Exchange and Securities Clearing Corp. of the Philippines and the Board of Trustees of the PLDT-Smart Foundation and PLDT Beneficial Trust Fund, a director and Chief Financial Officer of MediaQuest and several



subsidiaries of MediaQuest, and a member of the Finance and Audit Committees of the Board of Directors of Meralco. Ms. Chua 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. Ms. Chua graduated magna cum laude from the University of the Philippines with a Bachelor of Science Degree in Business Administration and Accountancy.

**ISAIAS P. FERMIN • 47, FILIPINO**

Designated, on January 1, 2012, as Executive Vice President and Head of Home Business of the PLDT Group. He is responsible for delivering revenue and profit growth for the Home Business through a much defined brand positioning that consistently engages the consumer in all touch points, a balanced product portfolio that propels both subscriber and ARPU growth and introduction of a new line of products and services that significantly

improves the consumer use experience. Concurrently, he is the Chairman of the Board of Directors PLDT Philcom and PLDT Maratel, the Chief Operating Officer of Digitel and a director of PLDT Global Corp. Mr. Fermin has over 20 years of experience covering general management, consumer marketing, wholesale and retail sales, and retail store management gained from leading fast moving consumer group companies locally and globally. Prior to joining the PLDT Group, he was the President of Greenwich Food Corp. and Chowking Food Corp. of the Jollibee Foods Corp. from 2008 to 2011. He also served as Country Director of Nike Philippines from 2006 – 2008 and handled various posts in Unilever–Bestfoods from 1998 to 2005 as senior executive for sales, marketing, media and innovation process management. Mr. Fermin obtained his Bachelor of Science Degree in Chemical Engineering from the University of the Philippines.

**JUN R. FLORENCIO • 59, FILIPINO**

Internal Audit and Fraud Risk Management Head, handles the overall coordination of the internal audit function of the PLDT Group of companies and is in-charge of the fraud risk management function of the PLDT Fixed Line business. He 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. Mr. Florencio obtained his Bachelor of Science Degree in Commerce, Major in Accounting from the University of Santo Tomas and attended the Management Development Program of the Asian Institute of Management.

**JOINT EXECUTIVE COMMITTEE AND KEY ADVISORS**



**SEATED, FROM LEFT:** JUN R. FLORENCIO, ERNESTO R. ALBERTO, LAWRENCE T. GOH  
**STANDING, FROM LEFT:** MARIO G. TAMAYO, ALEJANDRO O. CAEG, MASAHIKI TSUCHIYA (ADVISOR), NAPOLEON L. NAZARENO, MA. LOURDES C. RAUSA-CHAN



**MENARDO G. JIMENEZ, JR. • 52, FILIPINO**

Human Resources Group Head, and concurrently Fixed Line Business Transformation Office Head, was Revenue Team Head of the Business Transformation Office from January 2008 to July 2010, the Retail Business Head of PLDT from June 2004 to December 31, 2007 and, prior to that, the Corporate Communications and Public Affairs Head. His directorships include Smart, Telesat, Inc., Smart-NTT Multimedia, Inc., PLDT-Philcom, PLDT Maratel, PLDT ClarkTel and PLDT SubicTel. Prior to joining PLDT, he had a stint at GMA Network, Inc., where he served as head of creative services and network promotions. Mr. Jimenez obtained his AB Economics Degree from the University of the Philippines.

**CHRISTOPHER H. YOUNG • 57, BRITISH**

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



**SEATED, FROM LEFT:** CHRISTOPHER H. YOUNG (ADVISOR), ISAIAS P. FERMIN, EMMANUEL RAMON C. LORENZANA  
**STANDING, FROM LEFT:** ANABELLE L. CHUA, ORLANDO B. VEA, CHARLES A. LIM, MENARDO G. JIMENEZ, JR., RENE G. BAÑEZ, SETSUYA KIMURA (ADVISOR), RAY C. ESPINOSA

## PLDT OFFICERS

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

**Napoleon L. Nazareno**  
President and CEO

**Ernesto R. Alberto**  
EVP, Enterprise, International  
and Carrier Business

**Isaias 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

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

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

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

**Katrina L. Abelarde**  
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**  
FVP, Corporate Business

**Florentino D. Mabasa, Jr.**  
FVP, Legal Services / Assistant Corporate  
Secretary

**Leo I. Posadas**  
FVP, Treasury

**June Cheryl A. Cabal-Revilla**  
FVP, Financial Reporting and Controllershship

**Oscar Enrico A. Reyes, Jr.<sup>2</sup>**  
FVP, Office of the President and CEO

**Martin T. Rio**  
FVP, Property and Facilities Management

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

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

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

**Miguela F. Villanueva<sup>1</sup>**  
FVP, Cost and Valuation

**Raul S. Alvarez**  
VP, HOME Marketing Support

**Jose A. Apelo<sup>1</sup>**  
VP, Fixed Service Quality Management

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

**Marco Alejandro T. Borlongan**  
VP, Customer Service Operations and  
Support Management.

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

**Gerardo Jose V. Castro**  
VP, Luzon Customer Service  
Operations District

**Gene S. De Guzman**  
VP, Enterprise Service Assurance Management

**Rebecca Jeanine R. De Guzman<sup>3</sup>**  
VP, HOME Customer Care and Sales Support

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

**Margarito G. Dujali, Jr.**  
VP, HOME Marketing

**Walter M. Gaffud**  
VP, HOME Sales and Distribution

**Gil Samson D. Garcia**  
VP, Revenue Management and  
Cash Assurance

**Joseph Ian G. Gendrano**  
VP, Corporate Relationship Management A

**Elisa B. Gesalta**  
VP, Buildings and Enterprise Access Network  
Project Management

**John John R. Gonzales**  
VP, Corporate Relationship Management F

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

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

**Emeraldo L. Hernandez**  
VP, Technical Operations Centre

**Marven S. Jardiel**  
VP, Enterprise Operations Support and  
Readiness

**Princesita P. Katigbak**  
VP, Corporate Relationship Management E

**Alexander S. Kibanoff**  
VP, Organization Development

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

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

**Joselito S. Limjap**  
VP, ICT Research and Development

**Albert Mitchell L. Locsin**  
VP, Corporate Relationship Management C

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

**Paolo Jose C. Lopez<sup>4</sup>**  
VP, HOME Sales and Service Centre and  
Retention Management

**Ma. Carmela F. Luque**  
VP, Financial and Corporate Audit

**Oliver Carlos G. Odulio**  
VP, Asset Protection and Risk Management

**Aileen D. Regio**  
VP, Supply Chain Planning and Procurement

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

**Genaro C. Sanchez**  
VP, International Network

**Ana Maria A. Sotto**  
VP, Enterprise Customer Experience  
Management

**Julieta S. Tañeca**  
VP, Consumer Business Systems Support  
Management

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

**Patrick S. Tang**  
VP, HOME Voice Solutions

**Victor Y. Tria**  
VP, Corporate Relationship Management D

<sup>1</sup> Separated effective May 1, 2015.

<sup>2</sup> Appointed effective February 1, 2015.

<sup>3</sup> Separated effective March 16, 2015.

<sup>4</sup> Promoted effective January 27, 2015.