

THE PLDT GROUP

Corporate Governance Report

Corporate Governance is the cornerstone of our strategy. It ensures that our business environment breeds a culture of good governance, excellence and commitment to achieve our Mission and strategic objectives. It entails working together in order to secure sustainable value for the Company to the benefit of our stakeholders. In the PLDT Group, corporate governance is everyone's business - the Board, Management and employees, who have pledged to uphold the Company's core principles of integrity, accountability, fairness, and transparency in all business dealings and transactions.

PLDT follows the corporate governance standards prescribed by Philippine law and rules and regulations of the Philippine Securities and Exchange Commission (PSEC) and the Philippine Stock Exchange (PSE). As a foreign private issuer with American Depositary Shares listed and traded in the New York Stock Exchange (NYSE), PLDT also complies with certain governance standards laid out in the relevant laws of the U.S. and rules and regulations of the U.S. Securities and Exchange Commission (US SEC) and NYSE. Being an associated company of First Pacific Company Ltd., a company listed in the Hong Kong Stock Exchange, PLDT also benchmarks with the governance standards of Hong Kong.

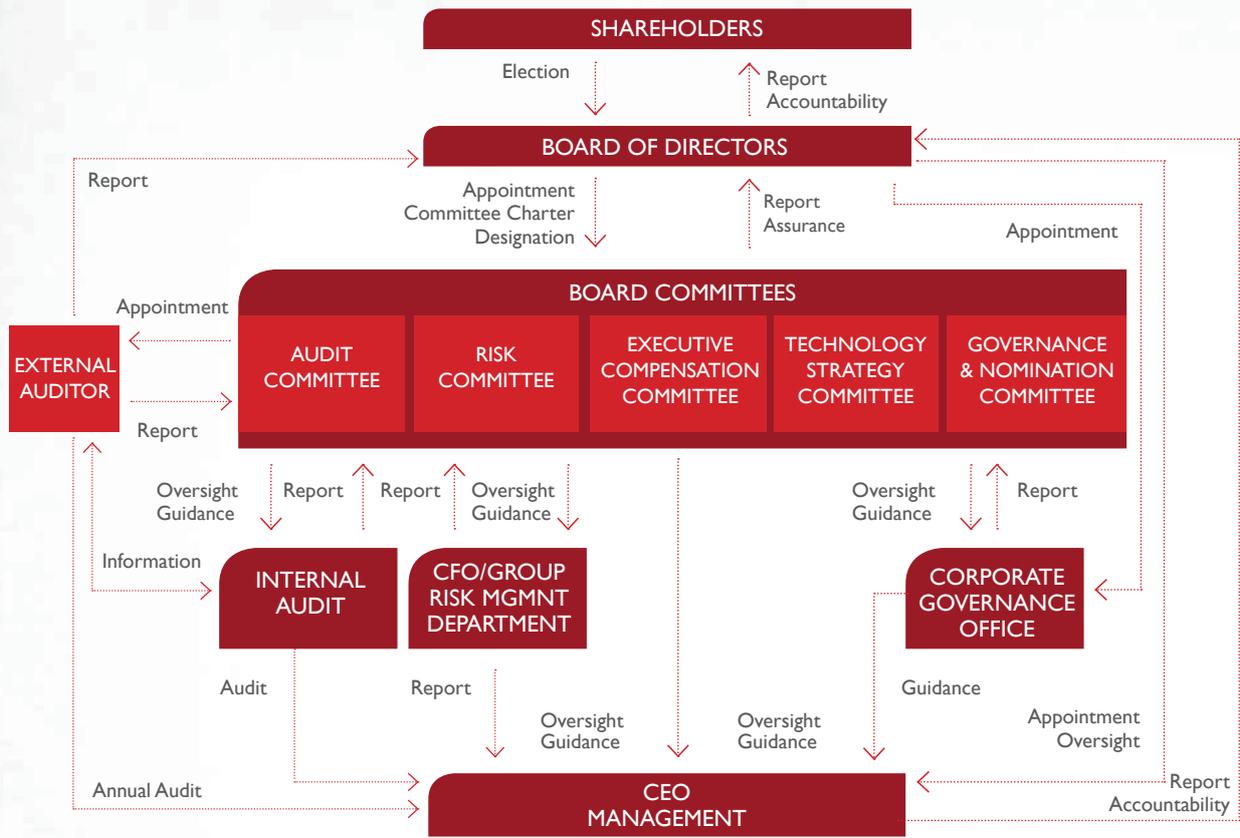
PLDT's corporate governance framework is embodied in the integrated system of governance structures, policies and processes set forth in PLDT's Articles of Incorporation, By-Laws, Manual on Corporate Governance (CG Manual), Code of Business Conduct and Ethics (Code of Ethics) and Corporate Social Responsibility Statement. Our business principles are threshed out in implementing policies including the Supplier/Contractor Relations Policy, Conflict of Interest Policy, Expanded Whistleblowing Policy, Policy on Gift-Giving Activities, Policy on Gifts, Entertainment and Sponsored Travel, Guidelines on Related Party Transactions, and Disclosure Rules, among others.

On May 12, 2017, the Board of Directors approved the Company's new CG Manual which contains most of the governance standards and best practices recommended in the Code of Corporate Governance for Publicly-Listed Companies issued by the PSEC on November 22, 2016 (the "New CG Code").

HIGHLIGHTS IN 2017

- Board Charter and Board Diversity Policy
- New Corporate Governance Manual
- Annual Stockholders' Meeting
- 12 Board Meetings and 29 Board Committee Meetings
- Training on Governance and Customer Experience; People and Culture Transformation Strategies; Risks and Strategies in the Digital Age
- Transformation Incentive Plan

CORPORATE GOVERNANCE & COMPLIANCE SYSTEM



BOARD OF DIRECTORS

Charter

Our Board of Directors (“Board”) adopted its Charter on November 9, 2017. The Charter is intended to serve as guide for the Board and each director in performing their functions and fiduciary duties.

Duties and Responsibilities

The primary responsibility for ensuring good corporate governance in PLDT is vested in our Board. As the body entrusted with authority to act for and on behalf of the Company, acts of the Board are expressions of the Company’s will, including its exercise of the corporate powers, conduct of business and control of the properties of the Company. Directors are expected to perform their duties diligently and in good faith and devote sufficient time and attention for such purpose. The Board and the directors are bound to act in the best interest of the Company and for the common benefit of its stockholders and other stakeholders.

To ensure a high standard of governance for the Company, the Board performs the following functions and duties with the assistance of the Board Committees:

- Corporate Governance.** The Board, with the assistance of the Governance and Nomination Committee, establishes the Company’s corporate governance framework and policies and oversees their implementation.
- Determination and review of Company’s Vision, Mission and strategic objectives.** The Board, in coordination with Management, determines the Vision, Mission and strategic objectives of the Company and reviews the same annually in relation to corporate performance in its annual strategic planning session with Management.
- Management oversight.** The Board exercises oversight on Management in its execution of the strategic direction and implementation of the policies set by the Board.
- Corporate Social Responsibility and Stakeholder engagement.** The Board oversees the Company’s stakeholder engagement and corporate social responsibility programs. It ensures that the Company has an investor relations program and programs for engagement and communication with sectors of the community in which the Company operates, including the Company’s disclosure of material and reportable information regarding non-financial and sustainability issues, with focus on the management of economic, environmental, social and governance (EESG) issues of the business.
- Financial reporting, internal control, internal audit and independent audit.** The Board, with the assistance of the Audit Committee, carries out its oversight responsibilities for the Company’s financial reporting, internal control system, internal audit and independent audit mechanisms.

- **Enterprise risk management.** The Board, with the assistance of the Risk Committee, fulfills its oversight responsibilities for the Company's assessment and management of enterprise risks, and reviews and discusses with Management the Company's major risk exposures and the corresponding risk mitigation measures.
- **Technology.** The Board, with the assistance of the Technology Strategy Committee, reviews and approves the Company's technology strategy and roadmap and capital expenditures for network and technology.
- **Succession planning, professional development and executive compensation.** The Board, through its Executive Compensation Committee, reviews the criteria for employment and promotion and professional development plans for Senior Management, keeps track of their performance, and evaluates their potential career paths. To facilitate the succession planning process within the PLDT Group, a succession planning process referred to as the Leadership Succession Planning and Development has been established. The Board is assisted by the Executive Compensation Committee in developing the compensation philosophy or policy consistent with the culture, strategy and control environment of the Company.
- **Selection process for directors and appointment of officers.** The Board, with the assistance of the Governance and Nomination Committee, implements a selection process to ensure that the Board has an effective and balanced mix of knowledge, expertise, experience and diversity in terms of, among others, age, gender and ethnicity, and reviews the qualifications of officers to be appointed.
- **Annual Board assessment.** The Board conducts an annual self-assessment to evaluate the performance of the Board as a whole, the Board Committees and the individual directors. Each Board Committee also conducts an annual self-assessment of its performance.

Our Board and our directors 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.

Board Diversity

The Company recognizes that diversity at the Board level in a broad range of aspects including, but not limited to, knowledge, skills, professional or business experience, cultural and educational background, ethnicity, gender, age, length of service, and mix of executive, non-executive and independent directors, contributes to the enhancement of the quality of performance and decision-making capability of the Board. It also considers having an optimally performing diverse Board as an essential element for the attainment of the Company's strategic objectives and its sustainable development. Accordingly, on November 9, 2017, the Board approved the Company's Board Diversity Policy. This policy provides that without infringing the cardinal right of the stockholders to nominate and vote for the election of directors, the Governance and Nomination Committee and the Board shall consider the appropriate mix, complementation and interplay of the various diversity aspects in the selection of qualified director-nominees, including independent director-nominees, who will be recommended for election by the stockholders or the Board, as the case may be, for the Company to achieve the benefits of Board diversity as well as to fairly and effectively promote the interest of all the stakeholders, particularly the long term interest of the stockholders of the Company.

For the purpose of selecting the members of our Board, the Governance and Nomination Committee follows the Company's *Guidelines on the Search, Screening and Selection of Directors* and *Screening Checklist* which contain, among others, the criteria and qualifications for directorship and a matrix on the skills, expertise and experience relevant to the responsibilities of the Board, and considers other relevant factors, such as conflict of interest and directorships and/or positions in other corporations. The process ensures that the selection of directors and independent directors is aligned with the Board Diversity Policy and the Company's Mission, Vision and strategic objectives.

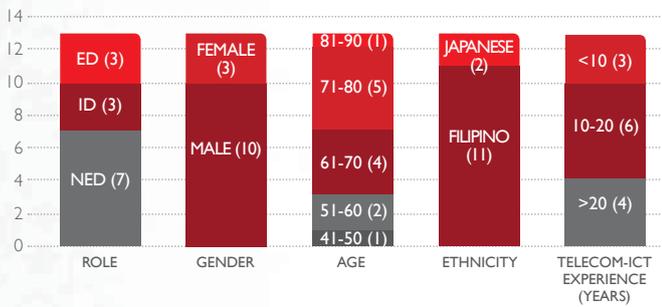


Composition

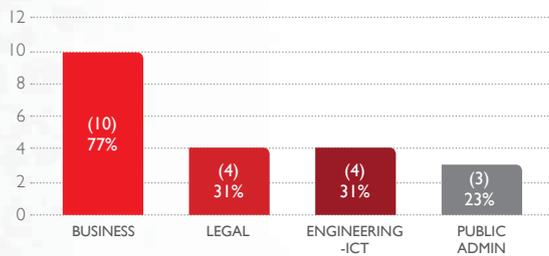
Our Board is composed of 13 members, with 3 independent directors, 7 non-executive directors and 3 executive directors. Three directors are female and two are Japanese citizens. All the members of our Board are qualified and competent directors with diverse and complementing skills, expertise, experience and knowledge which enrich the collective processes and practices of our Board. Our directors have extensive experience in their respective fields or industries, such as telecommunications, Information and Communication Technology (ICT), business processing, infrastructure, power, banking, insurance, real property development, retail and agriculture businesses, law and public administration. At least three of our non-executive directors have extensive experience in the telecommunications industry.



Board Composition



Directors' Professional Background



Independent Directors. Our independent directors, namely, former Supreme Court Chief Justice Artemio V. Panganiban, Mr. Pedro E. Roxas and Mr. Bernido H. Liu, were selected pursuant to the specific independence criteria set out under applicable laws and rules, our By-Laws and 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 could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company." More specific independence standard criteria are enumerated in our By-Laws and CG Manual.

Chairman. The Chairman provides leadership for the Board and ensures that the Board works effectively and performs its duties responsibly. He presides and facilitates discussions in Board meetings focusing on strategic matters, risk management, key issues and governance concerns that will affect the business operations.

The incumbent Chairman, Mr. Manuel V. Pangilinan, concurrently holds the position of President and CEO since January 1, 2016. With the guidance of the Governance and Nomination Committee, Mr. Pangilinan is managing the search for a new President and CEO of PLDT. Meanwhile, the Board is assured of the benefit of independent views with the checks and balances in place: (i) clearly defined duties and responsibilities of the Chairman and the President & CEO in the By-Laws, CG Manual and Board Charter; (ii) independent Board oversight, supported by 3 independent directors, 7 non-executive directors, Audit Committee composed entirely of independent directors, and Governance and Nomination Committee, Executive Compensation Committee and Risk Committee with independent directors constituting majority of their respective voting members; and (iii) Company policies and procedures which have been established to manage conflicts of interests.

Directorships in other 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. 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.

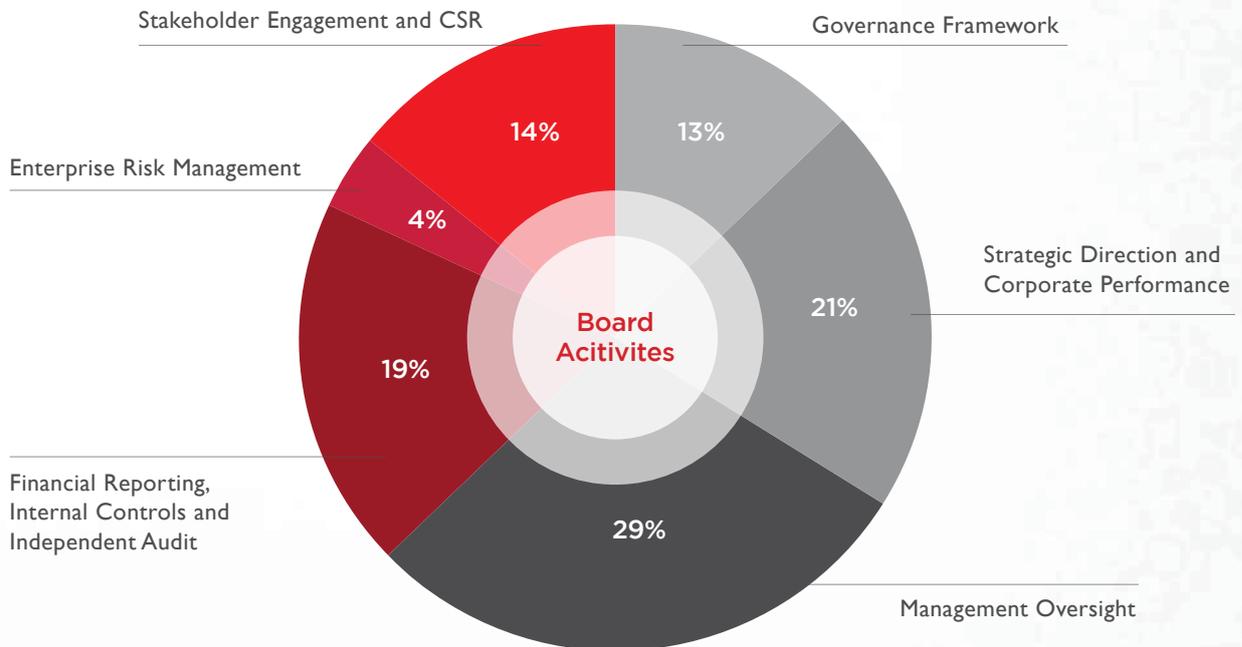
Meetings

Our Board meets, more or less, on a monthly basis, in accordance with the schedule of meetings that it sets at the end of the preceding year. Invariably, some of these meetings are devoted to the review and/or approval of the Company's Vision and Mission, the strategic plans and budget, business operations updates, network and technology updates, capital expenditures and investments, risk management reports and CSR programs. Once every quarter, our Board reviews the quarterly financial reports.

In 2017, our Board held 12 meetings (9 regular Board meetings, 2 special Board meetings and 1 organizational Board meeting). In each meeting, a quorum of at least two-thirds of the Board members, including at least one independent director, was present. All independent directors were present in the Annual Stockholders' Meeting held on June 13, 2017. The respective Chairmen of the Audit, Governance and Nomination, Executive Compensation, Risk, and Technology Strategy Committees were likewise present in the said meeting.

The Board holds executive sessions with the independent directors and non-executive directors, excluding executive directors, at least once a year and at such other times as the Board may deem necessary or appropriate. The Board held one executive session in 2017.

Compensation. All our directors are entitled to a per diem of Php250 thousand for attendance in each Board meeting and Php125 thousand for attendance in each meeting of the Board Committees in which some of them are members. Save for our executive directors, our directors do not receive stock options, performance incentives, bonuses or any other form of compensation from the Company.



ATTENDANCE IN BOARD MEETINGS AND ANNUAL STOCKHOLDERS' MEETING

Director	Designation	Board Meetings	Annual Stockholders' Meeting
Manuel V. Pangilinan	Executive Director	12/12	✓
Ray C. Espinosa	Executive Director	11/12	✓
Ma. Lourdes C. Rausa-Chan	Executive Director	12/12	✓
Bernido H. Liu	Independent Director	12/12	✓
Artemio V. Panganiban	Independent Director	12/12	✓
Pedro E. Roxas	Independent Director	12/12	✓
Helen Y. Dee	Non-Executive Director	11/12	✓
James L. Go	Non-Executive Director	12/12	✓
Shigeki Hayashi	Non-Executive Director	5/5	--
Hideaki Ozaki	Non-Executive Director	7/7	✓
Albert F. del Rosario	Non-Executive Director	12/12	✓
Atsuhisa Shirai	Non-Executive Director	12/12	✓
Amado D. Valdez	Non-Executive Director	11/12	✓
Marife B. Zamora	Non-Executive Director	12/12	✓

BOARD REMUNERATION IN 2017 (IN PHP)

Director	Remuneration for ASHM and Board Meetings Attended	Remuneration for Committee Meetings Attended	Total
Executive Directors			
Manuel V. Pangilinan	2,750,000	1,625,000	4,375,000
Ray C. Espinosa	2,500,000	750,000	3,250,000
Ma. Lourdes C. Rausa-Chan	2,750,000	750,000	3,500,000
Independent Directors			
Bernido H. Liu	2,750,000	2,500,000	5,250,000
Artemio V. Panganiban	2,750,000	2,875,000	5,625,000
Pedro E. Roxas	2,750,000	2,500,000	5,250,000
Non-executive Directors			
Helen Y. Dee	2,500,000	--	2,500,000
James L. Go	2,750,000	2,500,000	5,250,000
Hideaki Ozaki	1,500,000	--	1,500,000
Shigeki Hayashi	1,250,000	--	1,250,000
Albert F. del Rosario	2,750,000	750,000	3,500,000
Atsuhisa Shirai	2,750,000	3,500,000	6,250,000
Amado D. Valdez	2,500,000	--	2,500,000
Marife B. Zamora	2,750,000	--	2,750,000
Total	35,000,000	17,750,000	52,750,000

* Only one *per diem* was given to directors for attendance in the Annual Stockholders' Meeting, Regular Meeting and Organizational Meeting on June 13, 2017.

Training

The Board keeps abreast of industry developments, business trends and legal requirements relevant to the Company and its operations. In this regard, the Company conducts regular and continuing training for its directors, including PLDT's Annual Corporate Governance Enhancement Session which provides an opportunity for its leadership to engage in discussion with international and local experts on selected topics, including emerging technologies, new laws, and best business practices. In 2017, the Company organized an Annual Corporate Governance Enhancement Session for its directors and officers on: (i) *Governance & Customer Experience: A Survey of Global Customer Experience Strategies*, (ii) *People and Culture Transformation Strategies in the Digital Age*, and (iii) *Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture*.

For the orientation of new directors, the Chairman, President and CEO, Chief Financial Officer, Corporate Secretary and Chief Governance Officer give 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 corporate documents, including the Company's Articles, By-Laws, Annual Report, CG Manual, Code of Ethics, and the Charters of the Board Committees. Updates on business and governance policies and requirements principally from the PSEC, PSE, US SEC, and NYSE, and new laws applicable or relevant to the Company and its business, particularly on financial reporting and disclosures and corporate governance, are presented in Board meetings and/or furnished to the directors.

BOARD TRAINING

Program	Date of Training	Training Institution/Speaker	Name of Director
Governance & Customer Experience: A Survey of Global Customer Experience Strategies	September 7, 2017	Ralph W. Brunner Chief Customer Experience and Data Analytics Advisor, PLDT Inc. & SMART Communications, Inc.	Manuel V. Pangilinan Albert F. del Rosario Bernido H. Liu Ma. Lourdes C. Rausa-Chan
People and Culture Transformation Strategies in the Digital Age		Maria Elizabeth S. Sichon Chief People and Culture Officer, PLDT Inc. & SMART Communications, Inc.	Pedro E. Roxas Atsuhisa Shirai Marife B. Zamora
Charting the Digital Age, its Risks and Strategies, through Governance, and a Responsive Corporate Culture		Aaron Dignan Founder, The Ready	
5th Annual GGAPP Forum on Good Governance, Ethics and Compliance	May 24, 2017	Good Governance Advocates and Practitioners of the Philippines (GGAPP)	Albert F. del Rosario
Corporate Governance Seminar	August 9, 2017	SGV & Co.	Artemio V. Panganiban
Cybersecurity Seminar with Anti-Money Laundering Updates	September 26, 2017	Rizal Commercial Banking Corporation	Helen Y. Dee
Corporate Governance Seminar	December 6, 2017	SGV & Co.	Shigeki Hayashi
Corporate Governance & AMLA Seminar: Updates on Corporate Governance Regulatory Developments in 2016 & Pointers to Ensure Effective Corporate Governance	December 20, 2017	Catherine N. Saplala Former Director, Investments & Research Dept. Securities and Exchange Commission	Ray C. Espinosa
Corporate Governance & AMLA Seminar: Corporate Risk Management – An Effective Framework in Corporate Governance		Mercedes B. Suleik Former Deputy Director, Bangko Sentral ng Pilipinas; Former Vice-President, Development Bank of the Philippines	
Corporate Governance & AMLA Seminar: Compliance with Anti-Money Laundering Law		Richard David C. Funk II Former Deputy Director/Head, Compliance & Investigation Group Anti-Money Laundering Secretariat, Bangko Sentral ng Pilipinas	

Board Assessment

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. This process enables the Board to identify its strengths and areas for improvement and elicit individual directors' feedback and views on the Company's strategies, performance and future direction. Each Board Committee also conducts an annual self-assessment of its performance. The Board assessment process is further discussed under the Section Monitoring and Evaluation of this report.

BOARD COMMITTEES

Advisory Committee

Our Board is supported by an Advisory Committee that provides guidance and suggestions, as necessary, on matters deliberated upon during Board meetings. Our Advisory Committee is composed of Mr. Roberto R. Romulo, Mr. Benny S. Santoso, Mr. Orlando B. Vea, Mr. Christopher H. Young, Mr. Oscar S. Reyes and until October 7, 2017, Mr. Washington Z. SyCip.

PLDT's other Board Committees, namely Audit, Governance and Nomination, Executive Compensation, Risk, and Technology Strategy Committees assist the Board in the performance of its functions and responsibilities. The respective charters of the Board Committees provide that each shall have the necessary resources and authorities to discharge their responsibilities, including obtaining external legal or professional advice.

Audit Committee (AC)

The Audit Committee assists the Board in fulfilling its oversight responsibility for: (i) accounting and financial reporting principles and policies, system of internal controls and the integrity of financial statements; (ii) compliance with legal and regulatory requirements; and (iii) the performance of the internal audit organization and the external auditors.

Our AC is composed of three members, all of whom are independent directors. The Audit Committee members are former Supreme Court Chief Justice Artemio V. Panganiban, Mr. Bernido H. Liu and Mr. Pedro E. Roxas who is the chairman of this committee. All members of our Audit Committee are financially literate. The Audit Committee has four advisors, namely, Mr. Atsuhisa Shirai and Mr. James L. Go, non-executive members of our Board; Mr. Roberto R. Romulo, a member of our Advisory Committee; and Ms. Corazon S. de la Paz-Bernardo, a former member of our Board. Ms. Corazon S. de la Paz-Bernardo has expertise in accounting and financial management and is a former Chairman and Senior Partner of Joaquin Cunanan & Company, now Isla Lipana & Co., a member firm of Pricewaterhouse Coopers.

The charter of the AC may be viewed and downloaded from the PLDT website through the following link: <http://pldt.com/docs/default-source/corporate-governance-files/committee-charter/amended-ac-charter-jan22-2018.pdf>. The purposes, duties and powers of the AC are set forth in its charter.

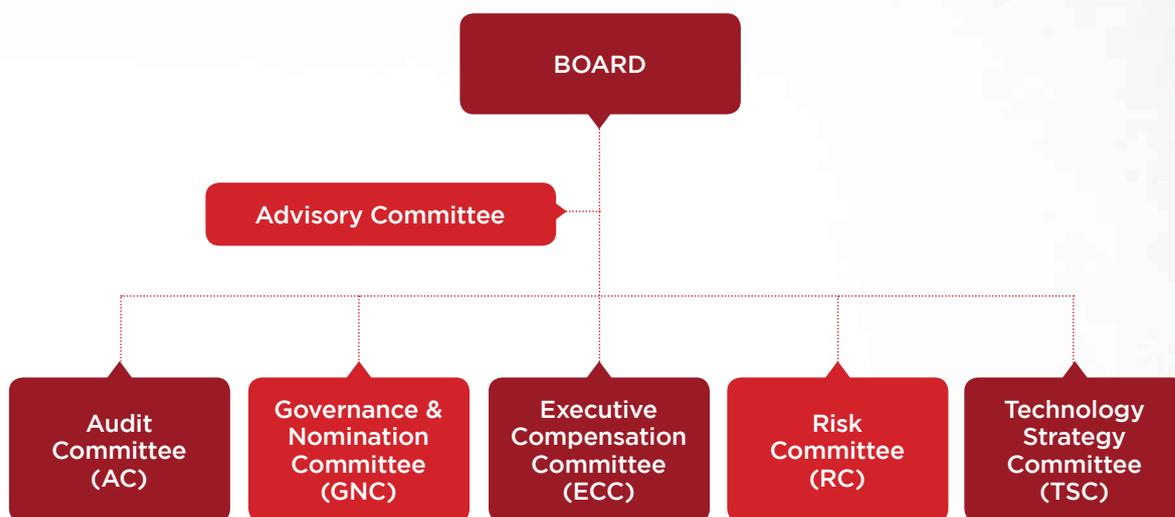
Activities of the AC in 2017 include the following:

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

- SGV & Co.'s report on the results of its integrated audit of the 2016 financial statements of PLDT and its subsidiaries which were 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) based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 (COSO IC-IF 2013);
- SGV & Co.'s required communications to the AC, including their independence from PLDT, within the meaning of the US Securities Exchange Act and Philippine Securities Regulation Code;
- Various audit, audit-related and non-audit services and fees of SGV & Co. and EY for PLDT and its subsidiaries;
- Evaluation, re-appointment and engagement of SGV & Co. as PLDT's external auditor for the year 2017;
- SGV & Co.'s integrated plan for the audit of PLDT's and its subsidiaries' financial statements and review of ICFR; and
- Non-audit engagements of SGV & Co., Ernst & Young LLP (Singapore) and Ernst & Young Myanmar (EY Myanmar) in 2017.

With respect to the Internal Audit group, the AC discussed, reviewed and approved, or noted:

- PLDT Internal Audit and Fraud Risk Management Group's (IAFRMG) performance report for the year 2016;
- 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;
- Internal Audit's report on PLDT Group's Sarbanes-Oxley Act – Section 404 (SOX 404) Compliance for 2016 and Management's Overall Assessment and Conclusions regarding ICFR as of December 31, 2016;
- Periodic status report on: (i) the PLDT Group's readiness for SOX 404 compliance as of yearend 2016 and as of yearend 2017; (ii) PLDT IAFRMG's major internal audit and fraud risk management activities and accomplishments and organizational updates; (iii) Smart Communications, Inc. (Smart) and Digitel Mobile Philippines, Inc. (DMPI) Internal Audit's major internal audit activities and accomplishments; (iv) PayMaya Internal Audit's major internal audit activities and accomplishments;



ADVISORY COMMITTEE MEETINGS			
Members	Designation	No. of Board Meetings	Annual Stockholders' Meeting
Oscar S. Reyes	Advisor	12/12	✓
Roberto R. Romulo	Advisor	12/12	✓
Benny S. Santoso	Advisor	12/12	✓
Washington Z. SyCip	Advisor	8/9	✗
Orlando B. Vea	Advisor	12/12	✓
Christopher H. Young	Advisor	12/12	✓

- The Group-wide Internal Audit Plan for 2018, jointly with the Smart and Digital Audit Committees; and
- Revised PLDT Internal Audit Charter which was subsequently endorsed to and adopted by the Board.

The AC also conducted an evaluation of the qualifications and performance of the incumbent Head of the Internal Audit organization and resolved to re-appoint Mr. Jun R. Florencio as Chief Audit Officer/Internal Audit Head. With respect to financial reporting and controls, the AC reviewed and discussed the following with PLDT Finance Officers and SGV & Co.:

- PLDT's audited financial statements for 2016 prepared in accordance with PFRS and IFRS, and the related party and significant unusual transactions during the period; final results and report of SGV & Co. on its integrated audit of 2016 PFRS and IFRS financial statements and ICFR; PLDT's 2016 Annual Report on Form 17-A (for PSEC filing) and Annual Report on Form 20-F (for US SEC filing); and

- PLDT's unaudited consolidated financial results and reports for the three months ended March 31, 2017, the six months ended June 30, 2017, and the nine months ended September 30, 2017, and the related party and significant unusual transactions during the period.

Relative to governance, general internal controls and risk management process, the AC discussed and noted, or reviewed and approved the:

- Summary results of the AC's Self-Assessment and Performance Evaluation for 2016;
- AC's Report which was included in the 2016 Annual Report;
- Draft of the revised AC Charter which was endorsed to the PLDT Board for approval and adoption;

- Corporate Governance Office (CGO)'s Group-wide Whistleblowing Status Reports on whistleblowing complaints as of March 31, 2017, June 30, 2017, and September 30, 2017;
- Results of the special review of the investment of PLDT Beneficial Trust Fund in MediaQuest Holdings Inc. conducted by Mrs. Corazon S. de la Paz-Bernardo, Audit Committee Adviser; and the AC Recommendation/Resolution Memo regarding the results of such special review for endorsement to the PLDT Board;
- The materials for the 2017 annual stockholders' meeting (Notice and Agenda, Information Statement/Proxy Form), the status of the Company's compliance with regulations and applicable laws, and updates on significant legal matters presented by the Corporate Secretary, Chief Legal Counsel and Chief Governance Officer;
- The PLDT Group Enterprise Risk Management (ERM) Officer's updates on ERM activities, processes, and coverage;
- Business and operational unit heads' operational and internal control updates in their respective functional areas, as presented in executive sessions of the AC; and
- The following related party transactions presented by the PLDT Group Chief Financial Officer: (i) sale of PLDT Communications and Energy Ventures, Inc.'s 25% ownership in Beacon Electric Asset Holdings, Inc. to Metro Pacific Investments Corporation; (ii) renewal of PLDT's and Smart's Property Insurance for 2017-2018; (iii) extension of PLDT's Subordinated Shareholder Advances to Smart for the purposes of partially funding the final payment to DMPI for the transfer of Sun Postpaid and Broadband trademark/ brands and subscriber base from DMPI to Smart.

Governance and Nomination Committee (GNC)

The GNC assists the Board in the performance of its functions to: (i) oversee the development and implementation of corporate governance principles and policies; (ii) review and evaluate the qualifications of persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board; (iii) identify persons deemed qualified to become members of the Board and/or the Board Committees; (iv) make an assessment of the Board's effectiveness in the process of replacing or appointing new members of the Board and/or Board Committees; and (v) develop and implement the Board's performance evaluation process.

Our GNC is composed of five voting members and two non-voting members. Three of the voting members are independent directors, namely, former Supreme Court Chief Justice Artemio V. Panganiban, Mr. Pedro E. Roxas and Mr. Bernido H. Liu; and two are non-independent directors, namely, Mr. Atsuhisa Shirai and Mr. Manuel V. Pangilinan who is the chairman of this committee. Ms. Maria Elizabeth S. Sichon and Atty. Ma. Lourdes C. Rausa-Chan are the non-voting members.

The charter of the GNC may be viewed and downloaded from the PLDT website through the following link: <http://pldt.com/docs/default-source/corporate-governance-files/committee-charter/amended-gnc-charter-jan22-2018.pdf>. The purposes, duties and powers of the GNC are set forth in the charter.

In the performance of its governance functions, the GNC's activities in 2017 included the following:

- With regard to policy review and development, reviewed the (i) Supplier/Contractor Relations Policy; (ii) Expanded Whistleblowing Policy; (iii) Policy on PLDT's Gift-Giving Activities; and (iv) Policy on Gifts, Entertainment and Sponsored Travel, and determined that the said policies remain to be compliant with applicable law, regulations and best practices and are appropriate for the Company, and approved the recommendation to continue to improve the programs to communicate, monitor, enforce and align the policies with the Company's strategic objectives; and
- Reviewed and recommended for Board approval PLDT's Board of Directors Charter; amended Governance and Nomination Committee Charter; Board Diversity Policy, and new Manual on Corporate Governance.
- With regard to education and communication, provided guidance on and approved the content of PLDT's Annual Corporate Governance Enhancement Session for Directors and Officers which covered topics relevant to PLDT's digital/cultural transformation strategy and corporate governance: (i) Governance & Customer Experience: A Survey of Global Customer Experience Strategies; (ii) People and Culture Transformation Strategies in the Digital Age; and (iii) Charting the Digital Age, its Risks and Strategies, through Governance, and a Responsive Corporate Culture; and
- Selected and approved the theme entitled, Digital to Real and related creative concepts for the 2018 Corporate Governance communication materials, calendars and posters.
- With regard to compliance and enforcement, reviewed the reports on PLDT's Expanded Whistleblowing (EWB) cases and the investigation and dispositions thereof, including those of certain PLDT subsidiaries (Smart Communications, Inc., PLDT Global Corporation, ePLDT, Inc., Digital Telecommunications Philippines, Inc. and Digitel Mobile Philippines, Inc.);
- Reviewed and noted or approved, as applicable, the Conflict of Interest (COI) Disclosures of key employees; and
- Assisted the Board in implementing its Board Assessment for 2016 performance, which included the performance evaluation of the Board Committees and Individual Directors.

- As part of its oversight function on governance matters, received updates from: (i) the Sustainability Reporting team led by Public Affairs, FinRepCon and PLDT-Smart Foundation, on PLDT's social, environmental and sustainability program; and (ii) Internal Audit and Fraud Risk Management Group on governance in significant subsidiaries;
- Received updates on the Company's compliance with the new SEC Code of Corporate Governance for Publicly-Listed Companies; and
- Reviewed and approved PLDT's Corporate Governance Report for 2016.

In the performance of its nomination functions, the GNC's activities in 2017 included the following:

- Pre-screened candidates nominated to become Directors and the qualifications of candidates for Independent Directors, and submitted to the Board the final list of qualified Director and Independent Director nominees for election at the Annual Stockholders' Meeting held on June 13, 2017;
- Screened and recommended to the Board the appointment of a director to fill the vacancy in the Board;
- Reviewed and confirmed People and Culture Group's evaluation of the qualifications of officers and recommended their re-appointment as such at the Organizational Meeting of the Board of Directors held on June 13, 2017; and
- Reviewed and confirmed People and Culture Group's evaluation of proposed appointments of new officers and promotions to officer rank for approval by the Board.

Finally, the GNC submitted the following reports to the Board in 2017: (i) PLDT's Consolidated Annual Corporate Governance Report for 2016; (ii) Consolidated Report on the 2016 Board Performance Assessment; (iii) GNC Annual Report of Activities for 2016; and (iv) GNC Performance Assessment for 2016.

Executive Compensation Committee (ECC)

The ECC assists the Board in the performance of its functions to: (i) develop a compensation philosophy or policy consistent with the culture, strategy and control environment of PLDT; (ii) oversee the development and administration of PLDT's executive compensation programs, including long term incentive plans and equity based plans for officers and executives; and (iii) conduct the performance evaluation of and succession planning for officers, including the CEO, and oversee the development and implementation of professional development programs for officers.

Our ECC is composed of five voting members and one non-voting member. Three of the voting members are independent directors; namely, former Supreme Court Chief Justice Artemio V. Panganiban, Mr. Pedro E. Roxas and Mr. Bernido H. Liu; and two are non-independent directors, namely, Mr. Atsuhisa Shirai and Mr. Manuel V. Pangilinan who is chairman of this committee. Ms. Maria Elizabeth S. Sichon is the non-voting member.

The charter of the ECC may be viewed and downloaded from the PLDT website through the following link: <http://pldt.com/docs/default-source/corporate-governance-files/committee-charter/amended-ecc-charter-mar8-2018.pdf>. The purposes, duties and powers of the ECC are set forth in the charter.

In 2017, the ECC discussed and approved or endorsed to the Board for approval the following:

- Total Rewards Philosophy, Strategy and Plan for PLDT and Smart;
- PLDT-Smart Short-Term Incentive Plan (STIP) Policies and Structure, which replaced the previous variable pay structure as performance-based compensation for officers and executives;
- PLDT-Smart Long-Term Incentive Plan, referred to as the "Transformation Incentive Plan" (TIP);
- TIP Rules, and the appointment of TIP administrators who will implement and administer the TIP with the assistance of the Compensation, Rewards and Performance Management, under the People & Culture Group and Treasury, under the Finance Group; and
- The appointment of Metropolitan Bank & Trust Company as the Trustee Bank under the TIP.

Risk Committee (RC)

The RC assists the Board in the performance of its functions to: (i) oversee Management's adoption and implementation of a system for identifying, assessing, monitoring and managing key risk areas; (ii) review Management's reports on the Company's major risk exposures; and (iii) review Management's plans and actions to minimize, control or manage the impact of such risks.

Our RC is composed of five voting members. Three of the voting members are independent directors, namely, Mr. Pedro E. Roxas, Mr. Bernido H. Liu and former Supreme Court Chief Justice Artemio V. Panganiban who is the chairman of this committee; and two are non-executive directors, namely, Mr. Atsuhisa Shirai and Mr. James L. Go.

The Charter of the RC may be viewed and downloaded from the PLDT website through the following link: <http://pldt.com/docs/default-source/corporate-governance-files/committee-charter/amended-rc-charter-jan-22-2018.pdf>. The purposes, duties and powers of the RC are set forth in the charter.

In 2017, the major accomplishments of the RC are the following:

- Reviewed and approved Smart and Digitel's Risk Committee Charter and the updated PLDT Group Risk Charter;
- Reviewed and noted the framework and process followed by the Group Enterprise Risk Management Department (GRMD);
- Reviewed and noted the Risk Appetite Statement of the PLDT Group;

- Reviewed the top risks of the PLDT Group as identified by the CEO Council;
- Reviewed and noted the progress of GRMD in conducting Enterprise Risk Management (ERM) Workshops with core operational groups; and
- Reviewed and discussed with Management the (i) Risk Profile of the Information Technology Office, the People and Culture Office, the Corporate Services Office, and the Revenue Office; (ii) American Depository Receipt facility of PLDT; and (iii) the Digital Transformation Project.

Technology Strategy Committee (TSC)

The TSC assists the Board in the performance of its functions to: (i) review and approve the strategic vision for the role of technology in PLDT's overall business strategy, including the technology strategy and roadmap of PLDT; (ii) fulfill its oversight responsibilities for PLDT's effective execution of its technology-related strategies; and (iii) ensure the optimized use and contribution of technology to PLDT's business and strategic objectives and growth targets.

Our TSC is composed of five voting members and two non-voting members. The five voting members are non-independent directors Mr. Manuel V. Pangilinan who is the chairman of the committee, former Ambassador Albert F. del Rosario, Atty. Ray C. Espinosa, Mr. James L. Go and Mr. Atsuhisa Shirai; and the two non-voting members are Mr. Oscar S. Reyes and Mr. Orlando B. Veja who are members of our Advisory Committee.

A copy of the charter of the TSC may be viewed and downloaded from the PLDT website through the following link: <http://pldt.com/docs/default-source/corporate-governance-files/committee-charter/amended-tsc-charter-jan22-2018.pdf>.

The purposes, duties and powers of the TSC are set forth in the charter.

In 2017, the TSC, together with the Technology Group and PLDT Top Management:

- reviewed the network and technology capital expenditure budget for presentation to, and approval by, the Board;
- discussed the technology roadmap, projects, initiatives and plans, including, among others, projects that will improve LTE coverage and provide for capacity expansion;
- discussed the status of the network, including upgrades and Technology Group achievements; and
- cleared the Amended TSC Charter for presentation to, and approval by, the Board.

ATTENDANCE IN BOARD COMMITTEE MEETINGS

Member	Audit Committee (AC)	Governance & Nomination Committee (GNC)	Executive Compensation Committee (ECC)	Risk Committee (RC)	Technology Strategy Committee (TSC)
Manuel V. Pangilinan		6/6	3/3		4/6
Ray C. Espinosa					6/6
Ma. Lourdes C. Rausa-Chan***		6/6			
Bernido H. Liu*	8/10	6/6	2/3	4/4	
Artemio V. Panganiban*	10/10	6/6	3/3	4/4	
Pedro E. Roxas*	10/10	5/6	2/3	3/4	
James L. Go**	10/10			4/4	6/6
Albert F. del Rosario					6/6
Atsuhisa Shirai**	10/10	5/6	3/3	4/4	6/6
Roberto R. Romulo**	10/10				
Oscar S. Reyes					6/6
Orlando B. Veja					6/6
Corazon S. de la Paz-Bernardo**	9/9				
Maria Elizabeth S. Sichon***		6/6	3/3		

*Independent Director

**Advisor to the Audit Committee

***Non-voting member



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 involved in ensuring implementation of the corporate governance policies and requirements are discussed below.

President and CEO. The President & CEO has general care, management and administration of the business operations of the Company. 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. He provides leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. In order to enable the members of the Board to properly fulfill their duties and responsibilities, the CEO provides the Board with a balanced and understandable account of the Company's performance, financial condition, results of operations and prospects on a regular basis. He directs Management to provide the Directors/Board with adequate and timely information about the matters to be taken up in their Board meetings. He ensures that the Directors have independent access to Management. The President & CEO: (i) communicates and implements the Company's vision, mission, values and overall strategy and promotes the appropriate enhancement in the organization or its stakeholder engagement in relation to the same; and (ii) serves as the link between internal operations and external stakeholders. Management formulates, under the oversight of the Audit Committee, financial reporting and internal control systems, rules and procedures. Other duties of the President are set forth in the CG Manual.

Corporate Secretary. The Corporate Secretary assists the Board in the conduct of its meetings, including preparing the schedule, agenda and minutes of Board meetings, and ensuring that all Board procedures and rules are observed. The Corporate Secretary contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and the Company's stakeholders, including stockholders.

Internal Audit Organization. The Internal Audit organization determines whether the Company's structure of risk management, control and governance processes, as designed and represented by Management, are adequate and functioning to ensure that:

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



The Chief Audit Officer/Internal Audit Head reports functionally to the AC and administratively to the President and CEO. In the discharge of his duties, the Chief Audit Officer/Internal Audit Head is required to:

- Provide annually, an assessment on the adequacy and effectiveness of the Company's processes for controlling activities and managing risks;
- Report significant issues related to the processes of controlling activities, including potential improvements to such processes, as well as provide information concerning such issues; and
- 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 charter of the Internal Audit organization complies with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. Other duties of the Chief Audit Officer/Internal Audit Head are set forth in the CG Manual.

External Auditor. The Company's external auditor is appointed by the AC which reviews its qualifications, performance and independence. To ensure objectivity in the performance of its duties, the external auditor is subject to the rules on rotation and change, every five years; general prohibition on hiring by the Company of the external auditor's staff; and full and appropriate disclosure to, and prior approval by, the AC of all audit and non-audit services and related fees. 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. Our external auditor is SGV & Co., a member practice of EY.

Group Risk Management Department. The GRMD implements 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 implementation of the enterprise risk management (ERM) process ensures that high-priority risks are well understood and effectively managed across all functions and units within the PLDT Group. The ERM process used by the GRMD is based on the ISO 31000 standard

on risk management. The GRMD reports to the Risk Committee and the Board on developments with regard to the Group's risk management activities.

Chief Governance Officer. 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. The Chief Governance Officer assists the Board and the GNC in the performance of their governance functions. Under the supervision and direction of the Chief Governance Officer, the Corporate Governance Office assists in the implementation of the corporate governance policies adopted by the Board.

POLICIES AND PRACTICES

The Company promotes a culture of good corporate governance through the implementation of its corporate governance (CG) policies, including the CG Manual, Code of Ethics and related policies.

CG Manual. Our new CG Manual defines our corporate governance framework and structure. Supplementary to PLDT's Articles of Incorporation and By-Laws, it assigns and delineates functions and responsibilities, and entrusts powers, authorities and resources for the execution of such functions and responsibilities. The CG Manual provides, among other matters, the composition and responsibilities of the Board, the Company's duties towards its shareholders in general, its minority shareholders and its other stakeholders, and the Company's obligation to comply with applicable disclosure rules. A copy of the CG Manual is posted at <http://pldt.com/docs/default-source/corporate-governance-files/cg-manual/pldt-manual-on-corporate-governance.pdf?sfvrsn=0>.

Code of Business Conduct and Ethics (Code of Ethics). Our Code of Ethics defines the Company's corporate governance values of integrity, accountability, transparency and fairness, which the Company shall observe in the conduct of its business. It sets the governance and ethical standards that shall govern and guide all business relationships of the Company, its directors, officers and employees. A copy of the Code of Ethics is posted at: <http://pldt.com/docs/default-source/policies/pldt-code-of-business-conduct-and-ethics.pdf?sfvrsn=4>.

The implementation of the Code of Ethics is reinforced by enabling policies such as the *Supplier/Contractor Relations Policy, Expanded Whistleblowing Policy, Gifts, Entertainment and Sponsored Travel Policy, and Policy on Gift-Giving Activities* which, in conjunction with the Code of Ethics, embodies the Company's anti-corruption policy.

Conflict of Interest Policy. This policy enjoins PLDT's directors, employees and consultants to promptly disclose conflict of interest (COI) situations to the relevant authorities. If warranted, the person concerned should obtain appropriate approvals and inhibit himself from any action, transaction or decision involving an existing or potential COI. The Company has established an online COI disclosure system to facilitate the disclosure of conflicts of interests.

Guidelines on the Proper Handling of Related Party Transactions (RPT Guidelines). This guidelines provides the process of review, approval and disclosure of the Company's related party transactions (RPTs). RPTs are subject to review and approval by the designated authorities. The review's principal focus is on whether an RPT is on arm's length terms and in the best interest of PLDT and its shareholders as a whole, considering all relevant circumstances. Material RPTs are reviewed by the AC, which is composed entirely of independent directors, and subject to approval by the Board. The Head of Financial Reporting and Controllershship Sector, in coordination with the Company's Disclosure Committee, is 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 (Gifts Policy) and Policy on Gift-Giving Activities. The Gifts Policy provides safeguards in the receipt and acceptance of gifts given by third parties to ensure that such gifts would not affect the objective, independent or effective performance by directors, officers and employees of their duties to the Company. The Policy on Gift-Giving Activities provides guidance and procedural safeguards with respect to gift-giving activities to government officials and employees and to business partners, for or on behalf of, PLDT. The policy seeks to ensure that such activities are compliant with applicable laws, respectful of the intended recipient's gifts policy, and consistent with the Company's core values and policies.

Supplier/Contractor Relations Policy. This policy establishes clear rules for arm's length transactions and fair treatment of prospective and existing suppliers. 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 vendors who offer the best value for money for PLDT's requirements.

Expanded Whistleblowing Policy (EWB Policy). This policy provides guidelines on handling employee disclosures or complaints regarding (i) violations of corporate governance rules, including the aforementioned policies; (ii) questionable accounting and auditing matters; and (iii) violations or offenses (other than those in (i) and (ii) above) covered by the Company's Human Resources Manual. The EWB Policy protects

whistleblowers from retaliation, and to ensure 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 disclosure or complaint regarding such violation to the CGO. Anonymous disclosures or complaints are allowed and duly processed, subject to certain conditions.

In all processes and activities related to a whistleblowing disclosure/complaint, utmost confidentiality is observed in order to ensure the integrity of the process and protect the parties, employees or officers who are allegedly involved therein.

For 2017, there was one new whistleblowing complaint received by the CGO. This was referred for further investigation to the appropriate investigating unit of a PLDT subsidiary since the complaint pertained to that subsidiary's employees. The other four cases, which were pending as at December 31, 2016, were closed as at December 31, 2017. The complaints covered allegations of violation of the Code of Ethics, Conflict of Interest Policy, Gifts Policy, Supplier/Contractor Relations Policy, Policy on Employees Running for Public Office and the Human Resources Manual. Moreover, the CGO received two concerns that fall under the jurisdiction of line Management, or were found to be insufficient or invalid, or outside the scope of the EWB Policy. The recommendations were submitted to Management for appropriate action.

The CGO did not receive any complaint on retaliation in 2017.

All CG policies, including the Code of Ethics, are reviewed at least once every two years to ensure that they are appropriate for PLDT, benchmarked with global best practices, and compliant with applicable laws and regulations.

PLDT's key subsidiaries have adopted corporate governance policies and rules similar in substance and form to the foregoing corporate governance policies and suited to their particular business environments and contexts, and appointed their respective corporate governance or compliance officers.

Protection of Technology Resources and Information. PLDT has a Unified Information Technology Policy that is applicable to PLDT, SMART and SUN, and which contains policy statements on social media and data privacy, and provides for the protection of information assets and the proper use of technology resources.

Protection of Data Privacy. On February 1, 2017, the Data Privacy Office was created and the Chief Data Privacy Officer was appointed. PLDT has a Personal Data Privacy Policy which aims to ensure that the Company complies with the relevant data protection laws and regulations, protects the rights of its data subjects, is transparent about how it processes personal data, and protects itself from the risk of data breach.

TRAINING AND EDUCATION

The Company provides continuous training for its Board, Management and employees. In 2017, the Company organized an annual corporate governance enhancement session for its Board and Management on the following topics: (i) *Governance & Customer Experience: A Survey of Global Customer Experience Strategies*; (ii) *People and Culture Transformation Strategies in the Digital Age*; and (iii) *Charting the Digital Age, its Risks and Strategies, through Governance, and a Responsive Corporate Culture*.

Apart from participating in the PLDT-organized training, some of our directors also attended external training sessions presented in this report. One of our directors, Mr. James L. Go, has been granted by the PSEC permanent exemption from its corporate governance training requirement.

In addition to orientation and periodic training sessions for employees, the CGO conducted a corporate governance refresher session in November, 2017 with newly-promoted PLDT supervisors as part of the People and Culture Group's Seminar on Administrative Policies and Procedures Course.

Education and training is supplemented by the production and dissemination of relevant communication materials, including thematic posters and calendars, Instaguides, and advisories on corporate governance. In December 2017, three focus group discussions were held in order to: (i) gather employees' perception about the state of the Company's corporate governance culture building efforts and the CGO's education and communication programs; (ii) solicit comments and suggestions on how to further enhance the effectiveness of corporate governance programs; (iii) seek feedback regarding the relevance and effectiveness of past and current CG themes, including the communication medium used; and (iv) receive suggestions and recommendations for possible CG themes in the future, including appropriate materials and medium.



MONITORING AND EVALUATION

PLDT monitors and evaluates the effectiveness of its corporate governance through the annual performance self-assessment conducted by the Board and the Board Committees, the periodic review of the effectiveness of the implementation of the Company's CG policies, the annual compliance evaluation conducted by Management, and other tools employed to monitor the implementation of the CG policies. In 2017, PLDT confirmed for the 2016 performance period, its compliance with its CG Manual which contains relevant provisions of the PSEC Revised Code of Corporate Governance and certain corporate governance standards under the US Securities Exchange Act and NYSE Listed 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 on May 29, 2017 and filed its PSE Corporate Governance Guidelines Disclosure Report on March 30, 2017. The Company, in its new CG Manual approved by the Board of Directors on May 12, 2017, has adopted substantially all of the recommended best practices in the new CG code and will disclose any non-compliance therewith in its Intergrated Annual Corporate Governance Report.

The annual self-assessment is conducted by the Board to evaluate the performance of the Board as a whole as well as each Board Committee, 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. 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's self-assessment questionnaire contains the following criteria based on leading practices and principles on good governance: (i) for the Board - Leadership, Roles and Responsibilities, Independence, Stewardship, Reporting and Disclosure, Shareholders' Benefits and Training; (ii) for the Board Committees - Performance and Compliance; and (iii) for individual directors - the specific duties and responsibilities of a director. On the other hand, the Board Committees' self-assessment questionnaire contains the following criteria: Performance & Compliance and Committee Governance. For the 2016 performance period, the results of the assessment process was duly reported to, and discussed with, the Board in 2017. Prospectively, the annual self-assessment shall, as practicable, be supported by an external facilitator every three years and allow for a feedback mechanism for stockholders, to conform with the recommendation in the New CG Code.

PLDT monitors and evaluates compliance with the CG rules through a cross-functional evaluation system whereby the heads of the various business and support groups/units conduct an evaluation of their group/unit's compliance. The process uses an evaluation questionnaire consisting of the governance standards and regulations applicable and relevant to their respective functions, including the requirements of the New CG Code and the PSE Corporate Governance Guidelines. The results of the evaluation conducted by the heads are submitted to the Chief Financial Officer 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 line with all of these, PLDT has incorporated CG standards in the performance evaluation of employees and has included violations of CG rules as a cause for disqualification from incentives and rewards in its Policy on Employee Qualification for Incentives and Rewards.

PLDT conducts focus group discussions and employee surveys in order to gain insights into the effectiveness of its CG programs and initiatives. Valuable information is also obtained and analysed from the results of and feedback from our education activities, reports from business partners, customer complaints, reported violations and other sources of relevant information.

STAKEHOLDER ENGAGEMENT

Corporate Social Responsibility

In fulfilling our commitments to our stakeholders, we are guided by our Code of Ethics and Corporate Social Responsibility Statement (CSR Statement). The CSR Statement articulates our belief that helping to improve the overall well-being of the Filipino people is an integral part of our business. The CSR Statement enumerates the broad responsibilities that PLDT assumes as it operates and conducts its business. A copy of the CSR Statement is posted at <http://pldt.com/corporate-governance-in-pldt/our-stakeholders>.

Pursuant to the CSR Statement, the PLDT Group's social programs leverage its communications and digital services and the volunteer spirit of its employees to implement projects in education, health, livelihood, disaster preparedness and resiliency, the environment, digital tourism and sports that aim to help Filipinos change their lives for the better. These CSR programs and activities are presented in the Corporate Social Responsibility section of this Annual Report and in the Company's Sustainability Report.

Investors/Shareholders. PLDT respects, promotes and upholds shareholders rights such as: the right to vote; pre-emptive right; the right to inspect corporate books and records, including minutes of Board meetings and stock registries, subject to certain conditions; right to timely receive relevant information, whether in printed or digital form; right to dividends; and appraisal right.

The Board ensures that the Company makes timely disclosures and filings with the PSEC, PSE and as applicable, with the US SEC and NYSE of material information and transactions that could potentially affect the market price of the Company's shares. In this regard, information on, among other matters, 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.

The Board promotes transparency and fairness in the conduct of the annual and special stockholders' meetings of the Company. The Company explores and implements steps to reduce excessive or unnecessary costs and other administrative impediments to stockholders' participation in annual and special stockholders' meetings. 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. Relevant meeting materials such as the Notice, Agenda, Information Statement and Annual Report are 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. The Board ensures the disclosure and filing of reports with the PSEC, PSE and, as applicable, US SEC and NYSE and posting on the Company's website, immediately after the meeting or the day after the meeting, of all significant actions taken in the meeting and the votes obtained for each of such actions.

The Company held its Annual Stockholders' Meeting on June 13, 2017, with holders of 88.12% of total outstanding capital present or represented by proxy in the meeting. To view the Minutes of the 2017 PLDT Annual Stockholders' Meeting, please access this link http://pldt.com/docs/default-source/annual-meeting-of-stockholders/2017/minutes-of-annual-meeting-of-stockholders_june-13-2017.pdf?sfvrsn=0.

Shareholders who wish to raise matters or concerns relating to the business of the Company, their investments and rights may elevate such matters to the Corporate Secretary, the Investor Relations Officer, concerned units of PLDT's Management or the Board.



SHAREHOLDINGS OF THE BOARD AND OFFICERS IN 2017

	Number of Company Shares ¹					Number of Company Shares ¹			
	Starting Balance ²	Acquired	Disposed	Ending Balance ³		Starting Balance ²	Acquired	Disposed	Ending Balance ³
A. Directors									
1. Manuel V. Pangilinan	249,450	3,000		252,450	8. Ma. Lourdes C. Rausa-Chan	199			199
2. Helen Y. Dee	25,080 ⁴			25,080	9. Albert F. del Rosario	142,410			142,410
3. Ray C. Espinosa	15,743	2,000		17,743	10. Pedro E. Roxas	231			231
4. James L. Go	125,914	10,000		135,914	11. Atsuhisa Shirai	1			1
5. Shigeki Hayashi ⁵	1 ⁶			1	12. Amado D. Valdez	1			1
6. Bernido H. Liu	1			1	13. Marife B. Zamora	5			5
7. Artemio V. Panganiban	1,771			1,771					
B. Officers									
1. Ernesto R. Alberto	-			-	35. Gil Samson D. Garcia	-			-
2. Maria Elizabeth S. Sichon ⁷	- ⁸			-	36. Joseph Ian G. Gendrano	-			-
3. Victorico P. Vargas	1,470			1,470	37. Elisa B. Gesalta	-			-
4. Alejandro O. Caeg	200			200	38. John John R. Gonzales	-			-
5. Anabelle L. Chua	12,028			12,028	39. Ma. Gillian Y. Gonzales ¹⁵	- ⁸			-
6. Jun R. Florencio	515			515	40. Ma. Josefina T. Gorres ¹⁶	-			-
7. Juan Victor I. Hernandez	-			-	41. Ma. Criselda B. Guhit	1,250			1,250
8. Menardo G. Jimenez, Jr.	22			22	42. Emeraldal L. Hernandez	-			-
9. June Cheryl C. Revilla	-			-	43. Silverio S. Ibay, Jr. ¹²	- ¹³			-
10. Oscar Enrico A. Reyes	-			-	44. Gary F. Ignacio ¹²	- ¹³			-
11. Florentino D. Mabasa, Jr.	-			-	45. Marven S. Jardiel	-			-
12. Leo I. Posadas	10			10	46. Princesita P. Katigbak	-			-
13. Katrina L. Abelarde	-			-	47. Alexander S. Kibanoff	-			-
14. Marco Alejandro T. Borlongan	-			-	48. Joseph Nelson M. Ladaban ¹⁶	-			-
15. Alfredo B. Carrera	300			300	49. Javier C. Lagdameo	-			-
16. Leah Camilla R. Besa-Jimenez ⁹	- ⁸			-	50. Joselito S. Limjap ¹⁷	-			-
17. Albert Mitchell L. Locsin	-			-	51. Luis Ignacio A. Lopa	-			-
18. Aileen D. Regio	-			-	52. Czar Christopher S. Lopez ¹²	- ¹³			-
19. Martin T. Rio	-			-	53. Paolo Jose C. Lopez	-			-
20. Ricardo M. Sison	4,400		200	4,200	54. Ma. Carmela F. Luque	-			-
21. Emiliano R. Tanchico, Jr.	1,539			1,539	55. Oliver Carlos G. Odulio	-			-
22. Annette Yvette W. Tirol ¹⁰	- ⁸			-	56. Carlo S. Ople ¹⁸	- ⁸			-
23. Victor Y. Tria	-			-	57. Harold Kim A. Orbase ¹⁹	- ¹³			-
24. Melissa V. Vergel de Dios	-			-	58. Dale M. Ramos ²⁰	- ⁸			-
25. Minerva M. Agas ¹¹	- ⁸			-	59. Ricardo C. Rodriguez	5,712			5,712
26. Benedict Patrick V. Alcoseba	-			-	60. Genaro C. Sanchez	4,460			4,460
27. Ariel G. Aznar ¹²	- ¹³			-	61. Maria Christina C. Semira ¹²	30 ¹³			30
28. Jerameel A. Azurin	-			-	62. Ma. Merceditas T. Siapatco ²¹	- ¹³			-
29. Rafael M. Bejar	-			-	63. Arvin L. Siena	50			50
30. Jose Arnilo S. Castañeda	-			-	64. Carla Elena A. Tabuena ¹⁹	- ¹³			-
31. Gerardo Jose V. Castro	-			-	65. Ana Maria A. Sotto ²²	-			-
32. Marissa V. Conde	-			-	66. Patrick S. Tang	570			570
33. Gene S. de Guzman	-			-	67. John Henri C. Yanez ¹²	- ¹³			-
34. Aniceto M. Franco III ¹⁴	- ⁸			-					

¹ Includes directly and indirectly owned shares in the Company. Changes in shareholdings were disclosed in the *Statements of Changes in Beneficial Ownership of Securities* filed with the Securities Exchange Commission and Philippine Stock Exchange, Inc. and posted on the Company website at [PLDT Investor Relations>Shareholder Information>Beneficial Ownership](#).

² As at December 31, 2016.

³ As at December 31, 2017.

⁴ Includes 2,780 shares for the account of Michelle Y. Dee-Santos and 245 shares under the name of Helen Y. Dee, both under PCD Nominee Corporation and 21,957 shares owned by Hydee Management Corporation. As chairperson and president of Hydee Management Corporation, Ms. Dee may exercise the voting right in respect of the 21,957 shares of Hydee Management Corporation.

⁵ Mr. Shigeki Hayashi was elected as director on August 10, 2017 replacing Mr. Hideaki Ozaki who resigned on even date.

⁶ As at date of election as director.

⁷ Appointment as officer of the Company effective December 01, 2016 was confirmed by the Board of Directors in a meeting held on February 07, 2017.

⁸ As at date of appointment as officer.

⁹ Appointment as officer of the Company effective February 1, 2017 was confirmed by the Board of Directors in a meeting held on February 7, 2017.

¹⁰ Appointment as officer of the Company effective July 01, 2017 was confirmed by the Board of Directors in a meeting held on November 09, 2017.

¹¹ Appointment as officer of the Company effective September 01, 2016 was confirmed by the Board of Directors in a meeting held on February 07, 2017.

¹² Promoted as officer of the Company effective November 09, 2017.

¹³ As at date of promotion as officer.

¹⁴ Appointment as officer of the Company effective February 01, 2017 was confirmed by the Board of Directors in a meeting held on May 12, 2017.

¹⁵ Appointment as officer of the Company effective June 01, 2017 was confirmed by the Board of Directors in a meeting held on August 10, 2017.

¹⁶ Separated effective July 01, 2017.

¹⁷ Separated effective October 01, 2017.

¹⁸ Appointment as officer of the Company effective December 01, 2016 was confirmed by the Board of Directors in a meeting held on February 07, 2017.

¹⁹ Promoted as officer of the Company effective March 23, 2017.

²⁰ Appointment as officer of the Company effective September 16, 2016 was confirmed by the Board of Directors in a meeting held on February 07, 2017.

²¹ Promoted as officer of the Company effective November 16, 2017.

²² Separated effective July 26, 2017.

2017 RESTRICTIONS ON BUYING AND/OR SELLING PLDT SHARES

Nature of Report	Date of Release	Blackout Period
PLDT 2016 Full Year Report	March 7, 2017	February 5 - March 9, 2017
PLDT 2017 Q1 Results	May 12, 2017	April 27 - May 16, 2017
PLDT 2017 Q2 Results	August 10, 2017	July 26 - August 14, 2017
PLDT 2017 Q3 Results	November 9, 2017	October 25 - November 13, 2017
PLDT 2017 Full Year Report	March 27, 2018	February 6* - April 2, 2018

* Based on initial release date of March 8, 2018.

The Company's dividend policy was amended by the Board on August 2, 2016 by reducing the regular dividend payout rate to 60% from 75% of Core Earnings Per Share (EPS) as regular dividends. The change in the dividend policy takes into account: (i) the elevated levels of capital expenditures to build a robust, superior network to support the continued growth of data traffic; (ii) plans to invest in new adjacent businesses that will complement the current business and provide future sources of profits and dividends; and (iii) management of cash and gearing levels. 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 or share buybacks. PLDT was able to pay out 60% of its core earnings for the year 2017.

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. During blackout periods, dealing in Company shares by directors, officers, and employees in possession of material non-public information 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. Directors and officers 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 timely filing of the required disclosures to the PSEC and the PSE.

Customers. PLDT serves a broad range of customers from residential, micro, small and medium enterprise (SME) and large enterprise, 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 product and service needs, promptly addressing their concerns and identifying areas where we could further enhance customer experience.

In 2017, PLDT expanded the coverage of its combined fiber to the home (FTTH) and hybrid fiber to the households nationwide. The total capacity of the Company's fixed broadband network grew by half a million additional ports, allowing more customers in homes and businesses the power of connectivity. On the other hand, Smart, working with world-leading technology partners, significantly improved its mobile broadband service by accelerating its deployment of Long Term Evolution or LTE, the fourth-generation mobile technology also known as 4G. Smart more than doubled the number of LTE base stations in 2017 to over 8,700 from the previous year and increased the number of cell sites equipped with LTE base stations by about 60% to over 4,300. To complement its LTE deployment, Smart also added more 3G base stations and cell sites equipped with 3G base stations. The Company also improved its signal coverage inside high-rise buildings through the installation of Indoor Building Solutions (IBS) in over 100 structures. To improve customer care services, PLDT embarked on a Customer Care Transformation Program with the following features:

- **Improved hotline call experience.** Unified eight hotline numbers into one customer care hotline number (171) for easy recall and to improve customer access. This hotline number is supported by a new and improved voice recording system (IVRS) with simplified IVRS options and additional customer enabling features.
- **Increased engagement in social media.** Improved digital customer care experience by optimizing channel data analysis in order provide the appropriate tone and voice of engagement. Initiative in this area resulted in a 40% decrease in social media customer waiting time and a 20% increase in online customer engagement.
- **Improved self-help website tools.** Enhanced PLDT Home's customer support page and provided customers with a portal of frequently asked questions and a guide to troubleshooting and device set-up that altogether empowered customers with self-help references.
- **Data privacy.** In compliance with the Data Privacy Act (R.A. No. 10173), reviewed existing business policies and processes to ensure the protection of customers' personal information and/or sensitive personal information.

Employees. PLDT respects the dignity, rights, and interests of its employees, among which are the right to self-organization, safe and healthy working conditions, professional development, and community-building social activities. The value of employees to the business is underscored by the inclusion of people and culture transformation among the shared Company goals. Identifying, developing, and retaining talent is a core responsibility and accountability of every leader. Anchored on the foundational premise that the Company's treatment of its employees will influence how employees, in turn, deliver service to customers, PLDT embeds employee experience at the core of all people initiatives, programs, and processes. Three principles guide the employee experience design: leader-led, employee-owned, digital-enabled.

The vision for digital market leadership is hinged on a high-performing culture, and PLDT continuously engages employees to aspire for this goal by aligning groups and individuals to the Company's shared goals and ensuring that the Company's performance management system is performance-driven and coaching-centered. A digital platform has been implemented to enable a standard performance management system across PLDT and Smart. Supporting the objective of shaping a high-performing culture is a Total Rewards Program that is merit-based and addresses both short-term and long-term transformation goals. Compensation and incentives are determined on the bases of performance and accomplishment. Management has approved two major rewards programs, the Short-term Incentive Plan (STIP) and the Transformation Incentive Plan (TIP).

To ensure the success of ongoing business transformation, PLDT has implemented the Next Generation Leaders Program where new officers undergo a year-long mentoring and practical skills-building program where the Chairman and the Top Management Team assume the roles of coaches and mentors.

A digital environment requires a strong learning and development ecosystem. PLDT's comprehensive corporate university supports the organizational capability-building needs. It utilizes a combination of classroom and mobile learning methodologies. Adequate opportunity for career management and development is provided to employees. The new digital curriculum, Workforce Learning 2020, has been launched and it anchors on the digital transformation skills requirements, new leadership competency mandates, 2020 technologies for fixed and wireless, and foundational compliance training requirements such as Data Privacy.

PLDT organizes engagement programs that prioritize the well-being of employees and strengthen the quality of work relationships. These allow employees to engage in a broad range of character-developing and relationship-building activities through CSR, sports, special interest groups, and family-oriented programs. Formal channels for employee feedback are made available through engagement surveys conducted at regular intervals to give employees the opportunity to share their perspectives about relevant

Company matters. Digital and social platforms are optimized for employee crowdsourcing and internal communication. Management-led digital dialogues provide opportunity for employees across various parts of the country to directly interact and voice out their suggestions and recommendations to top management.

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. Suppliers are required to undergo an accreditation process before they engage in business with PLDT. Among the criteria for accreditation are financial and 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.

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.

Communities. Serving the community is an integral part of the mission of promoting inclusive development. With their technology and services, PLDT and Smart are well-positioned to provide much needed assistance to communities. As good corporate citizens, PLDT and Smart are leveraging their infrastructure and services to act as enablers, especially in communities with greatest need, through their CSR programs on education, health, community, environment, livelihood development, youth development and sports, and disaster relief operations.

During emergencies, Smart and PLDT make available their network and employees to provide connectivity and humanitarian assistance via its *Libreng Tawag* and Charging Services. In times of disasters, the PLDT Group of Companies (the "PLDT Group") work together with the PSF under the *Tulong Kapatid* Program, the PLDT Group's consolidated disaster preparedness and response initiative.

To create a positive impact on the environment, PLDT and Smart have collaborated with the PBSP and Motolite, under its *Balik Baterya* Program. This recycling program's education component tackled the proper disposal of hazardous waste from lead-acid batteries while generating program funds for community education projects through the production of new automotive and industrial batteries from recycled units. Since the program began in 2006, PLDT and Smart remain the two biggest benefactors of the program.

Education programs remain a top priority for both PLDT and Smart. PSF, in partnership with the PLDT Managers' Club Inc. (MCI) has nurtured and grown the *Gabay Guro* program that provides scholarships to aspiring teachers and seeks to recognize teachers in an annual teachers' day celebration. Smart, on the other hand, has its *TechnoCart* and School-in-a-Bag programs that utilize local educational content with connectivity and devices to cater to children living in underserved communities.

Environment. PLDT is committed to environmental protection and compliance with environmental laws. To intensify the environmental compliance of the Company, a Risk Management and Compliance Division was established to oversee compliance of all PLDT establishments/buildings with the regulations and environmental laws. PLDT is also implementing stack and ambient emission monitoring of standby generator sets, construction of temporary storage facilities and safekeeping of hazardous waste, and construction of waste water treatment plant facility in order to comply with applicable environmental laws such as the Philippine Clean Air Act (RA 8749), Toxic Substances and Nuclear Waste Control Act (RA 6969), Ecological Solid Waste Management Act (RA 9003), Philippine Clean Water Act (RA 9275) and Pollution Control Law (PD 984).

The PLDT Group has taken tangible measures to reduce its carbon footprint. As such, it ensures compliance with rules and regulations of local government regulatory offices and agencies, institutes programs on energy conservation and waste disposal, and conducts regular campaigns to raise the awareness and competency of employees on sustainable business practices. Energy conservation and resource consumption efficiency are among the performance key result areas that are monitored and measured for long-term solutions because effective energy management directly impacts the business, its competitiveness, and reliability of service. In line with this, the programs we have implemented include migration from old Legacy Switches to the New Generation Network, upgrade of lighting equipment in our buildings into more efficient technologies, replacement of old air-conditioners with energy saving-type units, and

space optimization in workplaces. Apart from mitigating the Company's environmental footprint, numerous measures to address the threats arising from climate change impact have been put in place. Our facilities and network are focused on climate-proofing efforts to assure business continuity during times of natural calamities. Structural retrofitting of Company buildings and offices, relocation to safer location of diesel generators and strategic deployment of mobile units, and placing more underground fiber optic cables comprise some of such resiliency programs.

Advocacy and Networking. PLDT supports the advocacy for better governance and ethics in business as manifested in the Company's policy against corruption and bribery set forth in its Code of Ethics and reinforced in specific policies such as the Policy on Gift-Giving Activities, Gifts Policy, Supplier/Contractor Relations Policy, Corporate Governance Guidelines for Suppliers, which prohibit bribery or acts which may be construed as 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, 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. As a sponsoring partner member of the Ethics and Compliance Initiative (ECI), PLDT has access to ECI's vast online library on governance and related topics and opportunities to interact with other governance and ethics professionals around the world, and is able to benchmark its governance practices against those of leading companies. Locally, PLDT is a premium member of the Integrity Initiative, Inc. and a member of the Good Governance Advocates and Practitioners of the Philippines (GGAPP). PLDT also participates in the activities of the Institute of Corporate Directors (ICD) and its sister-institute in the public sector, the Institute for Solidarity in Asia (ISA).

PLDT recognizes that corporate governance will be one of the key factors in its digital pivot and business transformation program.

The Company's determined focus to achieve its Mission and strategic objectives shall be sustained by PLDT's commitment to its customers, shareholders, employees and other stakeholders and adherence to the principles of good governance.