

THE PLDT GROUP CORPORATE GOVERNANCE REPORT

Corporate Governance is the cornerstone of our strategy. It enhances our business performance and enables us to safeguard the interests of our stakeholders by keeping us focused on our commitments to:

- Seek to enhance value for our shareholders and proactively engage with our stakeholders
- Be guided by the principles of integrity, accountability, transparency and fairness.

Governance for us is the business of all - the Board, Management and employees.

HIGHLIGHTS IN 2016

- New Vision, Mission and Corporate Values
- Comprehensive Program to Revitalize Network and IT Platforms
- Business Transformation Program on Culture, People and Processes
- Annual Stockholders' Meeting
- 16 Board Meetings and 22 Board Committee Meetings
- Training on Digital Transformation, Risk Management & Governance

Our corporate governance framework was established to enable us to create sustainable value for the Company, fulfill our commitments to our stakeholders and develop a strong corporate culture. It 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.

The Company continuously seeks to raise the standards of its business conduct. We comply with applicable rules and benchmark with international best practices. PLDT follows the governance standards of the Philippines as a public company listed in the Philippine Stock Exchange (PSE) and of the United States as a foreign private issuer with American Depositary Shares listed and traded in the New York Stock Exchange (NYSE). PLDT also benchmarks with the governance standards of Hong Kong being an associated company of First Pacific Company Ltd., a company listed in the Hong Kong Stock Exchange.

BOARD OF DIRECTORS

Duties and Responsibilities

The primary responsibility for ensuring good corporate governance in PLDT is vested in our Board of Directors ("Board"). The Board has the authority and responsibility to exercise the corporate powers, conduct the business and control 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 and reviews the same annually.
- **Management oversight.** The Board exercises oversight on Management in its execution of the strategic direction and implementation of the policies set by the Board.
- **Stakeholder Engagement and Corporate Social Responsibility.** 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.

- **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.
- **Selection process for directors and appointment of officers.** The Board, with the assistance of the Governance and Nomination Committee, implements a selection process

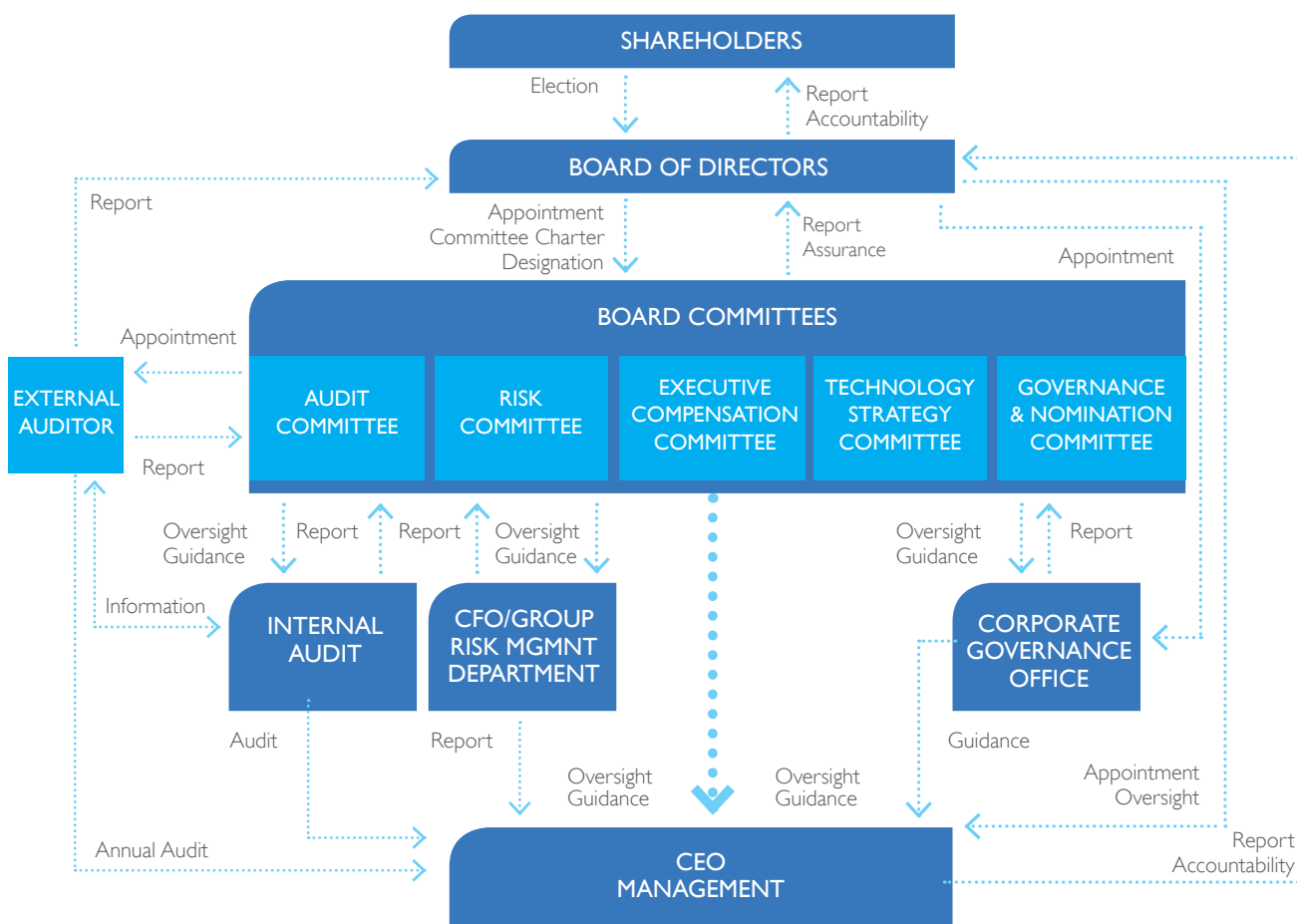
to ensure that the Board has an effective and balanced mix of knowledge, expertise, experience and diversity in terms of, among others, age, gender and ethnicity, and reviews the qualifications of officers to be appointed.

- **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.

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.

In July 2016, the Board approved the new Vision, Mission and Corporate Values for the Company. In pursuit of its Vision to *Lead and Inspire Filipinos to Create a Better Tomorrow*, PLDT's new Mission is to *Empower Filipinos everywhere with customer-focused digital innovations that unlock and share their infinite potential*.

In line with the new Mission, the Board adopted the strategy to undertake a digital pivot to meet the challenges of rapid consumer and technological changes. The strategy will be executed through a roadmap to revitalize the PLDT Group's network and IT platforms and a business transformation program that aim to reshape the organization's culture, people and processes to align with the digital pivot.



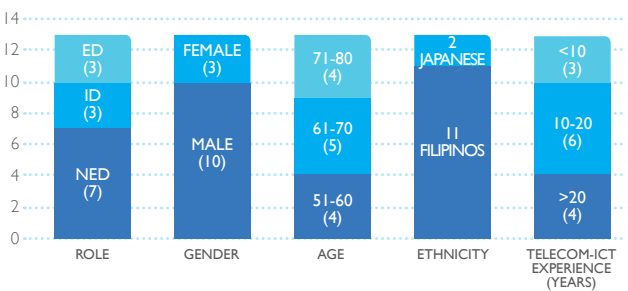
Composition

Our Board is composed of 13 members, with three independent directors, seven non-executive directors and three executive directors. All the directors are qualified and competent members 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.

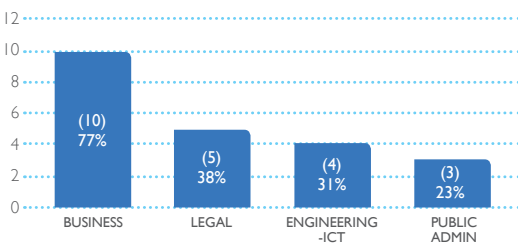
Our independent directors, namely, former Supreme Court Chief Justice Artemio V. Panganiban, Mr. Pedro E. Roxas and Mr. Bernido H. Liu, were selected pursuant to the specific independence criteria set out under applicable laws and rules, our By-Laws and CG Manual. Under our CG Manual, an independent 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 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.

Diversity. Our CG Manual promotes diversity in our Board and does not impose restrictions respecting age, race, gender, cultural or religious belief for directors. Diversity in our Board is reflected in the composition of the Board in terms of the varied business experience and professional background, the number of male and female directors and ethnicity. In 2016, another female director was appointed, bringing the total of the Company's female directors to three.

Directors



Directors' Professional Background



Our Board, through the Governance and Nomination Committee, ensures the diversity of its membership and the selection of qualified, competent and capable directors and independent directors through a selection process. The selection process 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 Company's Mission, Vision and strategic objectives.

With regard to directorships 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. 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.

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

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, and CSR programs. Once every quarter, our Board reviews the quarterly financial reports.

In 2016, our Board held 16 meetings. In each meeting, a quorum of at least two-thirds of the Board members, including at least one independent director, was present. All of the independent directors were present in the Annual Stockholders' Meeting held on June 14, 2016. The respective Chairmen of the Audit, Governance and Nomination, Executive Compensation, Risk and Technology Strategy Committees were present as well in the said meeting.

ATTENDANCE IN BOARD MEETINGS AND ANNUAL STOCKHOLDERS' MEETING

Director	Designation	Board Meetings	Annual Stockholders' Meeting
Manuel V. Pangilinan	Executive Director	16/16	✓
Ray C. Espinosa	Executive Director	16/16	✓
Ma. Lourdes C. Rausa-Chan	Executive Director	16/16	✓
Bernido H. Liu	Independent Director	12/16	✓
Artemio V. Panganiban	Independent Director	16/16	✓
Pedro E. Roxas	Independent Director	15/16	✓
Helen Y. Dee	Non-Executive Director	12/16	x
James L. Go	Non-Executive Director	16/16	✓
Tadashi Miyashita ¹	Non-Executive Director	10/11	✓
Napoleon L. Nazareno ²	Non-Executive Director	9/9	x
Hideaki Ozaki	Non-Executive Director	14/16	✓
Albert F. del Rosario ²	Non-Executive Director	7/7	--
Juan B. Santos ³	Non-Executive Director	14/14	✓
Atsuhisa Shirai ¹	Non-Executive Director	5/5	--
Tony Tan Caktiong ⁴	Non-Executive Director	4/14	x
Amado D. Valdez ³	Non-Executive Director	2/2	--
Marife B. Zamora ⁴	Non-Executive Director	2/2	--

BOARD REMUNERATION IN 2016 (IN PHP)

Director	Remuneration for ASHM and Board Meetings Attended	Remuneration for Committee Meetings Attended	Total
Executive Directors			
Manuel V. Pangilinan	3,750,000	875,000	4,625,000
Ray C. Espinosa	3,750,000	250,000	4,000,000
Ma. Lourdes C. Rausa-Chan	3,750,000	500,000	4,250,000
Independent Directors			
Bernido H. Liu	2,750,000	2,125,000	4,875,000
Artemio V. Panganiban	3,750,000	2,500,000	6,250,000
Pedro E. Roxas	3,500,000	2,500,000	6,000,000
Non-executive Directors			
Helen Y. Dee	3,000,000	--	3,000,000
James L. Go	3,750,000	1,875,000	5,625,000
Tadashi Miyashita	2,250,000	1,375,000	3,625,000
Napoleon L. Nazareno	2,000,000	250,000	2,250,000
Hideaki Ozaki	3,250,000	--	3,250,000
Albert F. del Rosario	1,750,000	--	1,750,000
Juan B. Santos	3,250,000	--	3,250,000
Atsuhisa Shirai	1,250,000	1,000,000	2,250,000
Tony Tan Caktiong	1,000,000	--	1,000,000
Amado D. Valdez	500,000	--	500,000
Marife B. Zamora	500,000	--	500,000
Total	43,750,000	13,250,000	57,000,000

* Only one *per diem* was given to directors for attendance in the Annual Stockholders' Meeting, regular meeting and organizational meeting on June 14, 2016.

¹ Mr. Atsuhisa Shirai was elected as director effective August 30, 2016 vice Mr. Tadashi Miyashita who resigned on August 29, 2016.

² Mr. Albert F. del Rosario was elected as director effective July 11, 2016 vice Mr. Nazareno who resigned on even date.

³ Mr. Amado D. Valdez was elected as director by the Board on November 14, 2016 vice Mr. Juan B. Santos who resigned on October 24, 2016.

⁴ Ms. Marife B. Zamora was elected as director by the Board on November 14, 2016 vice Mr. Tony Tan Caktiong who resigned on November 13, 2016.

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 2016.

Compensation. 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 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.

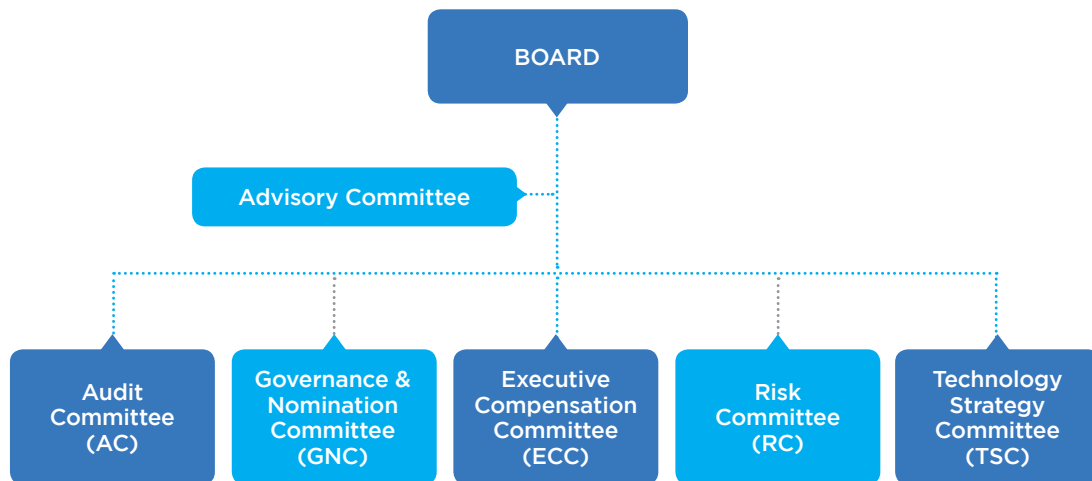
Training. The Board keeps abreast of industry developments, business trends and legal requirements relevant to the Company and its operations. In this regard, the Company conducts regular and continuing training for our directors, including PLDT's Annual Corporate Governance Enhancement Sessions which provide an opportunity for our leadership to engage in discussion with international and local experts on selected topics, including emerging technologies, new laws, and best business practices. In 2016, the Company organized Annual Corporate Governance Enhancement Sessions for its directors and officers on: (i) *Digital Transformation, Risk Management & Governance in the 21st Century*, (ii) *Digital Governance: Issues in Emerging Technologies*, and (iii) *The Philippine Competition Act and Philippine Competition Commission*.

BOARD TRAINING			
Program	Date of Training	Training Institution	Name of Director
Digital Transformation, Risk Management & Governance in the 21st Century	November 23, 2016	Speaker: Mr. Mike Walsh CEO, Tomorrow	Manuel V. Pangilinan Ray C. Espinosa Artemio V. Panganiban Ma. Lourdes C. Rausa-Chan Albert F. del Rosario Marife B. Zamora
Digital Governance: Issues in Emerging Technologies	November 23, 2016	Speaker: Mr. Chia Ling Koh Director, Singapore Law Practice of Queen Street Legal LLC	Manuel V. Pangilinan Ray C. Espinosa Artemio V. Panganiban Ma. Lourdes C. Rausa-Chan Albert F. del Rosario Marife B. Zamora
The Philippine Competition Act and Philippine Competition Commission	May 3, 2016	Speakers: Attys. Emmanuel M. Lombos and Arlene M. Maneja SyCip Salazar Hernandez and Gatmaitan Law Office	Manuel V. Pangilinan Napoleon L. Nazareno Helen Y. Dee Ray C. Espinosa James L. Go Bernido H. Liu Tadashi Miyashita Hideaki Ozaki Artemio V. Panganiban Ma. Lourdes C. Rausa-Chan Pedro E. Roxas Juan B. Santos Tony Tan Caktiong
Corporate Governance Seminar on Financial Reporting and Audit	February 5, 2016	Speaker: SGV & Co.	Artemio V. Panganiban Pedro E. Roxas
ESG Reporting – HKEx Requirements	October 12, 2016	Speaker: Mr. Coleman Ng KPMG Hong Kong	Manuel V. Pangilinan Ray C. Espinosa
Corporate Governance Seminar	December 21, 2016	Speaker: SGV & Co.	Bernido H. Liu
	December 8, 2016		Hideaki Ozaki
	November 12, 2016	Speaker: Risks, Opportunities, Assessment and Management, (ROAM) Inc.	Helen Y. Dee
Corporate Governance Orientation Program	November 23, 2016	Speaker: Institute of Corporate Directors	Atsuhisa Shirai
	August 25, 2016		Juan B. Santos
Corporate Governance Training Program	August 8, 2016		Tony Tan Caktiong
SEC Corporate Governance Forum	August 3, 2016	Securities and Exchange Commission	Ma. Lourdes C. Rausa-Chan
Cyber Security in the 21st Century: The Threat Landscape	February 18, 2016	Speaker: Christopher Camejo	Napoleon L. Nazareno Ray C. Espinosa Tadashi Miyashita Ma. Lourdes C. Rausa-Chan

For the orientation of new directors, 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 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, U.S. 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.

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.



BOARD COMMITTEES

Advisory Committee

Our Board is supported by an Advisory Committee. 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 Mr. Washington Z. SyCip. The Advisory Committee provides guidance and suggestions, as necessary, on matters deliberated upon during Board meetings.

PLDT's other Board Committees, namely Audit, Governance and Nomination, Executive Compensation, Risk and Technology Strategy Committees, assist the Board in the performance of their 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.

Advisory Committee	Designation	Board Meetings	Annual Stockholders' Meeting
Oscar S. Reyes	Advisor	16/16	✓
Roberto R. Romulo	Advisor	16/16	✓
Benny S. Santoso	Advisor	15/16	✓
Washington Z. SyCip	Advisor	15/16	×
Orlando B. Vea	Advisor	16/16	✓
Christopher H. Young	Advisor	16/16	✓

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		4/4	1/1		2/2
Ray C. Espinosa					2/2
Ma. Lourdes C. Rausa-Chan		4/4 ^B			
Bernido H. Liu*	9/11	4/4	1/1	3/4	
Artemio V. Panganiban*	11/11	4/4	1/1	4/4	
Pedro E. Roxas*	11/11	4/4	1/1	4/4	
James L. Go	10/10 ⁷			3/4	2/2
Tadashi Miyashita ⁵	4/4 ⁷	2/2	1/1	2/2	2/2
Napoleon L. Nazareno ⁶					2/2
Albert F. del Rosario ⁶					-
Atsuhisa Shirai ⁵	4/4 ⁷	2/2	-	2/2	-
Roberto R. Romulo	10/10 ⁷				
Oscar S. Reyes					2/2 ^B
Orlando B. Vea					2/2 ^B
Corazon S. Dela Paz-Bernardo	11/11 ⁷				
Menardo G. Jimenez, Jr.		4/4 ^B	1/1 ^B		

Audit Committee (AC)

The AC 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 of the 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. Dela Paz-Bernardo, a former member of our Board. Ms. Dela Paz-Bernardo has expertise in accounting and financial management and is a former Chairman and Senior Partner of Joaquin Cunanán & 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/company-leadership/audit-committee-charter.pdf?sfvrsn=2>. The purposes, duties and powers of the AC are set forth in the charter.

Activities of the AC in 2016 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), discussed, reviewed and approved, or noted:

- SGV & Co.'s report on the results of their integrated audit of the 2015 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;
- Various audit, audit-related and non-audit services and fees of SGV & Co. and EY for PLDT and its subsidiaries;
- SGV & Co.'s plan and status reports on the integrated audit of PLDT's and its subsidiaries' 2016 financial statements and ICFR;
- SGV & Co.'s updates on various new accounting standards which will become effective in 2018 and 2019; and
- Appointment and engagement of external auditors for PLDT and certain subsidiaries and affiliates of PLDT.

⁵ Mr. Shirai was appointed as a member of the GNC, ECC, RC and TSC and an advisor to the AC effective August 30, 2016 vice Mr. Miyashita who resigned on August 29, 2016.

⁶ Mr. Albert F. del Rosario was appointed as a member of the TSC effective July 11, 2016 vice Mr. Nazareno who resigned on even date.

⁷ Advisor to the AC

⁸ Non-voting member

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

- The Internal Audit and Fraud Risk Management Group's (IAFRMG) performance report for the year 2015 and the 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 2017;
- PLDT's Internal Audit Plans for 2016 and 2017;
- Internal Audit's report on PLDT Group's Sarbanes-Oxley Act – Section 404 (SOX 404) Compliance – Management's Overall Assessment and Conclusions as of December 31, 2015;
- The PLDT Group's SOX 404 compliance scoping and approach for 2016; and
- The major IAFRMG activities and accomplishments, including the internal audit organizational updates, and succession plan for PLDT and Smart internal audit organizations.

The AC also conducted an evaluation of the qualifications and performance of the incumbent Head of Internal Audit organization, and resolved to re-appoint Mr. Jun R. Florencio as the Chief Audit Officer/Internal Audit Head.

With respect to financial reporting and controls, reviewed and discussed the following with PLDT Finance Officers and/ or SGV & Co.:

- PLDT's audited financial statements for 2015 prepared in accordance with PFRS and IFRS, the report of SGV & Co. on the final results of its integrated audit of 2015 PFRS and IFRS financial statements and ICFR, the PLDT Group's 2015 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, 2016, the six months ended June 30, 2016, and the nine months ended September 30, 2016.

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

- Reviewed and approved the 2015 AC Report for inclusion in the Annual Report and the retention of the amended PLDT Audit Committee Charter until the next review in 2017;
- Discussed with the Corporate Secretary, Chief Legal Counsel and Chief Governance Officer the Information Statement for the annual stockholders' meeting, the status of Company's compliance with regulations and applicable laws, updates on significant legal matters, and the status of whistleblowing complaints received by the Corporate Governance Office;

- Discussed with the Group Enterprise Risk Management Officer the report on PLDT Group's top key enterprise risks for 2016 and the corresponding risk responses;
- Discussed the Chief Financial Officer's updates on the changes in the governance structures of PLDT's Beneficial Trust Fund, MediaQuest and its subsidiaries, the conduct of an independent review of investments in MediaQuest and its subsidiaries, and updates on the said independent review;
- Discussed with the various business and operational unit heads concerned relevant tax rulings, regulatory matters and compliance with applicable regulations, the Wireless Business Segment's "No Payment Since Activation" (NOPSA) issues, and updates on credit control and collection performance for Smart's postpaid business; and
- Discussed with the Head of PLDT's IAFRMG the Internal Audit's research regarding the oversight of subsidiaries, the Internal Audit's response to the NOPSA related fraud in the Wireless Business, and updates on the status of NOPSA investigations.

The AC submitted to the Board its Semi-Annual Reports of Activities and Performance Self-Assessment Report for 2015.

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 the 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. Mr. Menardo G. Jimenez, Jr.⁹ 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://www.pldt.com.ph/about/management/Documents/Governance%20and%20Nomination%20Committee%20Charter.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 2016 included the following:

- With regard to policy review and development, reviewed and assessed the Code of Ethics and the Conflict of Interest Policy and determined that the principles and procedures therein remain sound and continue to be appropriate for the Company, and approved recommendations to continue to strengthen the implementation of said policies;

⁹Until December 31, 2016. Replaced by Chief People and Culture Officer Maria Elizabeth S. Sichon effective February 7, 2017.

- With respect to education and communication, reviewed and approved the content for the corporate governance training and continuing education program, including the Annual Corporate Governance Enhancement Sessions for Directors and Officers, the PLDT Corporate Governance Report, and the themes for PLDT's communication materials for 2017;
- With respect to compliance and enforcement, reviewed and noted or approved, as applicable, the COI disclosures of key personnel and the initial implementation of the online disclosure systems for COIs and gifts, the whistleblowing cases and the handling thereof, including those of the PLDT subsidiaries, and received updates on the Company's compliance with circulars issued by the PSEC and PSE relating to corporate governance;
- Assisted the Board in implementing the Board Assessment for 2015 performance, which included the performance evaluation of the Board Committees and Individual Directors, including the Chief Executive Officer; and
- As part of its oversight on governance matters, received updates from Management on the Company's procurement activities and sustainability reporting in relation to, among others, the Environmental, Social and Governance (ESG) reporting requirements of the Hong Kong Stock Exchange.

In the performance of its nomination functions, the GNC's activities in 2016 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 14, 2016;
- Pre-screened and recommended to the Board the appointment of 4 directors to fill the vacancies in the Board and the Board Committees;
- Reviewed and confirmed the Human Resources Group's evaluation of the qualifications of officers and recommended their re-appointment as such at the Organizational Meeting of the Board held on June 14, 2016; and
- Reviewed and confirmed the Human Resources Group's evaluation of proposed promotions to officer rank for approval by the Board.

Finally, the GNC submitted the following reports to the Board for year 2015: (a) Consolidated Report on the Board and Board Committees Assessment; (b) GNC Annual Report of Activities; and (c) GNC Performance Self-Assessment.

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 the chairman of this committee. Mr. Menardo G. Jimenez, Jr.¹⁰ is the non-voting member.

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

In 2016, the ECC discussed and approved the payout of the variable pay for officers and executives of PLDT and Smart and additional variable pay contingent on the 2016 first half results tracking the Core Income Budget. The ECC submitted to the Board its Annual Report of Activities and Performance Self-Assessment Report for 2015.

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, former Supreme Court Chief Justice Artemio V. Panganiban, Mr. Bernido H. Liu and Mr. Pedro E. Roxas 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/company-leadership/risk-committee-charter.pdf?sfvrsn=2>. The purposes, duties and powers of the RC are set forth in the charter.

In 2016, the major accomplishments of the RC are the following:

- Reviewed and noted the framework and process followed by the Group Enterprise Risk Management Department (GRMD), and the top risks of the PLDT Group as identified by the CEO Council;

¹⁰ Until December 31, 2016. Replaced by Chief People and Culture Officer Maria Elizabeth S. Sichon effective February 7, 2017.



- Reviewed and noted the GRMD's progress in the conduct of Enterprise Risk Management Workshops in subsidiaries and the development of a risk register software; and
- Reviewed and discussed with Management: (i) PLDT's Procurement Risk profile; (ii) People Risk; (iii) mitigation strategies of the Project Management Office on Execution Risk; (iv) the PLDT Group's Business Continuity Plan; and (v) relevant activities of PLDT's Business Transformation Office.

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. Vea 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://www.pldt.com.ph/about/management/Documents/Technology%20Strategy%20Committee%20Charter.pdf>. The purposes, duties and powers of the TSC are set forth in the charter.

In 2016, the TSC discussed with the PLDT Top Management and Technology Group technology projects, initiatives, plans and concepts, with a focus on projects that will improve quality of service for better customer experience and operational efficiency, and support business requirements in terms of network capacity and growth. Technology innovations in different stages of implementation were also discussed in its meetings. The TSC submitted to the Board its Annual Report of Activities and Performance Self-Assessment Report for 2015.

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

President and CEO. 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.

Corporate Secretary. The Corporate Secretary informs the directors of the schedule and agenda of Board meetings and ensures that Management provides the Board with complete and accurate information that will enable the directors to make informed decisions on matters that require their approval.

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:

- 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 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 us 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 our processes for controlling our activities and managing our risks;
- Report significant issues related to the processes of controlling our activities, including potential improvements to those processes, and 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.

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 staff of the external auditor, 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 CG through the implementation of its CG policies, including the CG Manual, Code of Ethics and related policies.

CG Manual. Our CG Manual defines our corporate governance framework and structure. Together with 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 *Conflict of Interest Policy*, *Policy on Gifts, Entertainment and Sponsored Travel*, *Supplier/Contractor Relations Policy* and *Expanded Whistleblowing Policy*. The Company adopted the Policy on PLDT's Gift-Giving Activities which, together 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 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 conflict of interest. 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 reviewed and approved by the designated approving authorities. 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 reviewed by the AC, which is composed entirely of independent directors, and subject to approval by the Board. The Head of Financial Reporting and Controllership 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 and Policy on Gift-Giving Activities. The Policy on Gifts, Entertainment and Sponsored Travel 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. 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 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 violations of the CG Manual, Code of Ethics, Conflict of Interest Policy, Gifts Policy 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 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 2016, there were four new whistleblowing complaints received by the CGO. These were referred to the appropriate investigating units for further investigation. As at December 31, 2016, four cases are pending while four cases were closed. The complaints covered allegations of violation of the Code of Ethics, Conflict of Interest Policy, Gifts Policy, Supplier/Contractor Relations, Policy on Employees Running for Public Office and the Personnel Manual. The Company has not received any complaint on retaliation.

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 law and regulations.

PLDT's key subsidiaries have adopted corporate governance rules and policies 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. On February 1, 2017, the Data Privacy Office was created and the Chief Data Privacy Officer was appointed.

TRAINING AND EDUCATION

The Company provides continuous training for its Board, Management and employees. In 2016, the Company organized corporate governance enhancement sessions for our Board and Management on the following topics: (i) *The Philippine Competition Act and Philippine Competition Commission*; (ii) *Digital Transformation, Risk Management and Governance in the 21st Century*; and (iii) *Digital Governance: Issues in Emerging Technologies*.

Apart from participating in PLDT-organized training, our directors also attend external training. The training sessions attended by our directors in 2016 are presented in this report. One of our directors, Mr. James Go, has been granted by the PSEC permanent exemption from its corporate governance training requirements.

In addition to orientation and periodic training sessions for employees, the CGO conducted two refresher sessions on corporate governance in May and June 2016 with newly-promoted PLDT managers as part of the Human Resources Group's Executive CSI (Competent, Strategic, Inspiring) Course.

Education and training is supplemented by the production and dissemination of relevant communication materials, including thematic posters, calendars and newsletters, and advisories on corporate governance.

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 2016, PLDT confirmed 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 U.S. 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 for Year 2015 on January 8, 2016 and filed its PSE Corporate Governance Guidelines Disclosure Report for Year 2015 on March 30, 2016.

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's 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. The Board Committee's self-assessment questionnaire contains the following criteria: Performance & Compliance and Committee Governance. For the 2015 performance period, the results of the assessment process was duly reported to, and discussed with, the Board in 2016.

PLDT monitors and assesses 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 PSEC Revised Code of Corporate Governance 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 analyzed 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-ipldt/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 CSR 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. 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.

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 that impede stockholders' participation in annual and special stockholders' meetings and acts with transparency and fairness in said 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. 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. 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.

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.

The Company held its Annual Stockholders' Meeting on June 14, 2016, with holders of 94.6% of total outstanding capital present or represented by proxy in the meeting. To view the Minutes of the 2016 PLDT Annual Stockholders' Meeting, please click on this link <http://www.pldt.com/docs/default-source/annual-meeting-of-stockholders/2016/minutes-of-annual-meeting-of-stockholders-2016.pdf?sfvrsn=0>.

PLDT's Code of Ethics prohibits directors, officers and employees from dealing in the Company's shares when in possession of material nonpublic 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 timely 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.

SHAREHOLDINGS OF THE BOARD AND OFFICERS IN 2016

	Number of Company Shares ¹¹					Number of Company Shares ¹¹			
	Starting Balance ¹²	Acquired	Disposed	Ending Balance ¹³		Starting Balance ¹²	Acquired	Disposed	Ending Balance ¹³
A. Directors									
1. Manuel V. Pangilinan	246,450	3,000		249,450	8. Ma. Lourdes C. Rausa-Chan	199			199
2. Helen Y. Dee	23,135 ¹⁴	1,945		25,080	9. Albert F. Del Rosario ¹⁵	206,790		64,380	142,410
3. Ray C. Espinosa	15,743			15,743	10. Pedro E. Roxas	231			231
4. James L. Go	134,914	50,000	59,000	125,914	11. Atsuhisa Shirai ¹⁶				1
5. Bernido H. Liu	1			1	12. Amado D. Valdez ¹⁸				1
6. Hideaki Ozaki	1			1	13. Marife B. Zamora ¹⁸				5
7. Artemio V. Panganiban	1,771			1,771					
B. Officers									
1. Ernesto R. Alberto	-			-	28. Gil Samson D. Garcia	-			-
2. Isaias P. Fermin ¹⁹	-			-	29. Joseph Ian G. Gendrano	-			-
3. Alejandro O. Caeg	200			200	30. Elisa B. Gesalta	-			-
4. Anabelle L. Chua	12,028			12,028	31. John John R. Gonzales	-			-
5. Jun R. Florencio	515			515	32. Ma. Josefina T. Gorres	-			-
6. Menardo G. Jimenez, Jr.	22			22	33. Ma. Criselda B. Guhit	1,250			1,250
7. Katrina L. Abelarde	-			-	34. Emerald L. Hernandez	-			-
8. Marco Alejandro T. Borlongan	-			-	35. Marven S. Jardiel	-			-
9. Alfredo B. Carrera	300			300	36. Princesita P. Katigbak	-			-
10. Cesar M. Enriquez ²⁰	-			-	37. Alexander S. Kibanoff	-			-
11. Juan Victor I. Hernandez	-			-	38. Joseph Nelson M. Ladaban	-			-
12. Florentino D. Mabasa, Jr.	-			-	39. Javier C. Lagdameo	-			-
13. Leo I. Posadas	10			10	40. Joselito S. Limjap	-			-
14. June Cheryl Cabal Revilla	-			-	41. Albert Mitchell L. Locsin	-			-
15. Oscar Enrico A. Reyes, Jr.	-			-	42. Luis Ignacio A. Lopa	-			-
16. Martin T. Rio	-			-	43. Paolo Jose C. Lopez	-			-
17. Ricardo M. Sison	4,400			4,400	44. Ma. Carmela F. Luque	-			-
18. Emiliano R. Tanchico, Jr.	1,539			1,539	45. Oliver Carlos G. Odulio	-			-
19. Melissa V. Vergel de Dios	-			-	46. Aileen D. Regio	-			-
20. Benedict Patrick V. Alcosoba ²¹	- ²²			-	47. Ricardo C. Rodriguez	5,712			5,712
21. Jerameel A. Azurin ²¹	- ²²			-	48. Genaro C. Sanchez	4,460			4,460
22. Rafael M. Bejar	-			-	49. Arvin L. Siena ²¹	50 ²²			50
23. Jose Arnilo S. Castañeda ²¹	- ²²			-	50. Ana Maria A. Sotto	-			-
24. Gerardo Jose V. Castro	-			-	51. Julieta S. Tañeca ²⁴	5			5
25. Marissa V. Conde	-			-	52. Patrick S. Tang	570			570
26. Gene S. de Guzman	-			-	53. Victor Y. Tria	-			-
27. Margarito G. Dujali, Jr. ²³	-			-					

¹¹ 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 PSEC and PSE and posted on the Company website at [PLDT Investor Relations>Shareholder Information>Beneficial Ownership](#).

¹² As at December 31, 2015 unless otherwise indicated.

¹³ As at December 31, 2016.

¹⁴ Includes 835 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.

¹⁵ Elected as director effective July 11, 2016.

¹⁶ Elected as director effective August 30, 2016.

¹⁷ As at date of election as director.

¹⁸ Elected as director effective November 14, 2016.

¹⁹ Separated effective January 01, 2017.

²⁰ Separated effective September 01, 2016.

²¹ Appointed as officer of the Company on August 30, 2016.

²² As at date of appointment as officer.

²³ Separated effective March 01, 2017.

²⁴ Separated effective March 31, 2017.

On August 2, 2016, the Board approved the amendment of our dividend policy, reducing the regular dividend payout rate to 60% from 75% of our 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 our 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 approximately 60% of its core earnings for the year 2016.

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 2016, the Company significantly increased its capital expenditures to support the roll-out of high speed data infrastructure in order to provide a higher level of internet service to its customers.

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 also organizes programs that support the well-being of employees, allow them to participate in PLDT's CSR activities, and obtains their feedback on Company concerns. Employees' surveys are 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.



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 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.

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 connecting the digital divide, and 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 core business and infrastructure to act as enablers, especially in communities with greatest need, through their CSR programs in education, health, community, environment, livelihood development, youth development and sports, and disaster relief operations.

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. We have also implemented 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 as set forth in its Code of Ethics and reinforced in specific policies such as the Policy on Gift-Giving Activities, Policy on Gifts, Entertainment and Sponsored Travel, 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, 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. We are an active sponsoring partner member of the Ethics and Compliance Initiative (ECI). Our continuing membership at the ECI 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 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 was a major sponsor of the ISA's Islands of Good Governance Program in 2015.

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 and stakeholders and adherence to the principles of good governance.



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