



PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

AUDIT COMMITTEE CHARTER

This Charter was approved and adopted on March 24, 2000, and amended on June 15, 2000, January 31, 2003, August 4, 2005, September 28, 2010, and March 29, 2011, by the Board of Directors of the Philippine Long Distance Telephone Company pursuant to its By-Laws and Manual on Corporate Governance.

1. DEFINITIONS AND INTERPRETATION

1.1 Defined Terms

The following terms are used in this Charter with the respective meanings ascribed to such terms below, unless the context otherwise requires:

“Advisor”	shall have the meaning ascribed to such term in Section 3.1(c);
“Board”	means the Board of Directors of the Company, as constituted from time to time;
“By-Laws”	means the By-Laws of the Company, as may be amended from time to time;
“CG Manual”	means the Manual on Corporate Governance of the Company, as may be amended from time to time;
“Committee”	means the Audit Committee of the Company, as constituted from time to time;
“Company” or “PLDT”	means Philippine Long Distance Telephone Company;
“Director”	means a duly elected member of the Board;
“employees”	means all the employees of the Company, including Officers and Executives;
“Executives”	means the executives of the Company with the rank of Manager up to Assistant Vice President;
“External Auditor”	shall have the meaning ascribed to such term in Section 2.3;

“Independent Director”	shall have the meaning ascribed to such term in Annex A hereof;
“Internal Audit Head” or “Chief Audit Officer”	means the head of the Company’s internal audit organization who shall report functionally to the Audit Committee and administratively to the President and CEO of the Company;
“Management”	means the body composed of the CEO and Officers responsible for the day-to-day conduct of business of the Company and the implementation of its business strategies, plans and policies;
“Members”	means the members, including the Chairman, of the Committee as appointed by the Board from time to time;
“NTT”	means NTT DoCoMo, Inc., a corporation established under the laws of Japan and having its principal place of business at Sanno Park Tower 41F, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo 100-6150, Japan, or its successor in interest;
“Officers”	means the officers of the Company with the rank of Vice President and above;
“this Charter”	means this Audit Committee Charter, including its Schedule and Annexes, as the same may be amended from time to time; and
“year”	means a calendar year.

1.2 Interpretation

- (a) Unless the context otherwise requires:
- (i) words in the singular include the plural, and *vice versa*; and
 - (ii) words importing any gender include all genders.

- (b) The word “writing”, or any cognate expression, includes a reference to any communication effected by telex, facsimile transmission or any mode of reproducing words in a legible and non-transitory form.
- (c) A reference to a statute or statutory provision shall be construed as a reference to that statute or statutory provision as from time to time amended, modified or re-enacted, any repealed statute or statutory provision which it re-enacts, and any order, rule or regulation made under the relevant statute or statutory provision.
- (d) The headings in this Charter are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.

2. PURPOSES, DUTIES AND POWERS

- 2.1 The Committee shall have the purposes, duties and powers set out in the Schedule attached hereto and such other duties and powers as may be delegated to the Committee by the Board, subject to such limitations as the Board may determine and notify to the Committee.
- 2.2 The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage external auditors for special audits, reviews and other procedures and to retain and obtain advice from special counsel and other experts or consultants, without need for Board approval.
- 2.3 The Chairman of the Committee and/or any of its Members/Advisors may meet separately with Management, the Internal Audit Head/Chief Audit Officer and/or the external auditor/s of the Company (the “External Auditor”) to discuss any matter that the Committee or any of the foregoing persons or firms believe should be discussed privately. The Committee may also request any Officer, Executive or employee of the Company or the Company’s outside counsel or External Auditor to attend a meeting of the Committee or to meet with any Member, Advisor or consultant of the Committee.

3. COMMITTEE STRUCTURE

- 3.1 Composition
 - (a) The Committee shall have a minimum of three (3) Members, each of whom, including the Chairman thereof who shall be chosen from among the Members, shall be an Independent Director.

- (b) The Chairman and Members of the Committee shall be appointed by the Board.
- (c) The Board may appoint one or more persons to serve as advisor(s) to the Committee (an "Advisor"). Advisors shall have the right to attend and speak at any meeting of the Committee, but shall have no right to vote in respect of any action by the Committee.
- (d) The Chairman of the Committee or any of its Members or Advisors may be removed from office only by the Board.

3.2 Qualifications and Disqualifications

- (a) Each Member must be financially literate and the Chairman must have accounting or related financial management expertise, as such qualifications are interpreted by the Board in its business judgment. If so required by applicable laws, at least one (1) Member must be an audit committee financial expert or one who, through education and experience, has the following attributes as determined by the Board:
 - (i) an understanding of generally accepted accounting principles ("GAAP") and financial statements;
 - (ii) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
 - (iii) experience in preparing or auditing or reviewing or analyzing financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience in actively supervising one or more persons engaged in such activities;
 - (iv) an understanding of internal controls and procedures for financial reporting; and
 - (v) an understanding of audit committee functions.
- (b) Each Member shall be a Philippine citizen if so required under applicable Philippine laws and regulations and/or the By-Laws.
- (c) The office of a Member shall *ipso facto* be vacated:
 - (i) if he resigns his office as a Member;

- (ii) if he is removed by a resolution of the Board;
- (iii) if he becomes of unsound mind; or
- (iv) if he is subsequently disqualified from becoming a Member.

A Member shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the Board or its Governance and Nomination Committee, a Member ceases to meet any of the independence criteria set forth in Annex A hereof or to possess any of the qualifications for directorship set forth in Annex B hereof, or he becomes disqualified from directorship based on any grounds for disqualification set forth in Annex C hereof.

4. COMMITTEE PROCEDURES

4.1 Meetings

- (a) The Committee shall hold meetings at such times and places as it considers appropriate, provided that at least one (1) meeting shall be held in each fiscal quarter.
- (b) Meetings of the Committee shall be convened by the Chairman of the Committee as and when he considers appropriate or upon the request of a majority of the Members.
- (c) A Committee meeting shall be convened upon notice in writing at least three (3) days prior to the meeting and specifying the place, date and time of the meeting and the matters to be discussed at the meeting.
- (d) Subject to Section 4.1(j) below, notwithstanding that a meeting is called by shorter notice, it shall be deemed to have been duly convened if it is so agreed by the Members present in the meeting at which there is a quorum. A Member may consent to short notice and may waive notice of any meeting of the Committee and any such waiver may be retrospective.
- (e) Each Member/Advisor shall give to the Secretary of the Committee an address and a facsimile number for the service of notices of meetings of the Committee.
- (f) Notice of a meeting of the Committee shall be deemed to be duly served upon a Member/Advisor if it is given to him personally, or sent to him by mail or

facsimile transmission to his address or facsimile number, as appropriate, given by him to the Secretary of the Committee in accordance with Section 4.1(e) above.

- (g) The quorum for a meeting of the Committee shall be at least a majority of the Members present throughout the meeting.
- (h) Resolutions at a meeting of the Committee at which there is a quorum shall be passed by a simple majority of votes of the Members present at such meeting.
 - (i) Each Member, including the Chairman of the Committee, shall have one (1) vote.
 - (ii) In case of an equality of votes, the Chairman of the Committee shall not have a second or casting vote.
 - (iii) A resolution in writing signed by all Members shall be as valid and effective for all purposes as a resolution of the Committee passed at a meeting of the Committee duly convened, held and constituted. A written notification of confirmation of such resolution in writing sent by a Member shall be deemed to be his signature to such resolution in writing for such purpose. Such resolution in writing may consist of several documents, each signed by one or more Members.
- (i) If, within thirty (30) minutes from the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day, time and place as the Chairman of the meeting may determine.
- (j) Notwithstanding any other provision herein, [i] no business shall be properly transacted at any meeting of the Committee where prior notice of such meeting has not been provided to each Member or Advisor nominated by NTT a reasonable time prior to such meeting, and [ii] if any meeting is convened upon less than twenty four (24) hours' prior written notice to each Member or Advisor nominated by NTT, and no Member or Advisor nominated by NTT is present at such meeting, then [a] no business shall be properly conducted at such meeting, and [b] the holding of such meeting shall be adjourned for a period of not less than twenty four (24) hours (and prompt notice of such adjournment shall be given to each Member and Advisor in accordance with the other provisions hereof) and any business may be properly transacted at the meeting so

reconvened notwithstanding the absence of any Member or Advisor nominated by NTT.

- (k) Members and Advisors may participate in a meeting of the Committee through teleconference or video conference by means of which all persons participating in the meeting can hear each other.
- (l) Any Member may cause any Advisor to be excluded from the Committee's meetings (or parts thereof) as such Member deems appropriate in order for the Committee to carry out its responsibilities. Such Advisor may not rejoin the relevant meeting of the Committee until the Committee has completed discussion of the topic for which such Member requested such Advisor to be excluded or such Member has withdrawn his request.

4.2 Escalation

The Committee shall timely refer to the Board its recommendations or decisions which require ratification or approval by the Board or, if otherwise, as it may deem necessary or proper.

4.3 Minutes and Records

- (a) The Committee shall appoint a Secretary who shall prepare minutes of meetings of the Committee and keep records of the Committee.
- (b) The Committee shall cause records to be kept for the following:
 - (i) appointments and resignations of the Members/Advisors;
 - (ii) all agenda and other documents sent to the Members/Advisors; and
 - (iii) minutes of proceedings and meetings of the Committee.
- (c) Any such records shall be open for inspection by any Member or Advisor upon reasonable prior notice during usual office hours of the Company.
- (d) Minutes of any meeting of the Committee, if purported to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting, shall be conclusive evidence of the proceedings and resolutions of such meeting.

4.4 Notice

- (a) Except for notice of meetings of the Committee which shall be given or issued in accordance with Section 4.1(f), any other notice or document to be given or issued to the Members/Advisors may be served by the Committee upon any Member/Advisor either (i) personally, or (ii) by sending it by mail, postage prepaid, addressed to such Member/Advisor at his address and, in any case

where the address of a Member/Advisor is outside the Philippines, by prepaid airmail or courier, or (iii) by facsimile transmission.

- (b) Any notice sent by mail shall be deemed to have been served, in the case where the Member's/Advisor's address is in the Philippines, on the day following that on which the notice is mailed in the Philippines, and in any other case, on the third day after the day of mailing. In proving such service, it shall be sufficient to prove that the notice was properly addressed and mailed, postage prepaid. Any notice sent by facsimile transmission shall be deemed to have been sent upon dispatch, as evidenced by facsimile transmission confirmation report.
- (c) Any notice or other document required to be sent to or served upon the Committee or upon any Officer of the Company, may be sent or served by leaving the same, or sending it through the post in a postage prepaid envelope, addressed to the Committee or to such Officer, at the principal place of business of the Company.

5. REMUNERATION OF MEMBERS/ADVISORS

No fees or other remuneration shall be payable to the Members and Advisors in respect of their services provided in connection with the Committee or in respect of their attendance at meetings of the Committee, save and except fees or remuneration authorized and approved by the Board for such purposes. No fees or compensation shall be paid directly or indirectly to any Member or his firm for consultancy or advisory services rendered to the Company directly by the Member or indirectly through his firm even if such Member is not the actual service provider. However, this prohibition shall not apply to ordinary compensation paid to a Member or his firm in respect of any other supplier or other business relationship or transaction that the Board has determined to be at arm's length terms and immaterial for purposes of its basic Member's independence analysis.

6. MEMBER'S/ADVISOR'S INTEREST

- 6.1 A Member or Advisor who is in any way, whether directly or indirectly, interested in a contract, arrangement or any other dealing or proposed contract,

arrangement or dealing with the Company shall declare the nature of his interest in accordance with the provisions of this Charter. For the purpose of this Charter, a general notice given by a Member/Advisor to the other Members/Advisors to the effect that he is a shareholder or a director of a relevant company or firm, and is to be regarded as interested in any contract, arrangement or dealing which may, after the date of the notice, be entered into or made with that company or firm, shall be deemed to be a sufficient disclosure of interest in relation to any contract, arrangement or dealing so entered into or made.

- 6.2 Without prejudice to the provisions of Section 3.2(c), no Member/Advisor or intended Member/Advisor shall be disqualified by his office from contracting with the Company, nor shall any contract, arrangement or dealing entered into by or on behalf of the Company with any Member/Advisor or any firm or company in which any Member/Advisor is in any way interested be void or voidable, nor shall any Member/Advisor so contracting or being so interested be liable to account to the Company for any profit, remuneration or other benefits realized by any such contract, arrangement or dealing, by reason only of the interest of such Member/Advisor, provided that such contract, arrangement or dealing was approved by the Board in a meeting properly convened, the presence of such Member/Advisor (if a Director) in the Board meeting in which the contract, dealing or arrangement was approved was not necessary to constitute a quorum for such meeting, the vote of such Member/Advisor (if a Director) was not necessary for the approval of such contract, dealing or arrangement and the contract, dealing or arrangement is fair and reasonable under the circumstances.

7. AMENDMENT

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.

SCHEDULE

AUDIT COMMITTEE CHARTER

Purposes

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities for:

1. the integrity of the Company's accounting and financial reporting principles and policies, and system of internal controls, including the integrity of the Company's financial statements and the independent audit thereof;
2. the Company's compliance with legal and regulatory requirements;
3. the Company's assessment and management of enterprise risks including credit, market, liquidity, operational and legal risks; and
4. the Company's audit process and the performance of the Company's internal audit organization and External Auditor, including the External Auditor's qualifications and independence.

The primary responsibility of the Committee is oversight. Management is responsible for the integrity of the Company's financial statements and disclosures and for maintaining effective internal controls. The External Auditor is responsible for the proper audit and review of the Company's financial statements as may be required prior to the filing thereof with various stock exchanges and government entities. In fulfilling their responsibilities hereunder, it is recognized that Members are not full-time employees of the Company and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing. As such, as it is not the duty or responsibility of the Committee or its Members to conduct "field work" or other types of auditing or accounting reviews or procedures and each Member will be relying in part on the expertise of Management and the External Auditor. Each Member shall be entitled to rely on:

- the integrity of those persons and organizations within and outside the Company that it receives information from;
- the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board); and

- the representations made by Management as to any information technology, internal audit and other non-audit services provided by the External Auditor to the Company.

The External Auditor shall report directly to the Committee. The Committee has the direct responsibility for the appointment, setting of compensation, retention, removal and oversight of the work of the External Auditor.

Duties and Powers

To carry out its purposes, the Committee shall have the following duties and powers:

1. With respect to the External Auditor:
 - 1.1 review and evaluate the qualifications, performance and independence of the External Auditor and its lead audit partner primarily responsible for the audit of the Company's financial accounts;
 - 1.2 select and appoint the External Auditor and remove or replace the External Auditor as the Committee may deem necessary or appropriate;
 - 1.3 review and approve in consultation with the Internal Audit Head/Chief Audit Officer and the head of the finance organization, all audit and non-audit services to be performed by the External Auditor and all fees to be paid to the External Auditor for such services; and ensure that non-audit services, if allowed or approved, are disclosed in the Company's annual report;
 - 1.4 periodically review fees for non-audit services paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Company's overall consultancy expenses, and disallow any non-audit services that will conflict with the External Auditor's duties to the Company as such or may pose a threat to its independence;
 - 1.5 ensure that the External Auditor prepares and delivers annually a formal written statement delineating all relationships between the External Auditor and the Company (Statement as to Independence) as required by the prevailing applicable Independence Standards, and discuss with the External Auditor and evaluate any relationships or services disclosed in such Statement that may impact the objectivity, independence or quality of services of the External Auditor and take appropriate action in response to such Statement to satisfy itself of the External Auditor's independence;

- 1.6 review, based upon the External Auditor's formal written statement (Auditors' Statement) submitted at least annually, the External Auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review of the External Auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five (5) years, regarding one or more independent audits carried out by the External Auditor; and any steps taken to deal with any such issues; and
 - 1.7 ensure that the External Auditor, or its lead audit partner primarily responsible for the audit or review of the Company's financial accounts is rotated at least once every five (5) years or such shorter or longer period provided under applicable laws and regulations.
2. With respect to internal audit:
- 2.1 review the appointment, removal and replacement of the Internal Audit Head/Chief Audit Officer who shall functionally report directly to the Committee, and ensure that the internal audit organization shall be free from interference by outside parties in the performance of its work;
 - 2.2 advise the Internal Audit Head/Chief Audit Officer that he is expected to provide to the Committee summaries of and, as appropriate, significant reports to Management prepared by the Internal Audit Head/Chief Audit Officer and Management's responses thereto;
 - 2.3 review and approve the audit plan (which shall include the audit scope, resources and budget necessary to implement it) of the internal audit organization, and ensure that internal audit examinations cover at least the evaluation of adequacy and effectiveness of controls encompassing the Company's governance, operations, information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations;
 - 2.4 require the Internal Audit Head/Chief Audit Officer to render to the Committee an annual report on the internal audit organization's activities, purposes, and authorities, responsibilities and performance relative to the audit plans and strategies approved by the Committee. Such annual report shall include significant risk exposures and control issues, corporate governance issues and other matters requested by the Committee or the Board;

- 2.5 require a statement from the Internal Audit Head/Chief Audit Officer that the activities of the internal audit organization are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing; if otherwise, a disclosure that the internal audit organization has not yet fully achieved compliance with the International Standards for the Professional Practice of Internal Auditing; and
 - 2.6 conduct an annual review and, if deemed appropriate, cause an update, of the Company's Internal Audit Charter.
3. With respect to financial reporting principles and policies and system of internal controls:
 - 3.1 advise Management and the External Auditor that they are expected to provide to the Committee a timely analysis of significant/critical financial reporting issues and practices;
 - 3.2 obtain and consider any reports or communications (and Management's and/or the Internal Audit Head/Chief Audit Officer's responses thereto) submitted to the Committee by the External Auditor as required by or referred to in the prevailing applicable Auditing Standard, including reports and communications related to:
 - 3.2.1 the External Auditor's responsibility under generally accepted auditing standards;
 - 3.2.2 the External Auditor's responsibility for other information in documents containing audited financial statements;
 - 3.2.3 consideration of fraud in a financial statement audit;
 - 3.2.4 detection of fraud and illegal acts, whether or not material, that involve Management or other employees who have a significant role in the Company's internal controls, and that cause a material misstatement of the financial statements;
 - 3.2.5 significant/critical accounting policies and practices and any major issues regarding, or significant changes in, accounting principles or financial statement presentation;

- 3.2.6 methods of accounting for significant unusual transactions and for controversial or emerging areas for which there is a lack of authoritative guidance;
- 3.2.7 Management's judgments and accounting estimates;
- 3.2.8 all alternative treatments of financial information within generally accepted accounting principles that have been discussed by the External Auditor with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditor;
- 3.2.9 the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;
- 3.2.10 the External Auditor's judgments about the quality of the Company's accounting principles;
- 3.2.11 significant deficiencies and material weaknesses noted in the audit in the design or operation of internal controls;
- 3.2.12 adjustments arising from the audit;
- 3.2.13 any material written communication between the External Auditor and Management such as any management letter or schedule of unadjusted differences;
- 3.2.14 any significant disagreements with Management;
- 3.2.15 major issues discussed with Management in connection with initial or recurring retention;
- 3.2.16 consultation by Management with other accountants;
- 3.2.17 any restriction on audit scope and the External Auditor's activities or access to requested information;
- 3.2.18 difficulties encountered with Management while performing the audit; and

- 3.2.19 reviews of interim financial information conducted by the External Auditor as may be required under applicable laws and regulations.
- 3.3 meet with Management, the Internal Audit Head/Chief Audit Officer and/or the External Auditor to:
- 3.3.1 discuss the scope of the annual audit;
 - 3.3.2 review and discuss the quarterly unaudited financial statements and the annual audited financial statements (including the disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations) with particular focus on, among other matters: (a) any change(s) in significant/critical accounting policies and practices, and issues related thereto; (b) major Management judgmental areas; (c) going concern assumptions, (d) compliance with applicable accounting standards, and (e) significant adjustments arising from the audit of the full year financial statements.
 - 3.3.3 discuss any earnings press releases, and financial information and earnings guidance provided to analysts and rating agencies; and
 - 3.3.4 discuss any significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the External Auditor, the Internal Audit Head/Chief Audit Officer or Management.
- 3.4 obtain from the External Auditor assurance that the audit was conducted in a manner consistent with certain procedures to be followed in any audit of financial statements required under the applicable rules of the relevant stock exchange, securities and exchange commission and other regulatory bodies;
- 3.5 ensure that Management has established and maintains and periodically reviews/evaluates the adequacy and effectiveness of the Company's internal control system;
- 3.6 review on a semi-annual basis (a) internal control, (b) financial reporting, (c) internal audit activities, (d) external audit activities, (e) regulatory, legal and tax matters, (f) reporting responsibilities;
- 3.7 resolve disagreements between Management and the External Auditor regarding financial reporting;

- 3.8 have separate sessions periodically, with Management, with the Internal Audit Head/Chief Audit Officer and with the External Auditor as the Committee may deem necessary to surface issues warranting the attention of the Committee; and
 - 3.9 ensure that the External Auditor and the internal audit organization act independently from each other, and that the Company or Management grants the External Auditor and the internal audit organization unrestricted access to all records, properties and personnel to enable the performance of their respective audit functions.
4. With respect to enterprise risks:
 - 4.1 review and discuss with Management and the Internal Audit Head/Chief Audit Officer, and/or the External Auditor the policies and processes adopted by Management with respect to risk identification, assessment and management; and
 - 4.2 require Management to provide a report to and discuss with the Committee about the Company's significant or major risk exposures, if any, and the steps taken by Management to monitor or manage such risks.
5. With respect to legal and regulatory compliance:
 - 5.1 monitor compliance and adherence by the Company with all applicable laws and regulations pursuant to which the Company conducts its operations and business activities;
 - 5.2 in case of failure by the CEO or the General Counsel to adopt, as necessary, appropriate remedial measures or sanctions with respect to any reported material violation of securities law or breach of fiduciary duty or similar violations by the Company, consider such reported violation and recommend the appropriate sanction therefor; and
 - 5.3 discuss with the Company's General Counsel or Chief Governance Officer/Compliance Officer any significant legal matters that may have a material effect on the financial statements, the Company's compliance policies, including material notices to or inquiries from governmental agencies.

6. With respect to reporting and recommendations:

- 6.1 establish or assess the procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- 6.2 conduct investigations of identified irregularities in the operations of the Company and anomalies on matters relating to finance and of funds disbursement which bear strategic significance to the Company and recommend to the Board the necessary actions to remedy, correct and prevent the repetition of such anomalies;
- 6.3 set clear hiring policies for employees or former employees of the External Auditor;
- 6.4 prepare any report, including any recommendation of the Committee, required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy / information statement;
- 6.5 review this Charter at least annually and recommend any necessary changes to the Board;
- 6.6 report the Committee's activities to the Board at least once each year and make such recommendations with respect thereto and other matters as the Committee may deem necessary or appropriate; and
- 6.7 prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of its Charter, set forth the goals and objectives of the Committee for the ensuing year and include any recommendation to the Board on any improvements to this Charter deemed necessary or desirable by the Committee; provided that such report to the Board may take the form of an oral report by the Chairman of the Committee or any other Member designated by the Committee to make such report.

ANNEX A – INDEPENDENT DIRECTOR

“**Independent Director**” means 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 and includes, among other persons, one who:

- (i) is not a director or officer of the Company or any of its related companies or any of its substantial shareholders (other than as an Independent Director of any of the foregoing);
- (ii) was not a director (other than an Independent Director) of the Company who resigned or whose term ended within the last two (2) years;
- (ii) was not the chairman *emeritus* or an *ex-officio* director/officer or a member of the advisory board of the Company or otherwise appointed in a capacity to assist the Board of the Company in the performance of its duties and responsibilities within the last one (1) year;
- (iv) does not own more than two percent (2%) of the shares of stock of the Company or any of its related companies or any of its substantial shareholders;
- (v) is not a relative of any director, officer or substantial shareholder of the Company or any of its related companies or any of its substantial shareholders. For this purpose, “relatives” includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- (vi) is not acting as a nominee or representative of any director or substantial shareholder of the Company or any of its related companies or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement;
- (vii) has not been employed in any executive capacity by the Company or any of its related companies or any of its substantial shareholders within the last five (5) years;
- (viii) is not retained, or within the last five (5) years, has not been retained, as a professional adviser by the Company or any of its related companies or any of its substantial shareholders, either personally or through his firm;
- (ix) has not engaged and does not engage in any transaction with the Company or any of its related companies or any of its substantial shareholders, whether by himself or with

other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial;

- (x) is not employed as an officer or executive of another entity where any of the Company's officers or executives serves on that entity's Compensation Committee;
- (xi) is not affiliated with or employed, or within the last five (5) years, has not been affiliated with or employed, by the Company's present or former External Auditor or their affiliates; or
- (xii) is not a securities broker-dealer or a person holding any office of trust and responsibility in a broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange ("Exchange"), associated person or salesman, and an authorized clerk of the broker or dealer.

When used in relation to a company, "related company" means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

To qualify for nomination as an Independent Director, a person must possess all of the qualifications and have none of the disqualifications for directorship in the Company as set forth in Annexes B and C, respectively, and must meet the independence criteria enumerated above and such other criteria provided under applicable law or regulation or determined by the Board of Directors or its Governance and Nomination Committee.

An incumbent Independent Director shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the Board or its Governance and Nomination Committee: (a) he ceases to meet any of the independence criteria provided above, or (b) he becomes disqualified from directorship based on any of the grounds for disqualification in accordance with Annex C.

ANNEX B – QUALIFICATIONS FOR DIRECTORSHIP

1. Must own at least one (1) share of stock of the Company standing in his name on the books of the Company;
2. Must have a college education or equivalent academic degree;
3. Must be at least twenty-one (21) years old;
4. Must possess integrity and probity;
5. Must have a practical understanding of the business of the Company or previous business experience; and
6. Must have attended a seminar on corporate governance conducted by a duly recognized private or government entity or must have issued an undertaking to attend such a seminar as soon as practicable.

The Governance and Nomination Committee may consider and recommend to the Board other qualifications which are now or may hereafter be provided in the relevant existing laws or any amendments thereto or new laws applicable to the Company, including, but not limited to, membership in good standing in relevant industry, business or professional organization.

ANNEX C – GROUNDS FOR DISQUALIFICATION FROM DIRECTORSHIP

Permanent Disqualification

1. Any person convicted or adjudged guilty of any of the offenses or crimes specified below in a final, non-appealable judgment, decree or order issued by a judicial or an administrative body having competent jurisdiction or the Philippine Securities and Exchange Commission (“Commission”):
 - (a) an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
 - (b) any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) arises out of the person’s conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; or
 - (c) having willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or the *Bangko Sentral ng Pilipinas* (“BSP”), or any rule, regulation or order of the Commission or BSP;
2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above.

The disqualification shall also apply if such person: (a) is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or under any rule or regulation issued by the Commission or BSP; or (b) has otherwise been restrained to engage in any activity involving securities and banking; or

- (c) is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the said organization;
3. Any person found guilty by final judgment or order of a foreign court or equivalent securities or banking regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in Sections 1 and 2 above;
 4. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;
 5. Any person judicially declared as insolvent;
 6. Any employee, officer, manager, director or controlling person or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any corporation (other than one in which the Company owns at least thirty per cent (30%) of the capital stock) or entity engaged in a business that the Board, by at least a majority vote, determines to be competitive or antagonistic to that of the Company or any of its subsidiaries;
 7. Any employee, officer, manager, director or controlling person or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any corporation or entity engaged in any line of business of the Company or any of its subsidiaries, when in the judgment of the Board, by at least a majority vote, the laws against combinations and restraint of trade shall be violated by such person's membership in the Board; and
 8. Any nominee, as determined by the Board, in the exercise of its judgment in good faith and by at least a majority vote, of any person set forth in Sections 6 and 7 above.

Temporary Disqualification

The Governance and Nomination Committee may consider and recommend to the Board temporary disqualification of a Director based on any of the following grounds:

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations, which disqualification shall be in effect as long as said refusal persists;

- (ii) Absence in more than fifty percent (50%) of all Board meetings, both regular and special, during his incumbency or any twelve (12) month period during said incumbency, unless the absence is due to justifiable causes such as illness, death of an immediate family member or serious accident. This disqualification applies for purposes of the succeeding election;
- (iii) Dismissal or termination for cause as director of any corporation covered by the Governance Code¹. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- (iv) Being under preventive suspension by the Company (in the case of an Executive Director); and
- (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Any temporary disqualification of a Director recommended by the Governance and Nomination Committee to be valid and effective must be approved by the Board and comply with the requirements of applicable laws, rules and regulations.

A temporarily disqualified Director shall, within the period prescribed by the Board, which shall not be less than sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

The Governance and Nomination Committee may consider and recommend to the Board other grounds for disqualification which are now or may hereafter be provided in the relevant existing laws or any amendments thereto or new laws applicable to the Company.

¹ SEC Memorandum Circular No. 6, Series of 2009