

# Corporate Governance Report for 2008

## ***Good Governance, now more than ever***

The Philippine Long Distance Telephone Company (PLDT) is dedicated to doing business in accordance with the highest standards of ethics. The Company, its directors, officers, and employees endeavor to promote a culture of good corporate governance by observing and maintaining its core business principles of Accountability, Integrity, Fairness, and Transparency in their relationships among themselves and with the Company's customers, suppliers, competitors, business partners, governments, regulators and the public.<sup>1</sup>

We remain committed to the observance of our corporate governance principles and work continually to further establish the necessary structures, environment, and culture to allow behavior and performance, inspired by our core business principles, to flourish.

The dramatic events of the year 2008 affirmed the value of PLDT's efforts to promote and live out the core business principles and values of Accountability, Integrity, Fairness and Transparency. In May, PLDT Chairman Manuel V. Pangilinan stressed to his peers in the business community<sup>2</sup> that "the values which reside in your heart will determine how your company will operate in good – but more importantly in bad times." True enough PLDT's commitment to good corporate governance has served as the even keel in the upheavals of 2008.

Against the backdrop of a world in economic recession, PLDT was recognized as the Best Overall in Corporate Governance in the Philippines and was cited as the Third Over-all Best Company in Asia for Corporate Governance by the Asiamoney Magazine. More significant, PLDT was cited as the Best Managed Large Cap Company in the Philippines and PLDT Chairman Manuel V. Pangilinan was cited as the Best Executive in the Philippines<sup>3</sup>.

These accolades are founded, among other things, on the modest but progressively improving strides of PLDT in moving corporate governance "beyond compliance". It is a commitment that emanates from the Board of Directors (Board) and cascades down the Company ranks.

## ***Foundations and the road ahead***

The road to institutionalizing good corporate governance (CG) in the Company began with the adoption of the PLDT Manual on Corporate Governance or

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<sup>1</sup> PLDT's Statement of Commitment to Corporate Governance – PLDT Code of Business Conduct and Ethics.

<sup>2</sup> On the occasion of the 5<sup>th</sup> Annual Dinner - Institute of Corporate Directors, May 28, 2008.

<sup>3</sup> Other awards given to PLDT by ASIAMONEY Magazine for the year 2008 are: Best for Disclosure and Transparency, Best for Shareholder Rights and Equitable Treatment; Best for Investor Relations and Best Investor Relations Officer (Ms. Melissa Vergel de Dios).

Governance Manual, in 2002. Commitment to the principles embodied in the Governance Manual saw the establishment of a separate Corporate Governance Office (CGO) for PLDT led by a Chief Governance Officer who reports functionally to the Board through the Governance and Nomination Committee (GNC). Major subsidiaries of PLDT followed suit and by 2006, all had their own Corporate Governance Officers. These CG officers are charged with working together to promote the observance of corporate governance policies which substantially conform with, if not exceed requirements of Philippine law, as well as the Sarbanes-Oxley Act of the United States and the Corporate Governance Listing Standards of the New York Stock Exchange (NYSE) and Hong Kong Stock Exchange Corporate Governance Rules, as may be applicable. Compliance with these policies is regularly monitored, evaluated and promoted by these personnel to ensure that effective levels of corporate governance performance, made manifest in desired behavioral changes, are attained for the benefit of the company, its various stakeholders and the community at large.

In 2008, the CGO, led by its new Chief Governance Officer, Ma. Lourdes C. Rausa-Chan, stayed the course and remained steadfast to its framework of the three Cs of Corporate Governance: Compliance, Competence and, ultimately, Culture.

Confident in its realization of having passed the compliance stage, PLDT now finds itself actively immersed in the Competency stage. Recognizing that truly effective competencies in corporate governance are best achieved by merging CG concepts with daily business concerns, efforts are directed at embedding good corporate governance in the company's daily work and outcomes. The early embedding efforts in 2007 already yielded welcome results, among which is the amendment of our Policy on Employee Qualification for Incentives and Rewards to include corporate governance policy violations as a disqualification factor. The company now finds itself deep in the process of ensuring that, with respect to CG, cynics become practitioners and believers assume the role of exemplars - all this with the goal of seeing that in the succeeding years, the final level, culture, is achieved and sustained.

## ***Setting the pace: Our Corporate Governance Policies***

### **Manual on Corporate Governance**

Our Governance Manual<sup>4</sup> seeks to institutionalize the principles of good governance that our Board and management believe to be necessary components of sound business management. It conforms with the requirements of the Code of Corporate Governance, or Philippine Securities and Exchange Commission (Philippine SEC) Governance Code.<sup>5</sup>

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<sup>4</sup> Adopted and approved on September 2002 and revised and amended on January 30, 2007

<sup>5</sup> Promulgated through Philippine SEC Memorandum Circular No. 2, Series of 2002, on April 5, 2002.

In compliance with the Philippine SEC Governance Code and consistent with the relevant provisions of the Securities Regulation Code and Corporation Code of the Philippines, our Governance Manual covers the following key areas:

1. The qualifications and grounds for disqualification for directorship;
2. The requirement that at least two members or twenty percent (20%) of the members of our Board, whichever is lesser, must be independent directors and the standards/criteria for the determination of independent directors;
3. The duties and responsibilities of our Board and the individual directors;
4. Our Board committees, specifically, the nomination committee, audit committee and executive compensation committee, the composition and the principal duties and responsibilities of such committees;
5. The role of our Chairman in ensuring compliance with the corporate governance principles;
6. The role of our President/Chief Executive Officer in ensuring that our organizational and procedural 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;
7. The duties and responsibilities of our corporate secretary/assistant corporate secretary in terms of the support services that they need to provide our board in upholding sound corporate governance;
8. The duties and responsibilities of the head of our internal audit organization that would provide our Board, management and shareholders with reasonable assurance that our key organizational and procedural controls are appropriate, adequate, effective and reasonably complied with;
9. The functions of our independent auditors that would reasonably ensure an environment of sound corporate governance as reflected in our financial records and reports; the requirement that non-audit work of the independent auditors should not conflict with their function as independent auditors; the requirement to rotate, at least once every five years, the independent auditors or the lead partner assigned to handle the independent audit of our financial statements;
10. Our commitment to respect and promote shareholders' rights such as voting right, pre-emptive right, inspection right, dividend right, appraisal right, and right to receive information about the background, business experience, compensation and shareholdings of our directors and officers and their transactions with us;

11. The requirement to appoint a compliance officer and the duties and responsibilities of such compliance officer including the establishment of an evaluation system to determine and measure compliance with the provisions of our Governance Manual; and
12. The penalties for violations of our Governance Manual.

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

Our Code of Business Conduct and Ethics or Code of Ethics<sup>6</sup>, was adopted to strengthen the implementation of our Governance Manual. Our Code of Ethics sets out our business principles and values of Accountability, Integrity, Fairness and Transparency, which aim to promote a culture of good corporate governance in our company. It provides standards that govern and guide all business relationships of our company, its directors, officers and employees, especially with respect to the following:

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

A mandatory review of the Code of Ethics was conducted in 2008 and on November 3, 2008, the GNC adopted the recommendation of the CGO that no revisions were required as yet for the Code of Ethics.

In addition, the following policies were adopted by our Board to provide specific guidelines on the provisions of the Code of Ethics:

(a) The *Conflict of Interest Policy*, which was approved on October 24, 2005, ensures that work-related actions of our directors, officers, employees and consultants are based on sound business principles and judgment devoid of bias or partiality. The

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<sup>6</sup> Approved by the PLDT Board on March 30, 2004 and subsequently updated on July 11, 2006.

said policy underwent a mandatory review and, on July 8, 2008, the GNC adopted the recommendation of the CGO that no amendments were required for the said policy;

(b) The *Policy on Gifts, Entertainment and Sponsored Travel*, which was approved on January 31, 2006, provides safeguards so that the custom of giving gifts is handled in accordance with our core business principles and values. The same policy was likewise subjected to a mandatory review and, on November 3, 2008, the GNC adopted the recommendation of the CGO to propose the reassessment of the allowable threshold for gifts;

(c) The *Supplier/Contractor Relations Policy*, which was approved on January 31, 2006, ensures that our employees uphold the highest professional standards in business practices and ethics in its dealings with suppliers and contractors in the procurement of goods and services; and

(d) The *Policy on Employee Disclosure on Violations of the Corporate Governance Rules, Questionable Accounting or Auditing Matters, and Offenses covered by the Company's Table of Penalties (Expanded Whistleblowing Policy)*, which was approved on May 9, 2006, provides guidelines on handling employee complaints, protects whistleblowers from retaliation and ensures confidentiality and fairness in the handling of a disclosure or complaint. An Expanded Whistleblowing Hotline and other reporting facilities, such as a dedicated electronic mailbox, post office box, and facsimile transmission have been installed and are maintained. Any employee may submit a complaint or disclosure of the above nature to the CGO or the Chief Governance Officer, verbally or in writing. The CGO then conducts a preliminary evaluation to determine the appropriate investigating unit to which the case shall be assigned for further action. The CGO monitors the cases reported and ensures the appropriate reporting to our Audit Committee, GNC, or any other relevant committee or body on the results of the investigations and the prompt referrals of findings to the appropriate units concerned. Our committees on officer or employee discipline, as the case may be, are responsible for evaluating and approving the appropriate disciplinary action against erring officers and employees.

All these policies and rules comply with the requirements of the Philippine and U.S. Securities and Exchange Commissions, New York Stock Exchange and Hong Kong Stock Exchange Corporate Governance Rules, as may be applicable.

From 2005 to 2008, our major subsidiaries have also adopted corporate governance rules and policies substantially similar in substance and form to our CG Rules.

Further, we have communicated to our business partners, including suppliers, our commitment to, as well as expectations on, good corporate governance. To ensure that relations between our company and its business partners are imbued with our standards on good corporate governance, we have held supplier/contractor's briefings and have developed written corporate governance guidelines for suppliers and contractors, to which our suppliers and contractors are expected to consent in writing, thereby including their understanding and acceptance

of these standards as indispensable in doing business with us. The CGO has also worked closely with the PLDT legal group for the inclusion of standard corporate governance compliance provisions as well as provisions required by the Foreign Corrupt Practices Act (FCPA) of the United States in PLDT's contracts with suppliers, vendors and other business partners.

## ***Leading the charge: Our Governance Structure***

### **An independent and engaged board**

PLDT's dedication to good corporate governance begins with its Board. The Board is composed of thirteen (13) directors who are all recognized business leaders and professionals from diverse backgrounds, with each individual bearing a solid reputation for dedication and commitment to performance. PLDT benefits immensely from the wealth of knowledge and experience brought by each member of its Board. The Board is aided by an Advisory Board/Committee which has five (5) members.

The PLDT Board has four (4) duly-screened and qualified independent directors, namely: Rev. Fr. Bienvenido F. Nebres, SJ, Mr. Oscar S. Reyes, Mr. Pedro E. Roxas and Mr. Alfred V. Ty. These four independent directors comprise thirty percent (30%) of the entire membership of the PLDT Board. It is noteworthy that the number of our independent directors exceeds the required number of independent directors under pertinent regulations<sup>7</sup> of at least two (2) independent directors or twenty percent (20%) of the entire board membership, whichever is lower.

In line with internationally recognized best practices, PLDT has maintained the Board's independence from Management through the separation of the posts of Chairman of the Board and the President and CEO. Each position has been given distinct and separate duties and responsibilities pursuant to the provisions of PLDT's By-Laws and Governance Manual. The Board has also constituted four (4) working committees, namely the Audit Committee, Governance and Nominations Committee, Executive Compensation Committee and the Technology Strategy Committee.

In the interest of constantly finding better ways of doing things, the Board has, since 2006, been involved in assessing its collective performance as well as that of the individuals that comprise it, and its structures, processes and responsibilities, through a self-assessment tool culled from the Philippine SEC's Governance Code and Self-Rating Form, PLDT's Governance Manual and Code of Ethics, Sarbanes – Oxley Act (of the United States), NYSE Rules and the survey questions of the Institute of Corporate Directors (ICD). Results of the assessment are used to identify appropriate strategies to enhance collective and individual performance as responsive and responsible stewards of the company.

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<sup>7</sup> Philippine SEC Memorandum Circular No. 16, Series of 2002.

## Board and committee meetings, attendance and remuneration

The Board takes to heart its oversight duty over PLDT Management. Thus, in 2008, it convened seventeen (17) meetings. The following is the attendance performance of each member of the Board:

<b>Names of Directors and number of meetings attended</b>	
<b>Chairman</b>	
Manuel V. Pangilinan	17/17
<b>Independent Directors</b>	
Bienvenido F. Nebres	15/17
Oscar S. Reyes	17/17
Pedro E. Roxas	14/17
Alfred V. Ty	16/17
<b>Directors</b>	
Tony Tan Caktiong <sup>8</sup>	7/8
Donald G. Dee <sup>9</sup>	4/4
Helen Y. Dee	14/17
Ray C. Espinosa	17/17
Takashi Ooi	15/17
Tatsu Kono	17/17
Napoleon L. Nazareno	17/17
Albert F. del Rosario	17/17

The total *per diem* paid to directors for their attendance in the Board Meetings in 2008 was Php 22,875,000.00.

### Audit Committee

The Audit Committee is composed of three (3) independent directors, and two (2) advisors. Each of the members of the Audit Committee is financially literate and one of the advisors is a certified public accountant with financial management expertise.

The Audit Committee has its own Board-approved written charter, which includes its purposes, functions and responsibilities. Among the primary purposes of the committee is oversight responsibility for external auditor's qualifications and independence and the Company's accounting and financial reporting principles, policies and system of internal controls. A copy of the Audit Committee charter may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com/about/management/Committees.htm>

<sup>8</sup> Elected on July 8, 2008 to replace Ma. Lourdes C. Rausa-Chan who resigned effective at the close of business hours on July 7, 2008.

<sup>9</sup> Elected effective September 30, 2008 replacing Corazon S. De la Paz – Bernardo.

In 2008, the Audit Committee held ten (10) meetings, with the following members' attendance performance:

<b>Names of members and number of meetings attended</b>	
<b>Voting Members</b>	
Bienvenido F. Nebres (Chairman)	10/10
Oscar S. Reyes	10/10
Pedro E. Roxas	9/10
<b>Advisors</b>	
Corazon S. De la Paz-Bernardo	9/10
Tatsu Kono	9/10
Roberto R. Romulo	10/10

The total *per diem* paid to members for their attendance in the meetings in 2008 was Php 2,350,000.00.

### **Governance and Nomination Committee**

The Governance and Nomination Committee is composed of five (5) voting members, three (3) of whom are independent directors, and two (2) non-voting members.

The Governance and Nomination Committee has its own Board-approved written charter, which includes its purposes, functions and responsibilities. Among the purposes of the committee are to develop and oversee the implementation of the Company's corporate governance standards and evaluate the qualifications of persons nominated to the board, its committees, or any other position requiring Board-appointment. A copy of the Governance and Nomination Committee charter may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com/about/management/Committees.htm>.

In 2008, the Governance and Nomination Committee held three (3) meetings, with the following members' attendance performance:

<b>Names of members and number of meetings attended</b>	
<b>Voting Members</b>	
Manuel V. Pangilinan (Chairman)	3/3
Bienvenido F. Nebres	3/3
Tatsu Kono	3/3
Oscar S. Reyes	3/3
<b>Non-Voting Members</b>	
Ma. Lourdes C. Rausa-Chan	3/3
Victorico P. Vargas	3/3

The total *per diem* paid to members for their attendance in the meetings in 2008 was Php 900,000.00.

### **Executive Compensation Committee**

The Executive Compensation Committee is composed of five (5) voting members, three (3) of whom are independent directors, and one (1) non-voting member, who is the Human Resources Head of the Company.

The Executive Compensation Committee has its own Board-approved written charter, which includes its purposes, functions and responsibilities. Among the primary duties of the committee is to provide guidance and assist the Board in developing a compensation philosophy consistent with the culture, strategy and control environment of the Company. A copy of the Executive Compensation Committee charter may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com/about/management/Committees.htm>.

In 2008, the Executive Compensation Committee held four (4) meetings, with the following members' attendance performance:

<b>Names of members and number of meetings attended</b>	
<b>Voting Members</b>	
Albert F del Rosario (Chairman)	4/4
Tatsu Kono <sup>10</sup>	2/3
Oscar S. Reyes	3/4
Pedro E. Roxas	3/4
Alfred V. Ty	3/4
<b>Non-Voting Members</b>	
Victorico P. Vargas	4/4

The total *per diem* paid to members for their attendance in the meetings in 2008 was Php 800,000.00.

### **Technology Strategy Committee**

On 12 June 2007, the Board created, constituted and approved the written charter of the Technology Strategy Committee. The primary responsibility of the Technology Strategy Committee is to provide oversight to Management on the strategic vision, and execution of such vision, for the role of technology in the Company's business. A copy of the charter of the Technology Strategy Committee

<sup>10</sup> Replaced Tsuyoshi Kawashima on July 17, 2008.

may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com/about/management/Committees.htm>.

The Technology Strategy Committee is composed of six (6) members, one (1) of whom is an independent director.

In 2008, the Technology Strategy Committee held one (1) meeting, with the following members' attendance performance:

<b>Names of members and number of meetings attended</b>	
Manuel V. Pangilinan (Chairman)	1/1
Ray C. Espinosa	1/1
Tatsu Kono	1/1
Napoleon L. Nazareno	1/1
Oscar S. Reyes	1/1
Orlando B. Veja	1/1

The total *per diem* paid to members for their attendance in the meetings in 2008 was Php 250,000.00.

### ***Staying on track: Implementing Structures and Personnel***

PLDT has established a corporate governance implementation structure that allocates responsibilities yet promotes dynamic cooperation in the three Es of Corporate Governance: Engineering, Education and Enforcement, all under the leadership of the Chief Governance Officer. The structure facilitates the attainment of our CG goals within a framework that involves three development phases as earlier mentioned, *i.e.*, compliance, competency, and culture.

#### **Chief Governance Officer**

Our Chief Governance Officer is responsible for monitoring compliance with, interpreting and deciding any issues arising from, investigating and determining violations and recommending the disciplinary actions against violators of our Governance Manual and Code of Ethics.

On January 22, 2009, our Chief Governance Officer, submitted to the Philippine SEC and Philippine Stock Exchange our annual certification confirming, among others, that:

- a. The Company's Governance Manual, as adopted on September 24, 2002 and amended on January 30, 2007, conforms with the provisions of the Manual on Corporate Governance (Model Corporation), as prescribed by the Philippine SEC Memorandum

Circular No. 2, Series of 2002, as well as adopted the leading practices and principles on good corporate governance; and

- b. The Company has not deviated from the provisions of the Governance Manual and has complied therewith and with certain other corporate governance standards set out in the Sarbanes Oxley Act of 2002, Section 303A of the NYSE Listing Standards and implementing rules issued by the U.S. SEC and NYSE.

The certification above is based on the annual evaluation conducted by our President and Chief Executive Officer, Treasurer and Chief Financial Officer and Chief Governance Officer of our Company's compliance with the Governance Manual. In making such evaluation, said officers used our board-approved corporate governance self-rating form which has been patterned after a similar form that was issued by the Philippine SEC under Memorandum Circular No. 5, Series of 2003, dated April 3, 2003.

### **CG Engineering**

Embedding CG principles with day to day operational concerns begins at the policy level. The Corporate Governance Office regularly monitors and keeps abreast with developments in the Philippines and other jurisdictions to benchmark on CG policies and practices. It recognizes that the dynamic field of corporate governance requires the development of appropriate policies, or the revision of those in existence, to keep pace with evolving global best practices, or to conform with legislative changes, all within the over-arching concern of applying these to the company's conditions and culture.

Our Engineering activities in 2008 included the following.

1. Review of Corporate Governance Policies – Mandatory reviews were conducted on the Code of Ethics, Conflict of Interest Policy and the Policy on Gifts, Entertainment and Sponsored Travel. No revisions on the Code of Ethics and Conflict of Interest Policy were recommended by the CGO and the GNC adopted the said recommendations. The GNC however, approved recommendations with respect to the Policy on Gifts, Entertainment and Sponsored Travel to request a reassessment and recommend an increase in the threshold for allowed gifts from the current amount of P2,000 to P4,000 (the President and Chief Executive Officer implemented the GNC recommendation on November 8, 2008).
2. Participation in the review of the SEC Manual on Corporate Governance and the Governance Code of 2002 – The Philippine SEC is currently undertaking a review of these policies with a view to making them streamlined and practicable as a means of ensuring effective CG compliance leading to actual CG practice in all Publicly Listed Companies in the Philippines. PLDT was an active participant and provided workable inputs based on its rich experience in the field of CG.

3. Review of implementing guidelines – To enhance the company’s adherence to governance best practices, implementing guidelines were likewise reviewed such as those for Sponsored Travel (released in 2007) and Token Gifts (released in 2008). The CGO was also an active participant and provided significant inputs in the issuance of an upgraded Company Administrative Order for the Major Requisition Screening Body (MRSB) in 2008.
4. Review of Director’s independence criteria in other jurisdictions with focus on share ownership threshold.

The Code of Ethics and CG Policies have been found to be appropriate for the company and are compliant with the applicable laws, regulations and listing standards. We have summarized in our website the differences between our corporate governance practices and those required of U.S. listed companies under NYSE Section 303A.11.

To access our Code of Ethics, Governance Manual or the differences between our corporate governance practices and those required of U.S. listed companies under NYSE Section 303A.11, please refer to:

[http://www.pldt.com/NR/ronlyres/D691929D-50EB-4747-9DCE-FC614C97CECE/10146/pldtcorpgov\\_manual.pdf](http://www.pldt.com/NR/ronlyres/D691929D-50EB-4747-9DCE-FC614C97CECE/10146/pldtcorpgov_manual.pdf)

<http://www.pldt.com/NR/ronlyres/D691929D-50EB-4747-9DCE-FC614C97CECE/10145/PLDT Code of Business Conduct and Ethics.pdf>

<http://www.pldt.com/NR/ronlyres/43AE788A-1ADE-4F8D-B279-652A4D4C5DF5/9036/pltddisclosure.pdf>

## **CG Education and Communication**

The CG Education and Communication Program for 2008 sought to sustain the initiatives taken in 2007 and follows the embedding strategy of the CGO, through the translation of CG values into business process standards. There was a need to complete initiatives already started and also for a rekindling of awareness of the CG principles among all personnel. Attention was also given to the proven objectives of CG education and communication which deal with strengthening ethical decision making competencies among our company officers, executives, and other key personnel and promoting ethics and customer service orientation among identified key responsible business areas.

In the pursuit of these thrusts, we conducted various activities listed below.

1. Training sessions and workshops – Direct interaction with recognized international and local experts provides valuable exposure and knowledge and leads to the development of effective strategies for governance and ethics. Modules and input are developed in coordination with partner

resource institutions based on the context of PLDT as a leading, yet continually learning, corporate governance practitioner. In 2008, two such sessions were organized and conducted, one for the PLDT Board of Directors, and another for Officers of the PLDT Group:

- Board Corporate Governance Enhancement session on Current Governance Environment in the United States and Ethics and Tone at the Top facilitated by Ms. Suzanne Hopgood of the National Association of Corporate Directors (NACD) of Washington DC, USA. Relevant Institutional Shareholder Services (ISS) training credits have been noted for the participating Directors and Officers; and
  - PLDT Group Officers' Corporate Governance Enhancement Session on the CG Dimensions of the Current Global Financial Crisis, handled by Dr. Jesus P. Estanislao, Chairman of ICD and the Stages of Corporate Moral Development, facilitated by Dr. Antonette Palma-Angeles, Director of the JB Fernandez Center for Ethics of the Ateneo de Manila University.
2. Re-development and implementation of an e-Learning Session on Conflict of Interest – This involved the translation of the initial Conflict of Interest e-Learning module into Filipino, using simple terms and providing examples. Roll out for all our supervisors and rank and file employees in other departments continued in 2008.
  3. Translation of the PLDT CG Primer from English to Filipino – This was undertaken for better appreciation and observance of CG policies by all of our employees by using a language familiar to all. The Primer has been uploaded into the PLDT Website for easy access by employees.
  4. Development and launch of the PLDT music video – The production was entitled *Huwag Kang Pasaway* (loosely translated to “Don’t be a violator”). A joint project with the Human Resource Group, the video seeks to discourage violations of and promote voluntary compliance with CG policies. It was launched in June 27, 2008 and has been cascaded to all employees through their respective division heads.
  5. Continuing issuance of periodic CG communication materials. These consist of CG posters, Ripples - a monthly e-newsletter on CG and Ethics, and weekly CG news summaries e-mail.

## **CG Enforcement**

Compliance and enforcement activities complete the mission of ensuring that CG principles are actually lived out and observed. In 2008, upon the recommendation of the GNC, PLDT approved and implemented an Initial Conflict of Interest Disclosure Form for Officers and Executives together with the Disclosure Update Form and Undertaking. The President and Chief Executive Officer

implemented the GNC directive on August 1, 2008. The move was done to allow Officers and Executives to assess areas of potential conflicts of interest.

Other enforcement and compliance activities in 2008 were as follows.

1. Compliance with the following regulatory requirements:
  - a) Submission of the Annual Certification on the Company's Compliance with the Manual on Corporate Governance to the Philippine SEC and the PSE;
  - b) Submission of Written Affirmation to the NYSE as a Foreign Private Issuer; and
  - c) Submission of the 2008 Corporate Governance Scorecard for Publicly-Listed Companies to the Philippine SEC and PSE.
2. Quarterly Submission of Sub-Certifications regarding entity-level and process controls with respect to corporate governance matters, for the Sarbanes-Oxley Act Section 404 Compliance Project (SOX 404).
3. Management of the Expanded Whistleblowing (EWB) Facility which includes the evaluation, processing and handling of complaints, and presentation to the GNC of relevant and appropriate information on the complaints handled.
4. Issuance of opinions and responses to CG-related queries.

## ***Supporting the effort: Other Enabling Activities***

### **Continuing Research**

The CGO is constantly on the lookout for fresh ideas in the rapidly-evolving world of corporate governance. Best practices and benchmarks are shared, discussed analyzed and, when applicable, adapted to the PLDT Group culture.

### **Advocacy and Networking**

Our corporate governance agenda calls for heightened participation in helping develop and establish a positive climate for ethics and good governance to flourish. Networking with likeminded companies and individuals is also a key area for pushing the CG agenda further into the consciousness of business, government and the public at large.

As part of our advocacy objectives, the following were accomplished in 2008:

- a) *Companies Circle Membership*. - We have continued our active participation in the Companies Circle alongside Petron, Ayala Corporation, Meralco, etc. As a

member of the Companies Circle, we participated in the review of the Philippine SEC Governance Code and the Manual on Corporate Governance. We are likewise deeply involved in all activities leading to ensuring CG beyond compliance and into performance among Philippine corporations.

- b) *Ethics and Compliance Officers Association (ECO)* – We have also ensured that the PLDT Group corporate governance officers are kept abreast of the global developments in corporate governance by strengthening our ties and membership in the Ethics and Compliance Officer Association, the oldest and most respected association of ethics and compliance practitioners in the world.
  
- c) *Anti-corruption efforts* – In an effort to forge stronger public and private alliances against corruption, PLDT was one of a few private corporations invited by the Philippine Office of the Ombudsman to a focus group discussion on Corruption Prevention in November 2008. We were able to provide substantial input to the plans and programs aimed at combating corruption. The project was conducted by the Office of the Ombudsman as part of the Philippines’ obligations as a State Party to the United Nations Convention against Corruption (UNCAC). PLDT has made itself available for future cooperation with the Office of the Ombudsman for other activities related to the prevention of corruption.

PLDT Corporate Governance looks forward to 2009 understanding more fully the fundamental worth of its mission. As it navigates through the challenges of the year ahead, it shall continue to learn, innovate and adapt as it serves the company in its efforts to establish and nurture the right way of doing things in its policies, its practices and its culture.