

# PLDT CORPORATE GOVERNANCE REPORT FOR 2007

In keeping with our vision/mission to be the preferred full-service provider of voice, video and data at the most attractive levels of price, service quality, content and coverage, thereby bringing maximum benefit to our stakeholders, the Philippine Long Distance Telephone Company (the “Company” or “PLDT”) is committed to uphold good corporate governance (CG) — anchored on the principles of accountability, integrity, fairness and transparency — in our business.

In 2002, PLDT institutionalized CG principles, with the adoption of its Manual on Corporate Governance. To ensure that focus is given on the development and implementation of our corporate governance strategy and initiatives, PLDT created in 2004, an independent Corporate Governance Office (CGO), headed by a Chief Governance Officer who reports functionally to the Chairman of the Board of Directors (Board) through the Governance and Nomination Committee. Since then, PLDT, together with its subsidiaries, including SMART, ePLDT and PLDT Global, which have likewise established their own CGOs in 2006, have developed and adopted several CG policies, which substantially conform with if not exceed the 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. Compliance with these CG policies is regularly monitored and evaluated by the CGOs to ensure an optimum level of corporate governance performance by the PLDT Group.

In 2007, the CG imperative was to go beyond compliance and towards embedding good corporate governance in our daily work and making it one of the measures of our performance. In line with this, we implemented suitable training programs across the organization to educate our employees on the Company’s CG policies and practices and empower them to apply corporate governance in their daily life. Further, the Company has communicated its commitment to, as well as expectations on, good corporate governance from its business partners, including suppliers. Thus, to ensure that relations between PLDT and its business partners are imbued with PLDT’s standards on good corporate governance, PLDT has held Supplier/Contractor’s Briefings and come up with written CG Guidelines for Suppliers and Contractors, to which PLDT suppliers and contractors are expected to submit their individual written conformity to signify their understanding and acceptance of these standards as indispensable in doing business with PLDT.

PLDT, its Board and employees take pride in the Company’s leadership in the field of corporate governance. Since 2004, PLDT has received several awards in corporate governance, as follows:

- 2007      3<sup>rd</sup> ICD CG Scorecard (in collaboration with the SEC and PSE) – One of the top 5 of 138 publicly listed firms that submitted their self-ratings, and after a third-party verification of such self-rating
- The Asset Annual Corporate Governance Rankings – No. 1 (Best) in Corporate Governance in the Philippines (RP)

2006	Corporate Governance Asia – Best in Corporate Governance in RP Asia Money – Best Overall for Corporate Governance Asia Money – Best in Corporate Governance in RP EuroMoney – Best in Corporate Governance in RP 2 <sup>nd</sup> Institute of Corporate Directors (ICD) CG Scorecard – No. 1 in CG Ratings in RP Management Association of the Philippines on its 3 <sup>rd</sup> Annual Reports Awards – Best in Corporate Governance Disclosure Award
2005	1 <sup>st</sup> ICD CG Scorecard – No. 1 of 49 publicly listed firms rated in RP Finance Asia – 2 <sup>nd</sup> Best in CG in RP Asia Money – Best in CG in RP
2004	Finance Asia – 2 <sup>nd</sup> Best in CG in RP

Following the Company's CG framework of engineering, education and enforcement (or the three E's), corporate governance in the Company has climbed a notch higher from the compliance level to the competency level. In succeeding years, PLDT aims to achieve the final level, i.e., possessing a culture of good corporate governance – completing the three C's of corporate governance in PLDT.

## **CORPORATE GOVERNANCE POLICIES, STRUCTURES AND PROCESSES**

### ***Setting its corporate governance standards***

PLDT continues to be committed to its governance standards as enshrined in its various CG policies. These policies are reviewed periodically and revised as necessary to incorporate emerging global best practices.

### **Manual on Corporate Governance<sup>1</sup> (Governance Manual)**

The Governance Manual was approved by the Board on September 2002 and updated on January 30, 2007. It enumerates the Company's governance and compliance commitments and the related requirements, in ensuring adherence to sound corporate governance principles and best practices.

On September 2, 2003, our Board adopted the Philippine SEC's Corporate Governance Self-Rating Form (CG-SRF) as the evaluation system to annually determine the Company's level of compliance with our Governance Manual. Pursuant to such system the President/Chief Executive Officer (CEO), Treasurer/Chief Finance Officer and Chief Governance Officer conduct an annual evaluation of the Company's compliance with the Governance Manual. Based on the evaluation results, the Chief Governance Officer certify, among other things, the extent of compliance by the Company, its directors, officers and employees with all relevant circulars on corporate governance and leading practices and principles on good corporate

<sup>1</sup> [http://www.pldt.com.ph/download/pldt-corgov\\_manual.pdf](http://www.pldt.com.ph/download/pldt-corgov_manual.pdf) or [http://www.pldt.com.ph/cgov/downloads/pldt-corgov\\_manual.pdf](http://www.pldt.com.ph/cgov/downloads/pldt-corgov_manual.pdf)

governance as embodied in the Governance Manual, as well as any deviations from the provisions of the Governance Manual.

The annual certification of the Chief Governance Officer is submitted to the Philippine SEC and Philippine Stock Exchange (PSE) in the month of January<sup>2</sup>.

### **Code of Business Conduct and Ethics<sup>3</sup> (Code of Ethics)**

Our Board approved on March 30, 2004 and subsequently updated on July 11, 2006, our Code of Ethics that sets out our business principles and values, which aim to promote a culture of good corporate governance in the Company. It provides standards that govern and guide all business relationships of the 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 endeavours; and
8. Adoption of international best practices of good corporate governance in the conduct of our business.

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

1. Conflict of Interest Policy – approved on October 24, 2005, it ensures that work-related actions of PLDT directors, officers, employees and consultants are based on sound business principles and judgment devoid of bias or partiality.
2. Policy on Gifts, Entertainment and Sponsored Travel – approved on January 31, 2006, it provides safeguards so that the custom of giving gifts is handled in accordance with the Company's principles of integrity, accountability, fairness and transparency.
3. Supplier/Contractor Relations Policy – approved on January 31, 2006, it ensures that the Company upholds the highest professional standards in business practices and

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<sup>2</sup> The Certification pertaining to 2007 Corporate Governance was submitted to the Philippine SEC and PSE on January 11 and January 14, 2008, respectively. It is readily accessible at PLDT's website (<http://www.pldt.com.ph>).

<sup>3</sup> [http://www.pldt.com.ph/download/pldt-code\\_ethics.pdf](http://www.pldt.com.ph/download/pldt-code_ethics.pdf) or [http://www.pldt.com.ph/cgov/downloads/Code%20of%20Ethics\(BD\\_APPRVD\)-03.30,04](http://www.pldt.com.ph/cgov/downloads/Code%20of%20Ethics(BD_APPRVD)-03.30,04)

ethics in its dealings with suppliers and contractors in the procurement of goods and services.

4. 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) – approved on May 9, 2006, it 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.

As part of the embedding of corporate governance standards in performance evaluation of Company personnel, the Policy on Employee Qualification for Incentives and Rewards was amended in 2007 to include corporate governance policy violations as a disqualification factor.

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

### ***A performing Board***

#### **Board Responsibilities**

The paramount responsibility of compliance with the principles of corporate governance starts with the Company's Board. Our Board exercises the corporate powers, and conducts and manages the business and affairs of the Company in consonance with the principles of sound corporate governance instituted in the Governance Manual, and is responsible for fostering the long-term success of the Company and securing its sustained competitiveness. Among the responsibilities of our Board are to oversee Management's performance; install a selection process for directors and officers; select and appoint the CEO and other officers; determine the Company's purpose, its vision, mission and strategies to carry out its objectives; ensure that the Company complies with all relevant laws, rules and regulations and codes of best practices; and formulate a stakeholder communication program.

#### **Board Composition**

Consistent with globally accepted best practices, we have maintained our Board's independence from Management through the separation of the posts of the Board Chairman and President/CEO. Each position has distinct and separate duties and responsibilities as provided for in our By-Laws and Governance Manual.

Our Board is composed of thirteen (13) directors elected by stockholders entitled to vote during the Annual Stockholders Meeting. Each director holds office until the next annual meeting of stockholders held after his election and until his successor has been elected and qualified, except in case of death, resignation, disqualification or removal from office.

PLDT has four (4) duly screened and elected independent directors. An “independent director” is a director 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 an independent director of the Company.

Business leaders and professionals, each known in their different fields of expertise, comprise the membership of our Board, as well as the Advisory Board/Committee, which has four (4) members.

The Governance and Nomination Committee reviews the qualifications of all Board nominees, including independent director-nominees, primarily to ensure that the Company benefits from the diverse backgrounds, experiences and specializations of its directors. The requisite qualifications, independence criteria, and grounds for disqualification for directorship in the Company are set out in our Amended By-Laws.<sup>4</sup>

## **Board Performance and Remuneration**

In 2006, our Board approved and adopted its annual performance evaluation process to ensure that our Board, its committees, and its individual members are functioning effectively. Using a self-rating questionnaire accomplished individually by members of our Board, the performance of our Board and its individual members in 2005, 2006 and 2007 were assessed, with gaps identified and next-step recommendations raised. With the guidance of the Governance and Nomination Committee, the next-steps were transformed into an action agenda for our Board, and its individual members, where applicable, to observe and accomplish.

The members of our Board do not receive any compensation other than reasonable per diems consisting of a director’s fee in the amount of Php125,000.00 for each meeting attended. Each of the members of the Board committees is entitled to a fee of Php50,000.00 for each committee meeting attended.

In 2007, our Board convened thirteen (13)<sup>5</sup> meetings, with the following attendance performance of the directors:

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<sup>4</sup> Article V, Section 1, Amended By-Laws of PLDT.

<sup>5</sup> On June 12, 2007, the Board held two (2) meetings: Regular Meeting and Organizational Meeting. The Annual Stockholders’ Meeting was also held on this date and all of the thirteen (13) directors elected in said meeting were present therein.

	Number of Meetings Attended
<b>Chairman</b>	
Manuel V. Pangilinan	13/13
<b>Independent Directors</b>	
Bienvenido F. Nebres	13/13
Oscar S. Reyes	12/13
Pedro E. Roxas	11/13
Alfred V. Ty	12/13
<b>Directors</b>	
Helen Y. Dee	9/13
Ray C. Espinosa	13/13
Tsuyoshi Kawashima <sup>6</sup>	8/9
Tatsu Kono	13/13
Napoleon L. Nazareno	13/13
Takashi Ooi <sup>7</sup>	3/4
Corazon S. de la Paz	13/13
Ma. Lourdes C. Rausa-Chan <sup>8</sup>	11/12
Albert F. del Rosario	13/13

The total per diems paid to directors for their attendance in the Board meetings in 2007 was Php18,000,000.00.

### **Board Committees**

Even as the Board convenes for a regular meeting at least once a month, the Board nevertheless maintains working and chartered committees and, in fact, formed a new committee to ensure that the Board effectively performs its duties and functions.

#### Audit Committee

The Audit Committee is composed of three (3) independent directors as members, and four (4) advisors, who are non-independent directors. 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.

<sup>6</sup> Resigned effective at the close of business hours on November 5, 2007.

<sup>7</sup> Elected effective November 6, 2007.

<sup>8</sup> Elected effective March 6, 2007.

The Audit Committee has its own Board-approved written charter<sup>9</sup>, which includes its purposes, functions and responsibilities. The primary purposes of the committee are to assist the Board of Directors in fulfilling its oversight responsibilities for:

1. PLDT's accounting and financial reporting principles, policies and system of internal controls;
2. the integrity of PLDT's financial statements and independent audit thereof;
3. PLDT's compliance with legal and regulatory requirements;
4. the external auditor's qualifications and independence; and
5. the performance of PLDT's internal audit organization and external auditors.

To carry out its direct responsibility for the appointment, setting of compensation, retention and removal of the external auditors, the Audit Committee is tasked to:

1. review and evaluate the qualifications, performance and independence of the external auditors and the lead partner of the external auditors;
2. select and appoint the external auditors and to remove or replace the external auditors;
3. review and approve in consultation with the head of the internal auditing organization and the chief financial advisor the fees charged by the external auditors for audit and non-audit services;
4. pre-approve all audit and non-audit services to be provided by and all fees to be paid to the external auditors;
5. ensure that the external auditors prepare and deliver annually the statement as to independence and auditors' statement, to discuss with the external auditors any relationships or services disclosed in such statements that may impact the objectivity, independence or quality of services of the external auditors and to take appropriate action in response to such statements to satisfy itself of the external auditor's independence;
6. ensure that the external auditors or the lead partner of the external auditors is rotated at least once every five (5) years;

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<sup>9</sup> Available at the PLDT website ([www.pldt.com.ph](http://www.pldt.com.ph)).

7. have separate sessions periodically, with management, with the internal audit organization and with the external auditors, where deemed appropriate, to surface issues warranting the attention of the Audit Committee; and
8. resolve disagreements between management and the external auditors regarding financial reporting.

The Audit Committee also has the authority to retain or obtain advice from special counsel or other experts or consultants in the discharge of their responsibilities without the need for Board approval.

In 2007, the Audit Committee held thirteen (13) meetings, with the following members' attendance performance:

	<b>Number of Meetings Attended</b>
Bienvenido F. Nebres (Chairman)	12/13
Oscar S. Reyes	13/13
Pedro E. Roxas	11/13

The total per diems paid to directors for their attendance in the Audit Committee meetings in 2007 was Php3,150,000.00.

#### 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<sup>10</sup>, which includes its purposes, functions and responsibilities.

The primary purposes of the Governance and Nomination Committee are to:

1. develop and recommend to the Board for approval and oversee the implementation of corporate governance principles and policies;
2. review and evaluate the qualifications of the persons nominated for election as directors (including independent directors) or other positions requiring Board appointment;
3. identify the qualified nominees and recommend that the Board select and

<sup>10</sup> Available at the PLDT website ([www.pldt.com.ph](http://www.pldt.com.ph)).

recommend such qualified nominees for election as directors, independent directors or Board committee members; and

4. assist the Board in making an assessment of the Board's effectiveness and in developing and implementing the Board's performance evaluation process.

In 2007, the Governance and Nomination Committee held five (5) meetings, with the following members' attendance performance:

	<b>Number of Meetings Attended</b>
<b>Voting Members</b>	
Manuel V. Pangilinan (Chairman)	5/5
Bienvenido F. Nebres*	5/5
Tatsu Kono	5/5
Oscar S. Reyes*	5/5
Alfred V. Ty*	5/5
<b>Non-Voting Members</b>	
René G. Bañez	5/5
Victorico P. Vargas	4/5

The total per diems paid to directors for their attendance in the Governance and Nomination Committee meetings in 2007 was Php1,250,000.00.

#### Executive Compensation Committee

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

The Executive Compensation Committee has its own Board-approved written charter<sup>11</sup>, which includes its purposes, functions and responsibilities.

The principal functions and responsibilities of the Executive Compensation Committee are to:

1. provide guidance to and assist our Board of Directors in developing a compensation philosophy or policy consistent with our culture, strategy and control environment;

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\* Independent Director

<sup>11</sup> Available at the PLDT website ([www.pldt.com.ph](http://www.pldt.com.ph)).

2. oversee the development and administration of our compensation programs; and
3. review and approve corporate goals and objectives relevant to the compensation of our chief executive officer, evaluate the performance of our chief executive officer in light of those goals and objectives, and set the compensation level of our chief executive officer based on such evaluation.

In 2007, the Executive Compensation Committee held two (2) meetings, with the following members' attendance performance:

	<b>Number of Meetings Attended</b>
<b>Voting Members</b>	
Albert F. del Rosario (Chairman)	2/2
Tsuyoshi Kawashima <sup>12</sup>	2/2
Oscar S. Reyes*	2/2
Pedro E. Roxas*	1/2
Alfred V. Ty*	2/2
<b>Non-Voting Members</b>	
Victorico P. Vargas	2/2

The total per diems paid to directors for their attendance in the Executive Compensation Committee meetings in 2007 was Php450,000.00.

#### Technology Strategy Committee

On 12 June 2007, our Board created and constituted the Technology Strategy Committee and approved its written charter<sup>13</sup>.

The principal functions and responsibilities of the Technology Strategy Committee are to:

1. review and approve our technology strategy and roadmap, and to review and advise our Board on major technology trends and strategies;

<sup>12</sup> Resigned effective at the close of business hours on November 5, 2007.

\* Independent Director

<sup>13</sup> Available at the PLDT website ([www.pldt.com.ph](http://www.pldt.com.ph)).

2. evaluate and advise our Board on actual and proposed technology investments and transactions;
3. review and submit to our Board recommendations regarding management's formulation and execution of our technology strategy, and to oversee its execution; and
4. recommend to our Board approaches to acquiring and maintaining technology positions and maximizing our access to relevant technologies, and to ensure optimized contribution of technology to our business strategy and growth targets.

The Technology Strategy Committee is composed of five (5) members, one (1) of whom is an independent director.

In 2007, the Technology Strategy Committee held one (1) meeting, with the following members' attendance performance:

	<b>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

The total per diems paid to directors for their attendance in the Technology Strategy Committee meeting in 2007 was Php250,000.00.

#### Finance Committee (Dissolved)

Effective June 12, 2007, our Board of Directors dissolved the Finance Committee since, for several years prior thereto, all financial transactions which are within the authority of the Finance Committee to review and approve were elevated directly to the Board.

### **Management**

The Company's President/CEO has general care, management and administration of the business operations of the Company. He ensures that the business and affairs of the Company are managed in a sound and prudent manner and that organizational and procedural controls

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\* Independent director

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.

Among Management's duties and responsibilities are the adoption of a professional development program for officers and succession planning for senior management; adoption of a system of internal checks and balances; identification and monitoring of key risk areas and key performance indicators; and monitoring and evaluation of the continuing soundness, effectiveness and adequacy of the Company's internal control environment. Management, through the President/CEO, provides the Board a balanced and understandable account of the Company's performance, position and prospects on a regular basis.

### ***Internal Controls***

Pursuant to the Sarbanes-Oxley Act of the United States, PLDT, as a U.S. foreign private issuer, has continued to ensure that its internal controls will support the Company's annual internal control report, as certified by the President/CEO and the Chief Financial Officer starting 2006 and every year thereafter. The Company, being a material affiliate of First Pacific Company Limited (FPC), also substantially complies with Hong Kong Stock Exchange governance requirements. In 2007, the evaluation of the effectiveness of the Company's internal control and risk management system was done and reported to FPC.

We have an internal audit organization that provides the Board (through the Audit Committee), Management and stockholders of the Company with reasonable assurance that the Company's key organizational and procedural controls are appropriate, adequate, effective and complied with. To ensure independence, the head of our internal audit organization reports functionally to the Audit Committee. Our internal audit organization has a charter that has been approved by the Audit Committee, which seeks to comply with the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors in the discharge of its work and responsibilities.

### ***CG Education and Communication Activities***

Our CG education and communication activities focused on results of a culture risk assessment done in December 2006 to January 2007. In addressing identified risks, the two main objectives for the 2007 education and communication program were:

1. Strengthening ethical decision-making skills among Company officers, executives, and team leaders.
2. Strengthening ethics and customer service orientation among identified key responsible business units in the Company.

Pursuant thereto, the CGO conducted various activities in 2007, including the following:

1. Training sessions and workshops based on concepts and modules developed by the CGO and facilitated by various professionals, both local and international, known in the field of corporate governance and ethics:

a) Board CG Session on CG Trends in Asia - held on May 09. All members of the PLDT Board attended the session. Another session for PLDT Group Directors was held on May 10.

The sessions discussed corporate governance imperatives for publicly-listed companies and the role of the Board. Attendees included 21 PLDT directors (including subsidiaries and affiliates), 15 SMART directors (including subsidiaries and affiliates), and 10 ePLDT directors (including subsidiaries and affiliates).

b) Officers CG Session on Ethical Leadership - held on October 10 and was attended by the President/CEO, the Chief Financial Advisor, 8 (of 12) Senior Vice-Presidents, 10 (of 14) First Vice-Presidents, and 23 (of 28) Vice-Presidents.

c) Executives Workshop on Ethical Decision-Making - 15-run sessions from July 05 to October 05, and attended by 97% of the executives. The workshops aimed to provide executives with the skills to make ethical decisions.

A profile of compliance difficulties was generated from the workshops and was presented to the Management Committee, Group Heads (Senior Officers) and the Governance and Nomination Committee. The result was a directive to further enable an ethical culture to emerge by 2008 through Group-specific competency-building interventions.

d) Coffee-and-Doughnut Sessions with high compliance risk business units. These were half-day small homogenous group informal sit-downs where participants (management and team leaders of each business group) were asked to analyze and decide on a sample case relevant to their function. The objective was to strengthen collective ethical decision-making and provide a venue for dialogues among each unit's key decision-makers.

2. Development and operation of an e-Learning Session on Conflict of Interest, which involved the development and publication of a 5-minute audio-video material discussing the Conflict of Interest Policy in simple terms and with examples. All supervisors and rank and file employees of the Company are required to undergo the session. The e-learning program was launched in September.

3. Development and distribution of the following materials:

- a) CG Handbook - contains a summary of the salient points of each CG policy and the full text of the policy. The Handbook has been produced and distributed to all PLDT directors, officers and executives of the Company. Copies were also provided to the CGOs of SMART, ePLDT and PLDT Global.

The Handbook serves as an easy reference on CG policies and handy guide for decision-making.

Each Handbook comes with a Pledge of Commitment to Good Corporate Governance to be signed by the recipient.

- b) CG Primer. The Primer is a booklet provided to all management staff/supervisory and rank and file employees summarizing each CG policy in simple terms, providing examples of situations in which a potential violation of the policy may occur.
- c) CG Posters. This is a 4-poster series, with a poster released each quarter. For 2007, the CG Posters revolved around the business values of Leadership and Responsibility, based on the four CG principles, with the theme "Take the Lead." Each poster depicted a message building up on the previous one – all in line with the theme.
- d) Ripples Monthly e-Newsletter. The Ripples is a one-page electronic newsletter uploaded to the PLDT website (via the Internet) and the Company Intranet and distributed monthly to all directors, officers and employees of PLDT, SMART, ePLDT, and PLDT Global. Each issue illustrates a compliance and ethics value or standard through a discussion of other companies' experiences. The objective is to provide an understanding of the role corporate governance plays in business strategies and processes, and to reshape/influence individual values to align them with the Company's corporate governance standards.
- e) Weekly CG News Summaries E-mail. To supplement the CG education of PLDT directors and officers, a summary of corporate governance-related news happening in the world is e-mailed to them every first day of the work week.

### ***Other enabling accomplishments***

Regulatory Compliance. In 2007, the Company filed with the Philippine SEC and PSE, among others, the accomplished Institute of Corporate Directors (ICD) Corporate Governance Scorecard and the Certification of Independent Directors. The Company also submitted to the New York Stock Exchange, its Foreign Private Issuer Section 303A Annual Written Affirmation, regarding the Company's compliance with Sections 303A.06 (Audit Committee requirements) and 303A.11 (requirement to disclose significant corporate governance differences) of the NYSE Listed Company Manual.

Uniform application across the Group and related companies. The PLDT CGO performs oversight tasks over the CGOs of SMART, ePLDT and PLDT Global for a uniform implementation of the corporate governance agenda and standard application of policies. PLDT subsidiaries nevertheless have their own initiatives geared towards promoting good corporate governance, taking into account the unique conditions and environment of the respective subsidiaries.

Advocacy for community-wide adherence to ethics and compliance standards. The Company's corporate governance agenda stretches beyond the walls of the Company and into the local, regional and international environs. As part of its advocacy objectives, the Company accomplished the following in 2007:

- a) East Asian Corporate Governance Index Project. In partnership with the Philippine SEC, PSE, ICD and PriceWaterhouseCoopers (PWC), the Company accomplished an ethics practice survey last September among publicly-listed companies in the Philippines. About 138 companies participated in the survey. These companies represent almost 98% of market capitalization in the country. The survey is now being prepared to be administered throughout East Asian market. The project is supported by the Ethics and Compliance Officers Association (ECO), a global association wherein PLDT is a member, and shall be presented in its 2008 General Assembly as part of the Asian Agenda. The Chief Governance Officer of the Company was also elected in 2007 year as one of the trustees of the ECO for a term ending in 2010.
- b) Companies Circle Membership. The Company was honored with an invitation to be a founding member of an elite association of top corporate governance practicing corporations in the country, including Petron, Ayala Corporation, Meralco, etc. As member of Companies Circle, the Company has participated in the crafting of Tool Kit to enable other local companies to practice good corporate governance effectively.

## **2008 PLANS**

Aside from the continuation and improvement of various programs geared towards ethical culture-building and enabling ethical decision-making in the Company, plans are in the pipeline for a commissioned research to come up with an Ethical Compliance Framework for Philippine Business, with the objective of aligning local culture with a global compliance culture, and participation in a Companies Circle project to undertake an inventory of Philippine SEC and PSE corporate governance regulations for the guidance of all Philippine corporations.