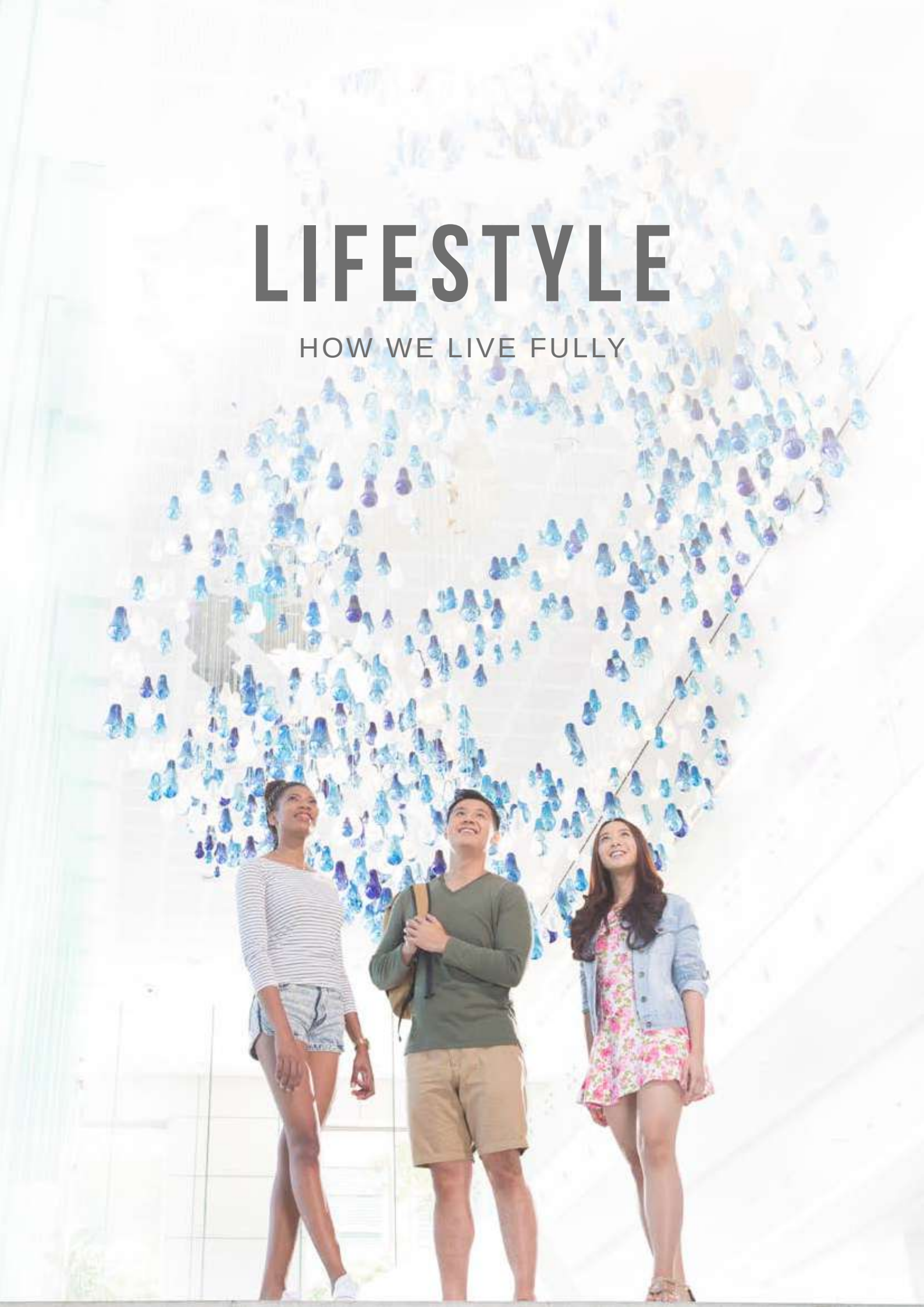
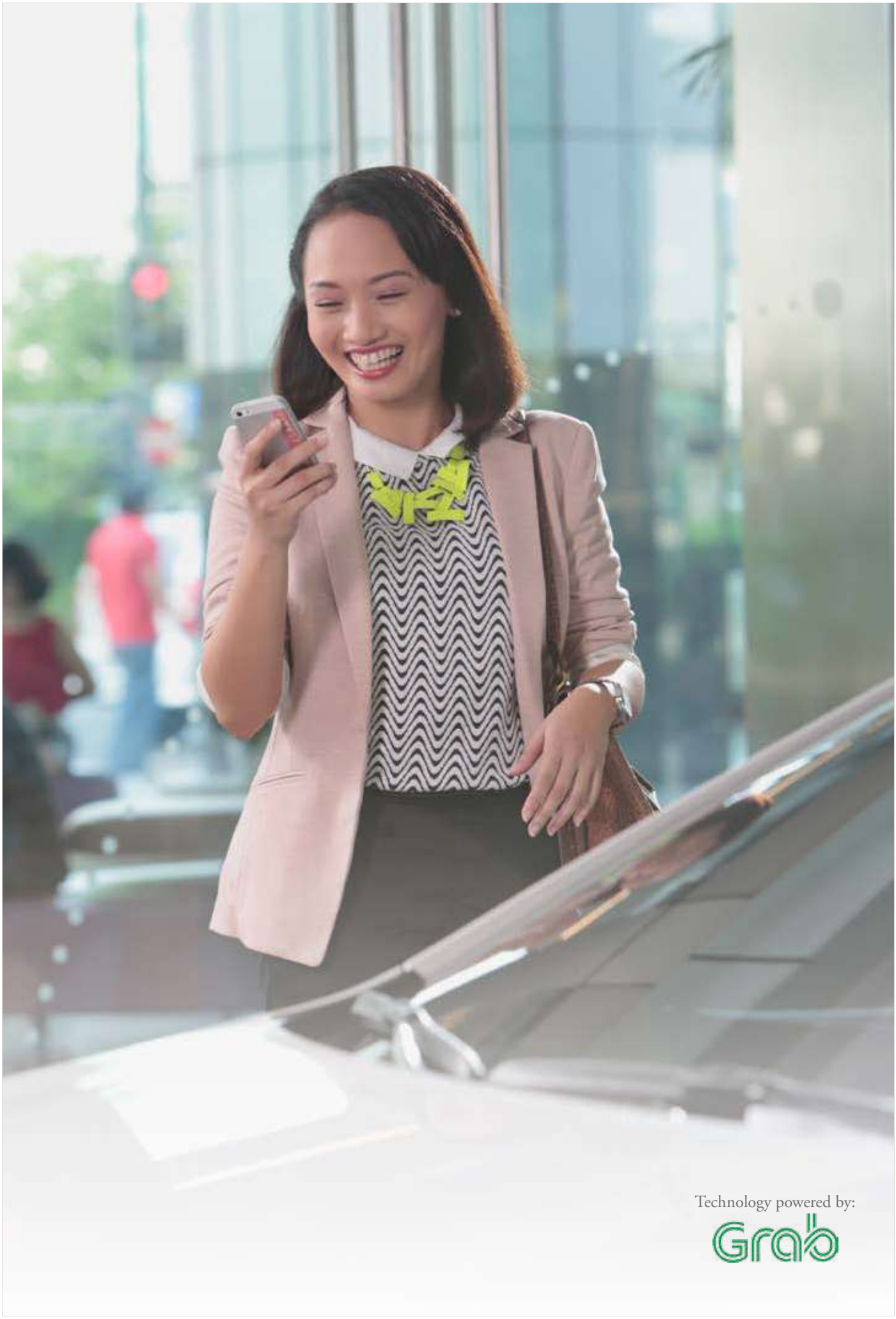
LIFESTYLE

HOW WE LIVE FULLY




Technology powered by:
Grab

WHEN WE TRANSFORM EXPERIENCE, WE REDEFINE THE FILIPINO LIFESTYLE.

We inspire innovation that opens up limitless possibilities.
Globe creates a wonderful world for customers—
connecting everyone to a better way of life.

Globe

THE 2015 ANNUAL & SUSTAINABILITY REPORT

ABOUT US G4.3, G4.5, G4.6, G4.8

Globe Telecom, Inc. is the number one mobile brand in the Philippines and the purveyor of the Filipino digital lifestyle. We provide cellular, broadband and mobile data services by focusing on enriching our content offerings amid customers' growing preference for multimedia platforms across multiple screens and devices.

Supported by approximately 6,800 employees; with 1.08 million retailers, distributors, suppliers, and business partners nationwide, serving more than 55 million customers, we operate one of the largest, most technologically advanced, and robust mobile, fixed line and broadband networks in the country, providing reliable communications services to individual customers, small and medium-sized businesses, and corporate and enterprise clients.

Our principal shareholders are Ayala Corporation and Singtel, both industry leaders in their respective countries and in the region. We are a member of Bridge Alliance, Asia Pacific's leading mobile alliance of 36 mobile carriers with a combined customer base of over 680 million. Globe operates internationally with presence in over ten countries and 736 roaming partners.

The executive office of Globe is located at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig, Metro Manila, Philippines.

VISION

The happiest customers, employees, and shareholders.

MISSION

We create a wonderful world for people, businesses, and the nation.

VALUES

We put our customers first.
Our people make the difference.
We act with integrity.
We care like an owner.
We keep things simple.
To us, it's be fast or be last.

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CONGLOMERATE MAP

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SUBSIDIARIES

INNOVE COMMUNICATIONS, INC.
Provides fixed line telecommunications and broadband services, high-speed internet and private data networks for enterprise clients, services for internal applications, internet protocol-based solutions, and multimedia content delivery
(100% ownership)

- *Techglobal Data Center, Inc. (49% ownership)*

G-XCHANGE, INC. (GXI)
Provides mobile commerce services under the GCash brand
(100% ownership)

GTI BUSINESS HOLDINGS, INC. (GTI)
Provides VOIP services
(100% ownership)

- *GTI Corporation (GTIC US)*
- *Globe Telecom HK Limited (GTHK)*
- *Globetel Singapore Pte. Ltd.*
- *Globetel European Limited*
  - *UK Globetel Limited*
  - *Globe Mobile' Italy S.r.l. (GMI)*
  - *Globetel Internacional European Espa–a*

KICKSTART VENTURES, INC. (KICKSTART)
Provides aspiring technopreneurs with funds and facilities, mentorship, and market access needed to build new businesses
(100% ownership)

- *Flipside Publishing Services, Inc. (FPSI) (40% ownership)*

ASTICOM TECHNOLOGY, INC.
Provides shared services, system integration, and information technology services to domestic and international markets
(100% ownership)

GLOBE CAPITAL VENTURE HOLDINGS INC. (GCVHI)
A holding company through which strategic businesses and initiatives are to be consolidated
(100% ownership)

- *Globe Fintech Innovations, Inc. (100% ownership)*
- *Global Telehealth, Inc. (50% ownership)*
- *Adspark Holdings (100% ownership)*
  - *Adspark, Inc.*

BAYAN TELECOMMUNICATIONS, INC. (BAYAN)
Provides data and communications services such as dedicated domestic and international leased lines, frame relay services, Internet access, and other managed data services like Digital Subscriber Lines (DSL)
(99% ownership)

- *Radio Communications of the Philippines, Inc. (RCPI) (91% ownership)*
  - *Alarmnet, Inc. (Alarmnet) (100% ownership)*
- *Telecoms Infrastructure Corp. of the Philippines (Telicphil) (58% ownership)*
- *Sky Internet, Incorporated (Sky Internet) (100% ownership)*
- *Globetel Japan, Inc. (BTI - Japan) (100% ownership)*
- *BTI Global Communications Ltd. (BTI UK) (100% ownership)*
- *NDTN Land, Inc. (NLI) (65% ownership)*

JOINT VENTURES

BRIDGE MOBILE
Provides different regional mobile services to our customers
(10% ownership)

ASSOCIATES

AF PAYMENTS, INC.
A Public-Private Partnership project to design, build, and operate the Automated Fare Collection System (AFCS)
(20% ownership)

YONDU
Provides internet and mobile value-added services, information technology, and technical services including software development and related services
(49% ownership)

INVESTMENT IN EQUITY SECURITIES

TAODHARMA
Provides the highest level of retail experience to all mobile phone customers and subscribers. An exclusive licensee of AllPhones Australia in the Philippines.
(25% ownership)

RECOGNITION

Best Emerging Market Operator
18th Annual Telecom Asia Awards

Best Use of Mobile in Emergency or Humanitarian Situations: BPI Globe BanKO
20th Global Mobile Awards

Silver Stevie for Human Resources Department of the Year- Computer Services & Telecommunications
Silver Stevie for Customer Service Team of the Year- Telecommunications
Bronze Stevie for Customer Service Department of the Year- All other industries
Bronze Stevie for Best New Product or Service of the Year (Consumer Products): GCash Mastercard
2015 International Business Awards (Stevie Awards)

Top 5 Publicly Listed Companies in the Philippines
2015 PSE Bell Awards for Excellence in Corporate Governance

Corporate Governance Top 50 Publicly Listed Companies for ASEAN
Corporate Governance Top 3 Publicity Listed Companies in the Philippines
ASEAN Corporate Governance Awards

Gold Stevie for Best Use of Technology in Customer Service (All Other Industries)
Silver Stevie for Innovation in Customer Service (Telecommunications)
Bronze Stevie for Back-Office Customer Service Team of the Year (All Other Industries)
9th Annual Stevie Awards for Sales & Customer Service

Top 5 Best Managed Public Companies
Top 5 Best Investor Relations
Top 3 Most Committed to Paying Good Dividends
Top 3 Best CEO for Ernest Cu
Top 10 Best Corporate Governance
Finance Asia's 15th edition of Asia's Best Companies

Ernest Cu (One of the Ten Operators from Asia)
2015 Global Telecoms Business Power 100

Renato Jiao: 2015 People Manager of the Year
People Management Association of the Philippines

Glenn Estrella: Most Promising Category
2015 Asia Pacific Entrepreneurship Awards

Telecom Service Provider of the Year
Mobile Service Provider of the Year
Frost & Sullivan Philippines Excellence Awards 2015

Highly commended in Best Consumer Engagement Campaign: Project 1Phone
6th Annual Responsible Business Awards

Bronze Award in Best Crisis Management
PR Awards 2015 South-East Asia

Silver Award in Crisis or Issues Management Campaign of the Year: Neutralizing Fair Use Policy sentiments
PRWeek Awards Asia 2015

Gold Award in Specialized Annual Report: Combined Annual & Sustainability Report: "Let's Create a Wonderful World"
2015 International Annual Report Competition (ARC) Awards

Gold Award in Telecommunications' Annual Report: "Let's Create a Wonderful World"
Silver Award in Telecommunications' Sustainability Report: "Let's Create a Wonderful World"
League of American Communications Professionals (LACP) 2014 Vision Awards

Gold Award in Advocacy category: Project Rainbow
Silver Award in Advocacy category: Project 1Phone
Bronze Award in Advocacy category: Project Greatness
9th Asia-Pacific Tambuli Awards

National Winner for Large – Non-Agri-Based Category
Landbank's Gawad KAAGAPAY (Korporasyon na Kaagapay sa Ating Ganap na Tagumpay)

Bronze in Advocacy Marketing Single Medium PR Category: Globe #ProjectWonderful
Bronze in Advocacy Marketing Single Medium TV Category: Globe #StopSpam
Bronze in Internal Communications Programs Category: Globe "Give"
PANAta Awardee in Advocacy Marketing Integrated Program Category: Globe Project 1Phone
2015 PANAta Marketing Effectiveness Awards

MEMBERSHIP G4.16

1. GSM Association (GSMA)
2. IT and Business Process Association of thePhilippines (IBPAP)
3. Philippine Association of National Advertisers (PANA)
4. Internet and Mobile Marketing Association of the Philippines (IMMAP)
5. Philippine Business for the Environment (PBE)
6. Pollution Control Association of the Philippines, Inc. (PCAPI)
7. Corporate Network for Disaster Response (CNDR)
8. National Disaster Risk Reduction Management Council (NDRRMC)

REPORTING PARAMETER G4.18, G4.20, G4.21, G4.28, G4.29, G4.30, G4.33

The 2015 Annual & Sustainability report covers data from January 1, 2015 to December 31, 2015. Select data from previous year may be included to quantify and show year-on-year comparison, if applicable.

We have limited the reporting coverage to Globe Telecom, Inc., Innove Communications, and G-Xchange, Inc. particularly on the environmental, social and governance aspects. Economic covers operations from Globe Telecom, Inc. and our subsidiaries with 100% ownership. We have aligned our sustainability reporting with the Global Reporting Initiative (GRI) G4 framework since 2013. Our report has undergone third party external assurance conducted by DNV-GL.

THE DIGITAL FILIPINO [1]

117% MOBILE PENETRATION
4% YoY

119.21M MOBILE SUBSCRIBERS

47% USES MOBILE BROADBAND CONNECTION

95% PREPAID
5% POSTPAID
SUBSCRIPTION TYPE



74% UNIQUE MOBILE USERS
29% ACTIVE E-COMMERCE USERS
18% ACTIVE M-COMMERCE SHOPPERS

47M FILIPINOS ARE SOCIAL MEDIA USERS

67% ON FACEBOOK IS BELOW 30 YRS OLD

TOP 5 MOBILE ACTIVITIES

- **33%** USE MOBILE MESSENGERS
- **26%** WATCH VIDEOS
- **25%** USE MAP SERVICES
- **23%** PLAY GAMES
- **21%** USE MOBILE BANKING

THE AVERAGE TIME SPENT DAILY ONLINE

5.12 HRS desktop users
3.14 HRS mobile users

46% OF FILIPINOS GO ONLINE DAILY

3.42 HRS/DAY IS SPENT ON SOCIAL MEDIA

[1] *Data on page 6 are lifted from We Are Social's Digital in 2016 Report*
[2] *OpenSignal.com and OpenSignal State of LTE Report dated September 2015*
[3] *Result from survey conducted by Towers Watson*

THIS IS HOW GLOBE ENABLES THE FILIPINO DIGITAL LIFESTYLE

With a steady growth in subscribers, Globe has innovated its products and services to fulfill the needs of customers. In 2015, we revolutionized the way the Filipino connects to the world.

4G/LTE SPEEDS BASED ON NETWORK RANK[2]

Network	Overall	Signal	Download	Upload	Ping	Reliability
Globe	—		9.08MBPS	7.24MBPS	81MS	95.39%

28,336 BASE STATIONS

OVER 18,300 4G (INCLUDING HSPA+, WIMAX, AND LTE) BASE STATIONS

EBITDA
₱ 45.8B ⬆17% YoY

CONSOLIDATED SERVICE REVENUE
113.7B

SERVICE REVENUE

MOBILE DATA	BROADBAND	FIXED LINE DATA
⬆55% YoY	⬆38% YoY	⬆40% YoY

CORE NIAT
15.1B ⬆4% YoY

TOTAL CUSTOMER PROFILE
- 2.401M POSTPAID
- 50.532M PREPAID
- 4.318M BROADBAND

6,864 GLOBE EMPLOYEES NATIONWIDE

ENGAGEMENT SCORE[3]
89%
- ⬆Philippine HP Norm
- ⬆Global Telecom Comp
- ⬆Global HP Norm
- ⬆Ayala Norm

(⬆2pts in 2014) 99% response rate

120% INCREASE IN TRAINING HOURS PER HEADCOUNT

2,342 EMPLOYEE VOLUNTEERS REACHED:
- 58 SCHOOLS
- 40 NGOS
- 16 LGUS
- 4 GOVT. AGENCIES

124,572 KG OF EWASTE RECYCLED, ⬆56% FROM 2014

AROUND 1.75 M CUSTOMERS IN PAPERLESS BILLING

AROUND 1,000 SITES WITH GREEN SOLUTION

25% CO_2 REDUCTION FROM GENERATORS IN 2015

20 GLOBAL FILIPINO SCHOOLS

BENEFITTING 32,000 STUDENTS TRAINED 781 TEACHERS

25 STARTUP COMPANIES GENERATING 574 JOBS

951 SUCCESSFUL HEALTH-RELATED CONSULTATIONS THROUGH KONSULTAMD

ENABLED COMMUNITIES TO GENERATE ₱ 12.7M IN REVENUE

BLOCKED 26.1M SCAM/SPAM MESSAGES

DISCONNECTED AROUND 21,000 MOBILE NUMBERS



MESSAGE FROM THE CHAIRMAN

G4.1

I am pleased to report that 2015 proved to be another record year for Globe Telecom as it lived up to its mission of creating a connected world with its strongest year ever. The company surpassed its previous year's record performance, posting new highs in service revenues, EBITDA, and earnings. In the face of intense industry competition, the company once again registered broad-based data-driven growth across its key services and was also helped, in part, by the consolidation of Bayan in the second half of the year. By focusing on improving the customer experience and by riding with the shift toward greater data consumption across all segments, Globe has solidified its leadership in the digital space, proving to be the data provider of choice for Filipinos' digital lifestyles.

2015 Philippine Economic Performance

Our impressive results were buoyed by the robust Philippine economy. The Philippines' gross domestic product (GDP) grew by 5.8% in 2015, which remained one of the highest among Asian economies. This result also gave the country a six-year average real GDP growth of 6.2%, the highest since the late seventies. Fourth quarter GDP expanded at the fastest pace for the year at 6.3% year-on-year, with private consumption and investment growing at sustained high rates and government construction accelerating.

Moreover, the country's solid economic performance was once again sustained by consumer spending, on the back of US$25.8 billion of remittances from overseas Filipinos, or 6.2% higher than 2014, and the continued growth of the business process outsourcing (BPO) sector, which generated US$21.3 billion in 2015, up 16% from 2014, and the tourism sector, which enjoyed a record 5.4 million visitors, surpassing the 5-million mark for the first time and generating an estimated US$5 billion of international visitor receipts, not to mention more employment and livelihood opportunities for Filipinos. These various indicators bode well for the telecommunications sector, in both the consumer and enterprise segments of our business.

2015 Industry Growth and Competitive Dynamics

Similar to last year, growth in the telecommunications sector lagged relative to GDP growth with 3.9% in 2015, as the mobile segment, which accounts for 62% of overall industry revenues, continued to re-balance given the shift in traffic from the core voice and SMS services to data. However, industry prospects remain bright with the focus on the monetization of the growing data traffic, the increasing smartphone penetration, and the Filipino fondness for social networking and data services. Also, the @home broadband segment represents a key growth driver going forward as more households require broadband connectivity for education, social media, and entertainment-related content.

As the battleground shifts into data services, competition in the telecommunications sector remained intense as the incumbent aimed to protect its declining overall revenue and subscriber market shares. Mobile penetration rose to an estimated 115% by the end of the year, with nearly 118 million industry subscribers. The incidence of multi-SIMming remained high, as customers kept extra SIMs handy due to the high interconnect costs of voice and SMS, enticing data offers from both the incumbent and Globe, and the increased availability and affordability of tablet and portable WiFi devices.

Continued Commitment to Shareholder Value

Globe remains fully committed to creating shareholder value, paying out a total of ₱11.6 billion in dividends in 2015, which was 11% higher than 2014. This represents approximately 76% of 2014 core net income and is in line with the company's policy of distributing dividends equivalent to 75% to 90% of prior year's core net income. Also, this translated to a 4.7% dividend yield, which remained competitive versus the yields of government securities and other Philippine listed companies. Coupled with the increase in share price for the year of 5.8%[1], total shareholder return in 2015 was 10.5%.

Setting the Pace for Best Practices in the Telecom Sector toward a Sustainable Future

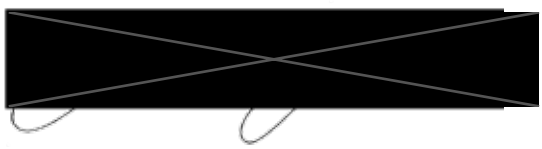
With the Philippines already feeling the effects of climate change, such as the devastation to life and property caused by typhoons Ondoy and Hayan, among others, the company recognizes the importance of institutionalizing sustainability

practices as part of its business strategy and operations. As a socially responsible business, Globe has introduced innovations that are sustainable and which help reduce its carbon footprint. Guided by the 17 Sustainable Development Goals of the United Nations, the company initially identified four areas to focus on, namely: Care for the Environment; Care for our People; Positive Societal Impact; and, Enabling a Digital Nation.

Because of the company's large business footprint, Globe recognizes its responsibility to mitigate the effects of climate change. Investing in a low carbon future builds on the foundation of the company's social license to operate. Examples of Globe Telecom's initiatives for its cell sites include the use of solar energy as back-up energy and the use of deep cycle fuel cell batteries with lower emissions, which help reduce carbon dioxide emissions. Also, over the last five years, Globe has remained committed to planting indigenous trees and preserving mangroves covering over 15,000 hectares that offset more than 700,000 kilograms of greenhouse gases. Globe Telecom's Project 1Phone addresses proper e-waste disposal by collecting old phones from customers for proper e-waste recovery and recycling. Lastly, the Globe Tower head office is a testament to the company's commitment to sustainability. As a Silver LEED-certified building, the office design harnesses natural sunlight for efficient lighting, has an efficient gray water collection system, and is working toward a paperless office setup through several Google Apps for Work solutions.

In closing, I thank our Board of Directors, the management team, and employees for their tireless efforts and contributions this past year. Our board members remained engaged across a variety of governance committees throughout the year and our employee and executive teams work tirelessly to improve on our standards to innovate and to continuously improve customer experience. I also thank our business partners for their support, our subscribers for their loyal patronage, and our fellow shareholders for their trust and confidence in Globe and our ability to continue to build and create value in the years ahead.

On behalf of the other board members of Globe, I also take this opportunity to welcome Mr. Teodoro Limcaoco who will take over from Mr. Gerardo Ablaza as one of Ayala's representatives on the board. I am certain Mr. Limcaoco's expertise and experience will contribute significantly to the governance and management of our company. I would also like to acknowledge the significant contributions of Mr. Ablaza who, during his important tenure as CEO of Globe Telecom, built it into one of the region's most dynamic telecom companies. We thank him for his 19 years of contribution to the company across managerial and governance responsibilities. I wish him continued success as the CEO of Manila Water and as part of Ayala's senior management team.



Jaime Augusto Zobel de Ayala,
Chairman

[1] *Based on Globe closing share price of P1,852 (12/29/15)*



MESSAGE FROM THE PRESIDENT AND CEO

G4.1

Globe once again produced a banner year in 2015 as business momentum continued. Consolidated service revenues topped the ₱100 billion mark for the first time in the company's history, reaching a new record of ₱113.7 billion, up a robust 15% from the previous year's ₱99 billion, outpacing the industry's growth in 2015. The strong revenue performance was driven by broad-based growth, particularly the data-related product segments, and complemented by the consolidation of Bayan Telecommunications, Inc. (Bayan) in the second half of 2015. Even excluding the second semester results of Bayan, consolidated service revenues would have still improved by a solid 12%. On the back of record revenues, EBITDA also registered a record high, reaching 45.8 billion in 2015, up a strong 17% year-on-year. Net income likewise posted an all-time high of ₱16.5 billion, a 23% increase from the ₱13.4 billion last year. This was mainly driven by the 9% EBITDA growth and non-recurring gains related to two transactions executed in 2015—the sale of a 51% stake in Yondu, Inc. (Yondu) to Xurpas, Inc. and the acquisition of 98.6% equity stake in Bayan. Lastly, consistent with the commitment to shareholder value, our Board of Directors declared dividends in 2015 amounting to ₱83 per common share, a robust increase of 11% year-on-year from the ₱75 dividend declared in 2014.

Broad-based, Data-driven Revenue Growth Marked by Outperformance in Mobile

The 15% growth in revenues remained broad-based across all businesses spurred by the demand for data. Total data-related revenues accounted for 42% of consolidated services in 2015, as compared to only 33% in 2014.

Mobile revenues were up 9% to ₱85 billion from the ₱78 billion recorded a year ago with mobile subscribers improving 20% year-on-year to 52.9 million. We again dominated the postpaid segment with revenues up a solid 7% year-on-year to ₱31.9 billion from ₱29.9 billion in 2014 and now contributes 38% of mobile revenues. It is worth noting that our dominance in postpaid has led to gains in the prepaid segment as well. Notwithstanding the high mobile penetration and multi-SIM incidence in the market, we have outperformed the industry with double digit growths both in terms of prepaid revenues and prepaid subscribers. Prepaid revenues grew to ₱53.1 billion in 2015, up a solid 10% on the back of a 21% increase in prepaid subscribers and ending the year with 50.5 million prepaid subscribers. As of the fourth quarter of 2015, we are now the number 1 brand in terms of revenues for both the postpaid and prepaid segments.

Mobile data services again proved to be a key catalyst for mobile revenue growth, reaching ₱22.1 billion in 2015, a 55% increase against the ₱14.3 billion in 2014. With smartphone penetration in our network reaching over 40%, our continued efforts to seed mobile adoption through market-relevant offers and the growth of our nomadic broadband subscriber base, total wireless data traffic surged by 82% year-on-year. Broadband service revenues, following the increasing demand for internet and data connectivity, reached ₱17.5 billion, 38% higher than ₱12.7 billion in 2014. Meanwhile, fixed line data services reached ₱7.7 billion in 2015, a 40% increase from 2014, driven by rising demand for corporate connectivity, managed service solutions and cloud-based services.

These trends are indicative of the prevalence of data-enabled applications in our subscribers' digital lifestyles.

Consistent with our thrust of pursuing collaborative partnerships with global giants in the world of content, we announced our partnership with Walt Disney Southeast Asia last May to offer a complete suite of entertainment experiences to our customers. The collaboration aims to give Filipino customers access to video-on-demand, interactive content, promotions, and other related services across multiple devices and affirms the relationship of Globe with Disney whose brands include Disney, Pixar, Marvel, Star Wars, and the global leader in short-form video, Maker Studios. As an initial salvo, coinciding with the premier of the highly anticipated and much—awaited seventh installment of the Star Wars film series, Star Wars: The Force Awakens, the company launched a series of memorable Star Wars events in the country last December.

We likewise expanded our partnership with Google by offering Chromecast, which allows media streaming from data-capable devices onto audio or video devices such as high definition TVs or home audio systems via WiFi. It is also important to mention that our partner HOOQ, a Singtel joint venture which was the first in Asia to offer video-on-demand service, recently won in the GSMA GLOMO Awards as the Best Mobile App for TV or Film Video Content, besting similar product offerings of other global telcos.

We also opened our first two—story Generation 3 (GEN3) Store in Greenbelt in August, extending GEN3's world-class retail experience to more subscribers. The Globe GEN3 stores are home to various lifestyle zones with stories and exciting features for customers to experience and enjoy. These zones feature latest trends in product, people, and even in business. Various lifestyle vignettes illustrate mobile and broadband technologies as connected solutions—featuring the latest devices, apps, digital connectors, gadgets and services that contribute to the total interactive customer experience.

Complementing the suite of digital lifestyle products and services that we offer, we further enhanced the customer experience by continuously developing our network ahead of the anticipated growth in data traffic. Our foresight in changing out our legacy network and back-office system to a now-modernized data-ready network and integrated business support system proved to be the right move. As of end-December 2015, we have a total of 28,336 base stations, with over 18,300 for 4G to support the service requirements of our customers. Last March 2015, we also partnered with Huawei to deliver SingleSON or Self Optimizing Network technology, allowing automatic diagnosis and optimization of the Globe network, to continuously provide seamless customer experience. Globe is the first telco in the world to deploy the SingleSON technology. And last November, this partnership was further strengthened by a five-year deal that aims to expand and enhance the mobile network and create a mobile innovation center.

Acquisition of 98.6% of Bayan and Sale of 51% of Yondu
The year 2015 also marked the completion of our acquisition of Bayan. We completed in July 2015 the acquisition of 98.6% equity stake in Bayan through a combination of conversion of debt into equity and the acquisition of existing shares previously held by the Lopez Group. Our acquisition of control in Bayan likewise allowed it to exit rehabilitation last November 2015, which in turn will enable Globe and Bayan to further realize synergies for both companies. Bayan likewise provides us access to its fixed line voice, broadband, and fixed line data customers for potential up-sell and cross-sell of Globe services.

In September 2015, we also solidified our partnership with Xurpas through the sale of 51% of Yondu, consistent with our track record of partnering with leading companies in the internet and digital space. Apart from enabling Yondu to transform into a regional arm for digital content distribution and other technology-driven services, the sale also allowed Globe to partially realize the significant increase in the value of Yondu.

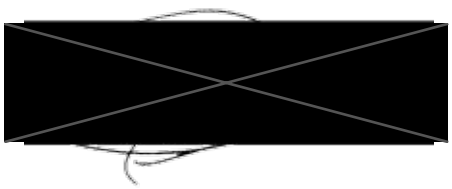
These two transactions resulted in one-time gains, which boosted net income in 2015. The net gain resulting from these two transactions amounted to over P1.6 billion in non-recurring income, coming from fair value adjustments and recognized gains on the sale. Adjusting for the said one-time income, our normalized net income would have been P14.8 billion, still a robust 11% improvement against the reported net income of P13.4 billion in 2014. Core net income, which adjusts for non-recurring items as well as foreign exchange and mark-to-market items, grew by 4% year-on-year to P15.1 billion from the P14.5 billion the previous year.

Culture of Sustainability Driven by an Engaged Workforce
We remain committed to our philosophy of Circle of Happiness, where engaged employees result in delighted customers and happy stakeholders. In this light, we continue to invest in our people. Last October, Globe University officially opened its doors to all our 6,800-plus employees. With the largest classroom capable of sitting 200 participants, the Globe University program serves as a platform in which employees can take different courses on sales and marketing, technical, professional development, and leadership to further hone their respective skills and improve the service to our customers.

As we continue to work together in transforming our culture, measurement of employee engagement continues to evolve as well. Moving beyond employee satisfaction, we look for engaged, enabled, and energized employees to deliver their best performance, and sustain it over time. In the recent employee engagement survey conducted by Towers Watson, we registered a Sustainable Engagement Score of 89%, higher than the overall engagement scores of 84% from global high performance norm, 82% from global telco norm, and 85% from Philippine national norm.

Apart from the fruits delivered by employee engagement in terms of customer service, we have likewise received recognition from various groups in line with our thrust in employee engagement. We won the Silver Stevie award for the Human Resource Department for the year for the telecommunications category while our Chief Human Resource Officer, Mr. Renato Jiao, also bagged the 2015 People Manager of the Year for Globe in the recent People Management Association of the Philippines awards. These are only a few of the several international and domestic awards that we received in 2015 including the telco service provider of the year, corporate governance awards, customer service awards, and new products and innovations awards.

Conclusion
The record-breaking performance, the increasing number of partnerships, the growing investment in network development and the high employee engagement score—these are all testament to our commitment to create shared value to all our stakeholders. We are confident that we will continue to be an aggressive industry challenger moving forward, sustain the growth momentum, and create a wonderful world.



Ernest Cu
President & CEO



MANY WORLDS, ONE GLOBE

Our culture of service

OUR CULTURE OF SERVICE



According to Gartner—a leading information technology research and advisory company—businesses will redirect 50% of their consumer product investments to customer experience innovations by 2017. Those that provide the best customer experience win.

It is the reason that we are making a massive shift towards becoming a company that gives our customers the delightful experience they deserve.

The shift started in 2013 and went full scale in 2014 when we embarked on a customer experience transformation program called Delivering the Next Act (DNA). In 2015, we expanded this to further embed the culture of service in every Globe employee, including all frontliners. In this program, we further empowered our customers in resolving their concerns through our own 150,000-strong Globe Community. More importantly, we began to strengthen partnerships and embed our service culture to our vendor partners. This enabled us to combine our expertise in our respective areas and come up with improvements that spelled the difference in customer experience.

EXPANDING OUR CULTURE OF SERVICE

In 2015, we extended our Circle of Happiness to include our partners, beginning with our frontliners. They are, after all, our customers' first contact with Globe whether as a store personnel, customer service representative, over the hotline, or a social media agent on Twitter.

We spent a considerable amount of time and resources to uplift our service education through leadership immersions, and roll out culture-building programs and initiatives borne out of our strong partnership with our vendor partners. Our goal is to make our customers feel the Globe brand of service that aspires to show each customer genuine care.

This year, we improved our Up Your Service (UYS) curriculum, and expanding this beyond classrooms towards a more experiential learning. From on-boarding to refresher classes, this change has created a more effective shift in every participant's mindset when it comes to service. Over 8,000 of our employees and partners undertook this program during the year.

UP YOUR SERVICE PARTICIPANTS

OVER 4,000 CUSTOMER SERVICE REPRESENTATIVES (Hotline and Credit & Billing)

OVER 3,500 GLOBE STORES FRONTLINERS

OVER 1,500 BROADBAND INSTALLERS

Our immersion program for our executives, iServe, also went through an expansion in 2015. We began offering three immersion tracks that are customized to each executive's role. One track was designed to give participants the experience of being a customer, another looked into the best practices of well-known digital companies, and the last one focused on our own GEN3 stores to improve our customers' digital experience. In all, we were able to train over 150 executives and helped them become much more connected with our customers.



"Today, everything centers around technology. But we don't just develop products. We bear in mind that at the heart of each transaction is the customer. Never forget the customer."

Rebecca Eclipse, Globe Chief Customer Experience Officer

To bring the Globe experience closer to our partners, we provided kits containing our products and services, staged interactive booths, and introduced learning sessions on service culture. These gave our frontliners a taste of the Globe portfolio of digital lifestyle offerings.

In addition, we have extended the Customer First Circle (CFC) program to our partners to find ways on improving the quality of customer experience. In 2015, more than 40 joint project ideas were submitted in collaboration with our contact center partners.

Our internal feedback mechanism, Internal Customer Satisfaction Survey (iCSAT), involved our vendors for the first time to strengthen our partnership. In 2015, seven companies participated in the survey across 13 different contact center sites. It also resulted in better communication and collaboration among groups within and outside our organization, leading to more clarity in their respective roles and significant improvements in our processes.

ONGOING COMMITMENT TO EXCEPTIONAL SERVICE G4-PR5

While we expand the culture of service to include our partners, we enhance our self-service channels at the same time to empower our customers to access up-to-date information and perform real-time transactions.

MIX OF SERVICE TOUCHPOINTS

- Globe Stores
- @talk2globe
- facebook.com/globeph
- HELP to 1234
- Mobile 211; Landline 7301000; Sales 7301010
- *143#
- community.globe.com.ph/
- globe.com.ph/help
- chat.globe.com.ph/
- GServices in iOS and Android
- accounts.globe.com.ph/login
- accounts-business.globe.com.ph

"The strategy for telcos is the same for almost everyone. It comes down to really delivering what the customer needs on the ground, doing what we said we will do. The sector is evolving, and Globe is always trying to improve its own execution to be able to offer our customers a wonderful experience."

Mark Chong Chin Kok, Globe Board Director and Singtel International CEO

To provide them exceptional service, we have also revisited our existing customer survey models and improved the constructs in response to the shift of our customer's digital behavior and increasing relevance of mobile data. This includes our introduction of a real-time customer survey across multiple touchpoints. It works by requesting feedback from our customers via voice of SMS right after each transaction at our stores, hotline, self-service channels, or with our service technicians. This gives us an opportunity to address issues immediately and regain customer trust. We have also adopted the internationally recognized Net Promoters Score (NPS)

GLOBE 2015 NPS FROM CONTACT CENTERS[1]



17%

GLOBAL BENCHMARK NPS[2]

CELLULAR PHONE SERVICE 21%

INTERNET SERVICE -3%

[1]*Data is as of second half of 2015*
[2]*Satmetrix 2015 Average Net Promoter Scores for US consumer sectors*

to track how likely our customers would recommend our service to others. In return, this produces a clear measure of our performance through our customers' eyes. This year, we received a 17% NPS score from customers who called our contact centers, a little below the average NPS benchmarking against the US customer sector. We have also strengthened the survey by measuring feedback from stores, self-service and field operators in the later part of this year as we aim to continuously look into improvements in our channels. We shall be able to disclose a full year report in 2016.

The bigger role that vendors play in ensuring customer satisfaction means that we now have a Circle of Happiness that involves them—where having happy Ka-Globe results in delighted customers.

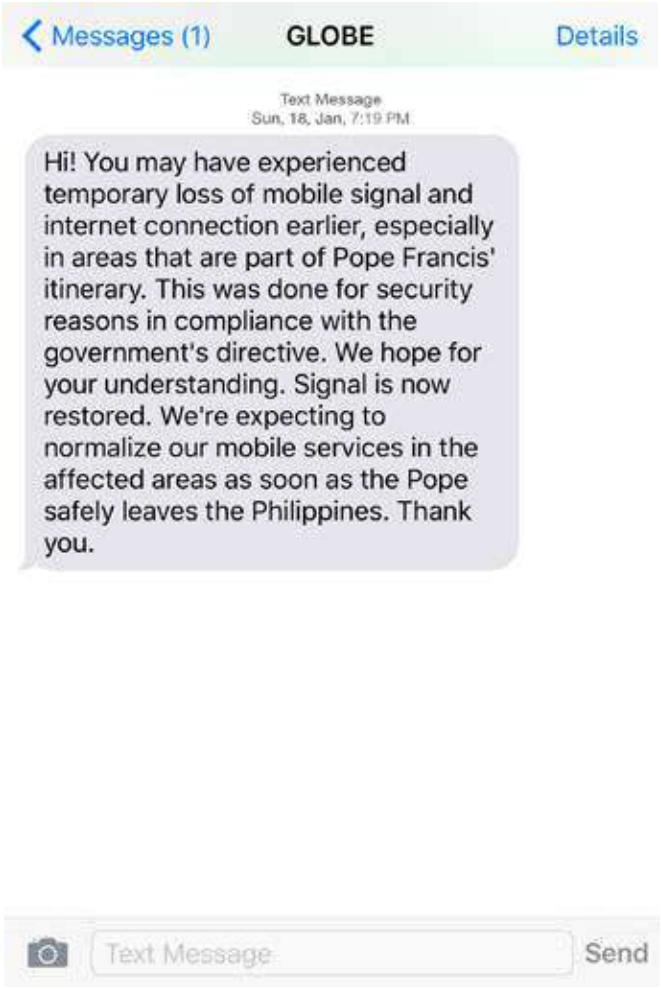
BUILDING RELATIONSHIPS

Aside from strengthening our relationship with our partners, we also understand the importance of taking a proactive approach in communicating with our customers. Public advisory on network upgrades and system enhancements, among others, are communicated to our customers via SMS or our various self-service channels so they will be fully aware of the situation. Service downtimes, including the Papal Visit in 2015, saw Globe reaching out to them with honest and transparent communication. We send out messages to our customers in case there are expected downtimes and update them on issues they encounter.

Throughout the year and moving forward, we continue to celebrate special occasions and milestones with our customers to show we are here to care for them throughout their journey with us.

"Two journeys were taken by the organization to stay ahead: one was to become more agile, quicker than the market, and more efficient in serving its customers. But to forge ahead and to maintain the lead, it embarked on the second journey towards innovation."

Gil Genio, Globe Chief Technology and Information Officer





DATA AS THE NEW CURRENCY

At the heart of Globe

AT THE HEART OF GLOBE



Today we are seeing a massive shift in the way people communicate and consume media. Their transition to a digital lifestyle has led to an increased demand for mobile data and data services as they use data-driven products and applications. SMS is quickly being replaced by online messaging services, and although demand for traditional voice calls remains strong, it won't be long before data calls may well overtake the service.

The proof is in the numbers. In 2015, we saw a rise in our mobile browsing and other data revenues by 55% which reached ₱22.1 billion compared to ₱14.3 billion in the previous year. Our number of mobile data users also grew by 126% versus 2014, while data traffic saw an increase of 89%. Broadband and fixed line data service revenue went up as well by 38% and 40% from previous year, respectively.

As the country's leading mobile brand, we understand our role in enabling consumers live happier, more productive, and more meaningful lives. We create moments that let them live their passions. We explore technologies that equip them with all the tools they need in order to face the next wave of change that the future will bring.

TRANSFORMING THE DIGITAL LIFESTYLE G4.4

Responding to the shift in the lifestyle of our customers, we provide them with a different and personalized content experience. Starting from our customizable postpaid plan, myLifestyle Plan, call and SMS to Globe and TM numbers are now built-in as a basic service plus free 1 GB Globe Cloud Storage for 24 months, one month subscription to our gadget protection program Gadget Care, and a host of lifestyle packs that customers can choose from for a base service fee of ₱499.

"The surge in mobile data services was spurred by the impact of our data adoption strategies from Free Facebook and Free Viber campaigns, as well as the growing smartphone and mobile browsing adoption among Globe customers. This also reflects on the phenomenal growth of our mobile data business, which in turn secures our position as the purveyor of the Filipino digital lifestyle."

Dan Horan, Globe Senior Advisor for Consumer Business

The plan comes with three lifestyle pack choices—Navigation, Explore, and Fitness. The Navigation pack lets customers use Google Maps, Grab, the MMDA app, and Waze for free. Agoda, Cebu Pacific, Looloo, Philippine Airlines, Trip Advisor, and Zomato can be accessed for free with the Explore pack. Finally, the Fitness pack comes with free myFitness Pal, Strava, and RunKeeper.

Customers can further boost their plan by availing of Surf Packs ranging from GoSURF 99 for 100 MB of mobile internet to GoSURF 2499, which has a 15 GB data allowance. These come with exclusive access to Spotify, Wattpad, and/or PisoMall.

Our flagship consumable mobile data plan GoSURF has changed the mobile browsing experience in the country by offering our customers with free access to a suite of music, social networking, and entertainment content aside from giving them more megabytes (MB) of data for longer mobile browsing.

Global brands such as Google, Facebook, Viber, Spotify, NBA, HOOQ, and e-commerce sites such as Lazada and Zalora have also partnered with Globe in the Philippines as we continue to enrich the customer experience.

Through our other Lifestyle Packs, we offer more options to our customers. The Spotify pack offers free access to Spotify Premium; HOOQ provides access to watch videos up to 2 GB consumable data; Work bundles Evernote, Gmail, Yahoo Mail, and Globe Cloud; the Shopping Bundle gives access to Amazon, AyosDito, eBay, OLX, and Zalora; and the Social Bundle combines chat apps like Viber, photo apps like Instagram, and provides standalone access to Facebook and Twitter, among others. There are also Classic Packs where customers can get extra call and text allowances to other networks, as well as landline and international services.

All promotional packs can be availed on top of the basic ₱499 plan, the total cost of which will be the customer's monthly service fee (MSF). They can avail of a free device or gadget depending on their MSF. Alternatively, they can add ₱99 to their base plan, which lets them choose a free smartphone from CloudFone, Huawei, Lenovo, Samsung, or Microsoft Lumia.

Filipinos love to watch video content. That is why in 2015, we further boosted video content consumption and accessibility on mobile devices by offering our customers with affordable online video bundles through our partnership with YouTube and Dailymotion.

We have also revolutionized the local entertainment experience in the country by bringing Chromecast to the Philippines. This offers our customers a new way to stream their favorite entertainment content at home by integrating their viewing experience from mobile to the TV screen through the Internet.

Through our partnership with The Walt Disney Company Southeast Asia, Filipinos can now enjoy Disney, Pixar, Marvel, Star Wars, and Maker content via video-on-demand, interactive content, and exclusive theatrical promotions on mobile and broadband.

It was also the year for the gaming community as we gave our prepaid customers free access, bundled with a data offer, to their favorite mobile games like Clash of Clans, Candy Crush Saga, and Hayday, among others.

The device landscape has also changed as we partnered with device manufacturers Oppo and Cherry Mobile to support the thrust of providing mobile data access to more cost-conscious consumers. Now more customers have the opportunity to own high-quality mobile phones coupled with the Globe prepaid service at an affordable package.

Tourists coming to the Philippines and overseas Filipino workers (OFWs) returning to the country enjoyed our wide coverage nationwide through our partnership with the Department of Tourism (DOT) as the Tourism Promotions Board's (TPB) first Philippine telecommunications partner. Through this collaboration, the TPB gave its "Visit the Philippines Year 2015" campaign a boost by offering our Globe Traveler SIM for free. Travelers and OFWs were able to receive calls and texts from abroad for free, and enjoy special rates during their stay.



Even media engagements and product launches has been transformed into a whole new experience. For two years, we've moved beyond the traditional press conferences to a quarterly interactive and experiential activity known as Wonderful World with Globe, bringing to life our partnership with traditional media, bloggers, and the digital community.

RETAIL AS THE LIFESTYLE HUB G4.4

At Globe, we give our customers many ways to live the life that lets them create a wonderful world. That includes the expansion of our Globe GEN3 Stores, which changed the seemingly transactional mobile retail landscape into a hub that not only features the latest Globe offerings but also an interactive space for

"With GEN3, we are able to interact with and provide better service to our customers. We ensure that we have maximized every corner of this new store to give everyone who walks in a chance to discover and learn something new every time."

Joe Caliro, Globe Head of Stores and Retail Transformation Management

customers to be fully immersed in the different facets of digital lifestyle. As part of our corporate objective, we are set to develop and launch more of these stores to bring the wonderful experience of Globe to more Filipinos in 2016.

In 2015, we transformed five new GEN3 Stores in Cebu, Greenbelt 4, SM Megamall, SM Seaside and in Cabanatuan, our first Globe Micro-store. 2015 ended with 236 Globe-owned and Premium Dealer store to cater to the needs of our customers.

Instead of the usual device displays and payment queues, our store features four major lifestyle zones—Music, Entertainment, Life, and Productivity—highlighting our offers with global content partners. These include big names such as Spotify for Music; Disney, NBA, Google Chromecast, and HOOQ for Entertainment; Google for Productivity; and Facebook and Viber for Social.

Our stores also offer digital connectors to further complement their Globe lifestyle experience. These include top-of-the-line speakers that let them listen to their favorite music in high-fidelity, power banks that make sure their devices continue to stay powered throughout the day, and wearable technology like GPS watches that help keep track of their location wherever they are in the world. It also showcases the newest consumer technologies, including motion sensor screens and augmented reality applications that continue to delight and surprise any customer that sets foot in the store.

At the heart of this transformation is customer experience. Globe has innovated the digital queuing system where we take the customer's name and photo instead of giving them a queue number. Using our Globe Experience Manager (GEM) tool, frontliners can then identify customers through their photos. Also, the queue board no longer indicates customer numbers but rather their names for a personalized touch. They no longer need to be held inside the store while waiting because an SMS will be sent to notify them when it is almost their turn to speak with a Store Specialist.



Self-service stations empower customers to do store transactions on their own. Bills payment and account management are made available online so that customers can skip the queue and finish their transactions faster. A Video Hotline connects customers face-to-face to a Globe customer service representative based in a different location.

Transactions are also made easy via the Plan Builder, enabling frontliners to provide the best plan for customers. Through our Knowledge Management System (KMS) Touch—an extension of the Globe enterprise-wide KMS—frontliners are provided quick access to product information, processes, policies, and other important details that empower them to serve customers better. With a sleek tablet interface, it makes searching for content easier by using a natural-language search engine, similar to that of Google. Utilizing our partnership with Google Apps for Work, Store Specialists' Google Mail and Hangouts are also accessible via the Store Customer Management System, making in-store and inter-store communications faster.



Designed by Tim Kobe—the same designer who worked on the iconic Apple Store in New York—our GEN3 Stores have received numerous accolades for their hip and innovative design. These include the Most Innovative Store Design in the 2015 SM Partners Awards and 1st Runner-Up for Best Customer Experience Award from the Customer Experience Asia Awards 2015.

However, our biggest and most exciting activation this year was when we "awakened the Force" in our GEN3 Stores through our partnership with Disney. We ramped up the Star Wars fever by several notches with exclusive licensed Star Wars items and premium collectible accessories. Plus, we set up a working Star Wars: Battle Pod arcade console at the Greenbelt store in August so that customers of all ages could catch a piece of the action from the epic movie series. We also introduced the BB-8 Droid by Sphero as part of the digital connectors line-up, completing the full experience made for every fan of the franchise.

Transforming our customers' retail experience doesn't end when they leave our Globe Stores. We revamped the Globe Online Shop where customers can get immediate access to exclusive promos, the latest devices, and exciting freebies. Our online exclusives let them grab offers on select phones and rewards such as Spotify Premium codes and free access to NBA League Pass. Plus, a comprehensive checkout system allows users to order devices and submit their application requirements more conveniently, so they no longer need to wait in line.



Our partnership with AllPhones—a multi-brand mobile retail chain with 63 outlets nationwide—remained strong in 2015. It serves as the go-to retail store for mobile devices, broadband products with value-for-money deals, and flexible device bundles. Every new postpaid customer receives ₱8,500 worth of shopping money for Plan 999 and ₱4,000 for those under Plan 599. In addition, the AllPhones Shopping Money has enhanced the shopping experience for mobile devices as it allows customers to purchase an assortment of digital connectors such as speakers, headphones, or power banks at AllPhones stores to mix and match with their mobile devices. AllPhones Philippines continues to expand its operations nationwide to serve more customers, and aims to have more than 100 outlets next year.

At Globe, we also provide opportunities for our customers to contribute to social good. Through a store initiative, we gave a portion of the proceeds of the sale of our digital connectors to the scholars of Casa San Miguel's community arts program. For more than 20 years, Casa San Miguel has honed the musical talent of over 500 talented yet underprivileged children, many of whom have gone on to become scholars in the country's most prestigious music schools, the UST Conservatory of Music and the UP College of Music.

In addition, we bought 10,000 ecobags worth ₱1 million from our social enterprise partner Custom Made Crafts (CMC) during the Christmas season. These bags were used in our GEN3 Stores Christmas bundle in place of the regular paper bags. CMC is a creative social enterprise that does fair trade and helps market products from indigenous and rural communities to contemporary customers. By supporting CMC's cause, we also supported the communities that created the ecobags, giving for a brighter and more prosperous holiday for everyone.

Having seen the behavior of mobile consumers shift to data usage, we know that the use of technology to address the needs of our customers will never stop evolving. We continue to work hard in ensuring that no matter how the world changes in the coming years, Globe will continue to lead the transformation of retail servicing and content offerings for the industry.



BEYOND COMPLIANCE

Governance

GOVERNANCE



Our efforts to strengthen our corporate governance culture and investor relations initiatives reaped three awards in 2015. We were among the top three publicly listed companies in the Philippines awarded by the ASEAN Capital Markets Forum (ACMF) during the ASEAN Corporate Governance Awards and was recognized as one of the top 50 publicly listed companies in the ASEAN region based on our performance in the ASEAN Corporate Governance Scorecard (ACGS) for 2015. Besting other listed local companies in the country, we also bagged the Bell Awards for Corporate Governance for the second time from the Philippine Stock Exchange (PSE), in recognition of our commitment in upholding the principles and best practices of corporate governance. Even Finance Asia took notice of our efforts in strengthening our corporate governance practices. We were among the Top 10 publicly listed companies with Best Corporate Governance Practices in Finance Asia's 15th Edition of Asia's Best Companies. Notwithstanding our multiple awards in corporate governance, we realize our strategic influence in the capital market and use this as motivation to improve and intensify our corporate governance standards and practices to sustain quality service for our customers and stakeholders.

The impact of global conditions and challenges further underscores the need to uphold our high standards of corporate governance to strengthen our structures and processes. As strong advocates of fairness, accountability, transparency, and integrity in all aspects of the business, our Board of Directors, management, officers, and employees commit themselves to the principles and best practices of corporate governance in the attainment of our corporate goals and strategic direction.

Our corporate governance practices are principally contained in our Articles of Incorporation and By-Laws, complemented by the Manual of Corporate Governance,

company policies, committee charters, and our Code of Conduct and Ethics. We are likewise in full compliance with the Code of Corporate Governance, all listings and disclosure rules of the PSE, and regulations issued by the Securities and Exchange Commission (SEC) for which an annual Certification of Compliance is issued and posted on our corporate website and included in this report. We also adopted the ACGS to raise corporate governance standards and practices. As such, we restructured our corporate website to enhance investor-friendliness and the convenient access of information relevant to stockholders and our various stakeholders. The corporate website contains comprehensive information about our business, products and services, disclosures and reports, corporate governance scorecard and report, press releases and an archive thereof, as well as our corporate policies, charters and manuals, vision, mission, core values, investor relations program, sustainability, and corporate social responsibility activities, among others. We ensure that all information included in the corporate website is accurate and up-to-date.

Our Articles of Incorporation and By-Laws maintain the basic structure of corporate governance while the Manual for Corporate Governance, charters, policies, and Code of Conduct and Ethics act as supplements. These legal documents outline the core of our operational framework including the principal duties of the members of the Board with emphasis on the governance structure, composition, and diversity in the Board, ensuring that duties and responsibilities are performed in a manner that safeguards the interests of the company and protects our stakeholders amid an increasingly competitive environment.

In 2015, we revised our Manual of Corporate Governance to comply with the SEC-mandated provisions that highlight the protection of stakeholders' interests, among other corporate governance principles. The same also reflected our strong adherence to best corporate governance standards and practices espoused in the ACGS.

Globe understands that corporate governance is beyond regulatory compliance, reports, and disclosures, and that its relevance is most evident when its standards and practices are embedded in our culture. We recognize that good governance standards must be present outside and inside the company. As such, we extended our reach to our internal stakeholders to promote awareness and share internal expertise through the Attorney At Iba Pa (AttyATBP) last October. The Corporate and Legal Services Group (CLSG) held its very first AttyATBP at The Globe Tower office activity area, an initiative that extends corporate and legal services out of the day-to-day contracts and reports into contributing to the practical needs of employees. AttyATBP was a whole-day event that hosted promotion of various regulatory and government services, plenary discussions, and actual legal consultation, open to all Globe employees. The discussions included expert speakers who talked about Data Privacy Law, Cybercrime and the Power of Social Media, Cyber Rights, and Election Law. Donations collected from the event were also given to the Save the Children Foundation Philippines for the victims of Typhoon Yolanda. We aim to continue these types of initiatives as we further nourish our corporate governance-proactive culture.

BOARD OF DIRECTORS G4.34, G4.38, G4.39, G4.40

Key Roles and Responsibilities

Our Board of Directors is our highest governance body. They establish our company's vision, mission, and strategic direction, as well as monitor the implementation of the corporate strategy and the overall corporate performance of the company to ensure transparency, accountability, integrity, and fairness, and to protect the long-term interests of our stakeholders. The Board, through its various committees, also oversees and conducts a review of our overall risk management systems, and our material controls, covering operational, financial, and compliance areas; and overall risk management systems. Finally, they approve corporate operation and capital budgets, major acquisition and disposal of assets, major investments, and changes in authority and approval limits. In 2013, we updated our mission, vision, and values to reinforce our commitment to our customers and other stakeholders. The Board further reviewed these in the last financial year.

Board Composition

Eleven board members are elected and hold office for the ensuing year until the next Annual Stockholders Meeting (ASM). The President and CEO is elected as the sole executive director while the other members as non-executive directors who are not involved in the day-to-day management of business. Among the board members are three independent non-executive directors. These independent directors, as defined by the company, are independent of the company, from management and major/substantial shareholders, and are free from any business or relationship that could materially interfere in their exercise of independent judgment in carrying out their responsibilities as directors.

As part of our corporate governance best practices and in implementation of our board diversity policy in the workplace, we have at least one female independent director in the Board. None of the company's independent directors serve in more than five boards of publicly listed companies and have served the company in the same capacity for more than two terms or nine years[2], and the executive director does not serve any other listed company's board.

The Board members are highly qualified and have the ability to thoroughly examine issues and matters that affect the company. Prior to election, the Nomination Committee, presided by an independent director, reviews the qualification of each member. As stated in the company's board diversity policy, no director or candidate for director shall be discriminated upon by reason of gender, age, disability, ethnicity, nationality or political, religious, or cultural backgrounds. As necessary, the Company may use professional search firms or other external sources of candidates (such as director databases setup by director or shareholder bodies) when searching for candidates to the board of directors.

To execute their role well, training on corporate governance is given prior to assuming office. In 2015, members of the Board and key officers participated in the program on corporate governance conducted by the Institute of Corporate Directors (ICD) in compliance with the SEC Memorandum Circular No. 20, Series of 2013, directing all key officers and members of the Board of publicly listed companies to attend a program on corporate governance. Other key officers attended a corporate governance seminar also conducted by the ICD. Discussions during these seminar programs included the SEC Annual Corporate Governance Report (ACGR), updates on the ACGS, and the SEC Revised Code of Corporate Governance, among others. In September 2015, other board members attended an in-house corporate governance seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. to remain abreast of relevant new laws, regulations, trends, and risks in further strengthening their performance according to their responsibilities and duties for the company and our stakeholders. The seminar included discussions on the telecommunications industry trends, risk and opportunities, case studies reflecting the importance of corporate governance with regard to accountability, integrity, and transparency, political risk, as well as the ACGS, SEC's ACGR, and other mandatory topics required by the SEC. Both training providers are accredited by the SEC. The attendance of the Board and key officers were properly and timely disclosed to the SEC, PSE, and PDEx, and posted on the company website.

Board Remuneration G4.51, G4.52

The Board's remuneration is set at an optimum level to attract and retain high-caliber directors who continuously and effectively deliver services. In accordance with the company's By-Laws, the Board shall receive, pursuant to a resolution of the stockholders, fees and other compensation for their services as directors and members of committees of the Board of Directors.

Our directors receive ₱200,000 for every Board meeting and Stockholders' meeting attended. The compensation of directors remains at ₱100,000 for every committee meeting attended or such meetings other than those mentioned above. Our stockholders ratified this resolution at our regular Annual Stockholders' Meeting on April 8, 2014 based on a benchmark study against industry rates as well as a previous study in 2010 to standardize the pay of Board of Directors across the Ayala companies. Meanwhile, our executive director does not receive per diem remuneration in addition to his remuneration as part of Globe Telecom's senior management in his role as the President and CEO.

[2]SEC Memorandum Circular No. 9, series of 2011 sets the term limit for independent directors, effective January 2, 2012. As such, all of Globe Telecom's independent directors remain qualified to serve the Company in the same capacity.

GLOBE TELECOM BOARD OF DIRECTORS		
DIRECTOR	**POSITION**	**NATURE OF APPOINTMENT**
Jaime Augusto Zobel de Ayala	Chairman	Non-Executive
Gerardo C. Ablaza, Jr.	Co-Vice Chairman	Non-Executive
Mark Chong Chin Kok	Co-Vice Chairman	Non-Executive
Ernest L. Cu	Director, President & CEO	Executive
Delfin L. Lazaro	Director	Non-Executive
Samba Natarajan	Director	Non-Executive
Fernando Zobel de Ayala	Director	Non-Executive
Romeo L. Bernardo	Director	Non-Executive
Manuel A. Pacis	Independent Director	Non-Executive
Rex Ma. A. Mendoza	Independent Director	Non-Executive
Saw Phaik Hwa	Independent Director	Non-Executive

GLOBE TELECOM KEY OFFICERS	
NAME	**POSITION**
Alberto M. de Larrazabal	Chief Commercial Officer
Rosemarie Maniego-Eala	Acting Chief Finance Officer, Treasurer, and Chief Risk Officer
Carmina J. Herbosa	Chief Audit Executive
Gil B. Genio	Chief Technology and Information Officer
Maria Aurora Sy-Manalang	Chief Information Officer
Rebecca V. Eclipse	Chief Customer Experience Officer
Renato M. Jiao	Chief Human Resource Officer
Vicente Froilan M. Castelo	General Counsel
Bernard P. Llamzon	Executive Vice President of Consumer Sales
Solomon M. Hermosura	Corporate Secretary
Marisalve Ciocson-Co	Compliance Officer, Assistant Corporate Secretary, and VP - Legal Services

GLOBE TELECOM CONSULTANTS	
NAME	**POSITION**
Daniel James Horan	Senior Advisor for Consumer Business
Robert Tan	Chief Technical Advisor
Rodolfo A. Salalima	Chief Legal Counsel and Senior Advisor

The following non-executive directors of the Board received gross per diem remuneration for attending Board, committee and stockholders' meetings in 2015:

DIRECTOR	GROSS PER DIEM REMUNERATION (IN PESOS)
Jaime Augusto Zobel de Ayala	2,300,000.00
Mark Chong Chin Kok	2,700,000.00
Gerardo C. Ablaza, Jr.	1,900,000.00
Fernando Zobel de Ayala	1,900,000.00
Romeo L. Bernardo	2,500,000.00
Delfin A. Lazaro	1,900,000.00
Samba Natarajan	2,200,000.00
Rex Ma. A. Mendoza	2,300,000.00
Saw Phaik Hwa	1,600,000.00
Manuel A. Pacis	1,900,000.00
Total	21,200,000.00

Board Meetings and Attendance

In 2015, the Board had seven meetings, including the Annual Stockholders' Meeting. Board meetings are scheduled before the start of the financial year.

The Board receives board documents containing reports on the company's strategic, operational, and financial performance, and other regulatory matters, at least seven business days in advance of the Board meeting. The Board has access to the Corporate Secretary who acts as adviser to directors regarding their responsibilities and obligations, and oversees the flow of information prior to meetings. Discussions during meetings are encouraged and given due consideration.

Attendance of each board member is enumerated below.

The average attendance rate of members of the Board was 90%, with each member individually complying with the SEC's minimum attendance requirement of 50%.

GLOBE TELECOM BOARD OF DIRECTORS

	2015		
Board Member	Meetings Attended	Meetings held	Percent Present
Jaime Augusto Zobel de Ayala	7	7	100%
Gerardo C. Ablaza, Jr.	5	7	71%
Mark Chong Chin Kok	7	7	100%
Delfin L. Lazaro	7	7	100%
Ernest L. Cu	7	7	100%
Fernando Zobel de Ayala	7	7	100%
Romeo L. Bernardo	7	7	100%
Manuel A. Pacis	7	7	100%
Rex Ma. A. Mendoza	7	7	100%
Samba Natarajan[1]	6	6	100%
Saw Phaik Hwa[2]	6	6	100%

[1]Mr. Samba Natarajan was elected Director on 07 April 2015
[2]Ms. Saw Phaik Hwa was elected Director on 07 April 2015

Board Committees

The Board may create committees as it deems necessary, in accordance with the company By-Laws and Manual of Corporate Governance, to support it in the performance of its functions and to aid in corporate governance. Currently, there are five board committees.

All the committees have their own charters that are aligned with the objectives and responsibilities of each committee. Risk management is a responsibility shared by three committees - Executive, Audit and Finance Committees. Therefore, each committee is responsible for identifying and addressing risk areas and factors that are relevant to the duties, functions and objectives of the respective committee.

BOARD COMMITTEE	ROLE	MEMBERS
Executive	Provides guidance to management in: • formulating the basic strategies for achieving targets set by the Board; • putting in place the infrastructure for control and operational risk management systems that assess risks on an integrated cross-functional approach, and review and assess the adequacy of Globe Telecom's operational risk management process; • considering and/or completing mergers, acquisitions and strategic investments; • undertaking strategic projects and significant transformation initiatives.	Chairman: Jaime Augusto Zobel de Ayala Members: Ernest L. Cu, Gerardo C. Ablaza, Jr., Mark Chong Chin Kok, and Samba Natarajan
Audit	Supports corporate governance of the company by fulfilling its oversight responsibility relating to: • the integrity of the financial statements and the financial reporting process and principles; • internal controls; • the qualifications, independence, remuneration, and performance of the independent auditors; • staffing, focus, scope, performance, and effectiveness of the internal audit function; • risk management; and compliance with legal, regulatory, and corporate governance requirements • functions as separate level risk committee	Chairman - Independent Director: Manuel A. Pacis Members - Independent Directors: Saw Phaik Hwa and Rex Ma. A. Mendoza
Compensation and Remuneration	Assists the Board of Directors in governance matters relating to compensation and benefits of Directors, Key Officers, and personnel of the Corporation.	Chairman - Independent Director: Rex Ma. A. Mendoza Members: Fernando Zobel de Ayala, Romeo L. Bernardo, and Mark Chong Chin Kok
Nomination	• Ensures unbiased nomination of directors and officers. • Undertakes the process of identifying the quality of directors aligned with the corporation's strategic directions.	Chairman - Independent Director: Rex Ma. A. Mendoza Members: Romeo L. Bernardo, Mark Chong Chin Kok, and Gerardo C. Ablaza, Jr.
Finance	Oversees the Corporation's financial policy and strategy, including capital structure, dividend policy, acquisitions and divestments, treasury activities, tax strategy and compliance, retirement fund contributions, and financing proposals brought to the Board for approval.	Chairman: Delfin L. Lazaro Members: Fernando Zobel de Ayala, Romeo L. Bernardo, and Samba Natarajan

ATTENDANCE OF BOARD OF DIRECTORS				
TOTAL MEETINGS	BOARD COMMITTEE	MEMBERS	PRESENT	ABSENT
9	Executive	Jaime Augusto Zobel de Ayala Mark Chong Chin Kok Gerardo C. Ablaza, Jr. Ernest L. Cu Samba Natarajan[1]	9 8 6 9 6	- 1 3 - 1
5	Audit	Manuel A. Pacis Saw Phaik Hwa[2] Rex Ma. A. Mendoza[3] Romeo L. Bernardo[4]	5 4 4 1	- - - -
2	Compensation and Remuneration	Rex Ma. A. Mendoza Fernando Zobel de Ayala[5] Mark Chong Chin Kok Romeo L. Bemardo Gerardo C. Ablaza, Jr.[5]	2 1 2 2 1	- - - - -
3	Nomination Committee	Rex Ma. A. Mendoza Mark Chong Chin Kok Gerardo C. Ablaza, Jr. Romeo L. Bemardo	3 3 2 3	- - 1 -
5	Finance Committee	Delfin L. Lazaro Romeo L. Bernardo Fernando Zobel de Ayala Samba Natarajan[1]	5 5 4 4	- - 1 -

[1]Mr. Samba Natarajan was elected Member on 07 April 2015
[2]Ms. Saw Phaik Hwa was elected Member on 07 April 2015
[3]Mr. Rex Ma. A. Mendoza was elected Member on 07 April 2015
[4]Mr. Romeo L. Bernardo served as Member until 07 April 2015
[5]Mr. Fernando Zobel de Ayala was appointed Member of the Compensation and Remuneration Committee on 07 April 2015 and replaced Mr. Gerardo C. Ablaza, Jr. in the said Committee

Board Performance

The Board conducts an annual self-assessment exercise through a self-assessment questionnaire given to each director to ensure the effectiveness of their governance, to reflect on the performance of top management including the President and CEO, to highlight specific strengths, and to identify areas of improvement. It also provides a venue for the Board members to identify priorities for the Board and the company for the succeeding year. The assessment is comprised of appraisal of the Board, of individual directors, of the different Board Committees, as well as of the management. The questionnaire covers a thorough evaluation criteria focusing on structure, efficiency, and effectiveness of the Board, participation and engagement of each Board member, contribution of each Board member to their respective Committees, as well as the performance of management. The criteria also reflect the specific duties, responsibilities, and accountabilities of each Board member assessed as provided in the company By-Laws, Manuals, Charters, and governing policies. The self-assessment exercise is facilitated by the Compliance Officer. An annual executive session also takes place dedicated to evaluating and discussing matters concerning the Board, including evaluating the company's performance and an independent review of its management team.

MANAGEMENT G4.35, G4.36, G4.47, G4.48, G4.49, G4.51, G4.52

The President and CEO is accountable to the Board for the development and recommendation of strategies, and the execution of the defined strategic imperatives. The President and CEO is assisted by our Key Officers, who form part of our Senior Leadership Team (SLT). The SLT is also composed of other group and division heads who support the President

and CEO and our Key Officers in upholding their roles and responsibilities for our company and stakeholders.

The Office of Strategy Management (OSM) reports to the President and CEO and oversees the company's strategy management processes from strategy formulation to execution and performance tracking linked to the company's rewards system.

To monitor and report on the environmental and social impacts of the business operations, a Chief Sustainability Officer (CSO) was created in 2015. Concurrently, our CSO is also the Senior Vice President of our Corporate Communications Group who reports directly to the President and CEO and is a member of the SLT.

We review and formulate our strategic priorities annually which then guide the formulation of the key business strategies and goals for the year. Using the balanced scorecard framework, each business group identifies financial and non-financial objectives, and sets targets and initiatives to achieve them as reflected in the groups' Terms of Reference (TOR). To ensure line of sight, the group TORs are cascaded to all employees, making sure that everyone understands and appreciates their contribution to the group goals.

Key programs, projects, and major organizational initiatives are taken up at the SLT, composed of the President and CEO, Key Officers with the exception of the Corporate Secretary, and the heads of each major business units and support groups. All budgets and major capital expenditures must be approved in accordance with the company's limits of authority and by the CEO prior to endorsement to the Board for approval. The Chief Operating Adviser and Chief Legal Adviser also provide inputs to the SLT as required. The SLT meets at least once a week.

Management is mandated to provide complete and accurate information on the operations and affairs of the company in a timely manner. Management is also required to prepare financial statements for each preceding financial year in accordance with the Philippine Financial Reporting Standards (PFRS). Management's statement of responsibility with regard to the company's financial statements is included in this annual report. Apart from economic aspects, environmental and social aspects are reviewed by our CSO yearly as well. These aspects are then disclosed in our sustainability report which is published at the same time as our annual report.

Corporate Objectives

In 2015, Globe aimed to disrupt the telco arena through transformative customer experiences, from enhancement in our self-service channels to expansion of the Globe GEN3 stores, that deliver relevant value.

We continue to envision a strong business by maximizing our core revenue and optimizing profitability. To create a wonderful world for our people, business, and nation, we will also continue to collaborate with partners and develop infrastructure to optimize the quality of our services and enhance the coverage of our network. These may include, but are not limited to, building cell sites, establishing fiber-optic technology in cities and subdivisions around the country, and launching a new product or service.

Remuneration of the Executive Director and Senior Management

Our remuneration philosophy and framework is designed to attract, retain, and engage talents. It is designed to support the business strategies and enhance the value of the organization.

- We encourage and nurture a strong performance-oriented culture; recognize and reward talents who demonstrate and create value for the organization
- We position ourselves as a preferred employer in providing compelling total rewards experience encompassing continuous learning and development; competitive and market-driven compensation; pay for performance; and core and innovative benefits to meet personal and family needs.

In order to support our rewards philosophy, our targeted reward strategies are as follows:

- Adopt a total rewards approach, using both the tangible and intangible aspects of rewards to drive the Globe employment experience
- Market driven to attract and retain top talent in the business
- Operate on a single-platform-differentiated-application approach to accommodate different talent segments
- Promote relevant reward programs that will be sensitive to employee life cycles and experiences
- Practice transparency, clarity, and consistency in our reward delivery

Annual remuneration reviews are conducted considering the company, business unit, and individual performance. It is also reviewed vis-à-vis market rates and our financial capability is considered for any incentive payout. Performance evaluations for Senior Management were made according to these considerations.

Current remuneration initiatives allow for certain incentives to be withheld in any year should an executive fail to meet performance requirements or be involved in any misconduct and given a disciplinary action resulting to suspension or demotion.

Remuneration Components

The remuneration structure of the Senior Management is composed of four main components–Fixed Remuneration, Benefits, Short Term Incentives (Performance Bonus), and Long Term Incentives. The structure is designed such that the variable component increases as the executive moves up in the organization.

Fixed Remuneration

The fixed remuneration is composed of the base salary and is reflective of the value of the role in the market and the value of the role compared to the other roles in the organization. Other factors that come into play in the base salary are individual performance, qualifications, and experience that the executive brings into the company.

Benefits

We provide benefits that are consistent with local market practice and that are relevant to meet the personal and family needs of the Senior Management. Included here are medical benefits for in-patient and out-patient care, life insurance, retirement benefits, and car and car-related expenses.

Short Term Incentives (Performance Bonus)

The short-term incentive plan is Globe Telecom's Variable Pay Program for non-sales, non-unionized employees. The incentive is determined by the achievement of performance targets that are set at the beginning of the performance year. It considers delivery of corporate, business unit, and individual performance targets that are defined annually. This is usually paid out to employees within the second quarter of the year following the confirmation of all performance targets and individual performance.

Corporate and Business unit targets are financial/operational targets set in order to support the overall business goals and thereby increasing our value as a company. This incentive plan drives us to work together toward achieving common goals and encourages performance in the company. The award size for this incentive is differentiated by the employee's level such that higher incentive multiple is at stake as the Senior Management moves up the organization.

Long Term Incentive Plan

The new Long Term Incentive Plan was created to replace the Employee Stock Option which was last awarded in 2009. Meanwhile, the Executive Stock Option Plan is discussed in Note 18 of our Notes to the Consolidated Financial Statements. The new plan's primary objective is to drive long-term performance in a highly competitive market by aligning management interest with the shareholders' interest. It also aims to motivate participants to sustain high levels of contribution. Furthermore, it is designed to attract and retain key executives whose contributions are essential to Globe Telecom's growth and profitability through a rewards scheme that fosters a sense of genuine loyalty among employees and belongingness within the Globe community thereby retaining these talents even after payouts are given out. Lastly, the plan should propel shareholder value through superior business performance driven by happy and satisfied employees.

The incentive is delivered through a performance share-based plan that awards executives with company shares contingent upon the achievement of specified long-term goals over a specified performance period.

The plan allows for overlapping performance periods to support rolling multi-year business plans and employee retention. It has a three-year performance period to support business planning cycle covering January 1, 2014 to January 1, 2016.

To ensure alignment of Senior Management's interest to that of the company, the plan includes a stock ownership requirement where the Senior Management are required to maintain shares equivalent to 75% to 100% of their annual base salary.

ACCOUNTABILITY AND AUDIT

The Audit Committee's roles and responsibilities are defined clearly in the Audit Committee Charter approved by the

Board. The Committee supports our corporate governance by fulfilling its oversight responsibility relating to: a) the integrity of the financial statements and the financial reporting process and principles; b) internal controls; c) the qualifications, independence, remuneration, and performance of the independent auditors; d) staffing, focus, scope, performance, and effectiveness of the internal audit function; e) risk management; and with legal, regulatory, and corporate governance requirements. Management however, has primary responsibility for financial statements and reporting process, internal controls, legal and regulatory compliance, and risk management.

All members of the Audit Committee are appointed by the Board. The committee is composed of three members, all of whom are independent directors. As such, an independent director also chairs the Audit Committee.

The Audit Committee meets at least four times during the year and invites non-members, including the President and CEO, Chief Finance Officer (who is also the Chief Risk Officer {CRO}), independent auditors, internal auditors, and other key persons involved in company governance, to attend meetings where necessary. During these meetings:

- The Committee reviews the financial statements and all related disclosures and reports certified by the Chief Finance Officer, and released to the public and/or submitted to the SEC for compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. The Committee, after its review of the quarterly unaudited and annual audited consolidated financial statements of Globe Telecom, Inc. and Subsidiaries, endorses these to the Board for approval. The Board of Directors, in turn, reviews, approves, and affirms the true and fair representation of the annual audited consolidated financial statements and presents the same in the Annual Stockholders Meeting (ASM).
- The Audit Committee also approves the work plan of the Globe Internal Audit, as well as the overall scope and work plan of the independent auditors. The Committee meets with the internal auditors and independent auditors and discusses the results of their audits, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls and compliance issues.
- The Committee ensures tenders for independent audit services are conducted on a regular basis. The Audit Committee recommends the appointment, retention, or discharge of the independent auditors, and reviews and recommends audit fees or the remuneration of the independent auditors to the full Board. The Board, in turn, submits the appointment of the independent auditors and audit fees for approval of the stockholders at the ASM. The amount of audit fees is disclosed in this Annual Report.
- On an annual basis, the Committee reviews the independent auditors' performance and assesses the independent auditors' qualifications, skills, resources, effectiveness, and independence. To limit the possible risk of conflict of interest, the Committee also reviews and approves in advance the proportion of audit services vs. non-audit services performed by the independent auditors; and the corresponding audit fees vs. non-audit fees paid to the independent auditors, in relation to the SEC regulation on "permitted" vs. "not permitted" services to be rendered by independent auditors and the significance of the fees to the total service revenues of the independent auditors' firm and the company's total consultancy expenses, respectively.
- The Committee reviews the plans, activities, staffing, and organizational structure, and assesses the effectiveness of the internal audit function.
- The Committee reviews the results of management's quarterly and annual risk assessments based on reports provided by the CRO-led Enterprise Risk Management Services team covering information on risk exposures and risk management activities, and as supported by results of Internal Audit reviews.
- The Committee reviews and discusses with the management, the internal auditors and the independent auditors; and reports to the Board of Directors, on an annual basis, the adequacy and effectiveness of the company's internal controls system and risk management systems.

The collective responsibility over our risk management oversight rests with the Board of Directors. To delineate the scope of such responsibility, the various Board committees are designated with oversight function on specific risks. The Executive Committee has oversight on corporate strategic risks, technology, and operational risk management, putting in place

the infrastructure for risk management systems that assess risks on an integrated cross-functional approach; reviews and assesses the adequacy of our strategic, technology, and operational risk management processes, jointly with Management. The Finance Committee oversees our financial risk management, including risks related to capital structure, acquisitions and divestments, treasury activities, tax strategy, and compliance. The Audit Committee provides oversight of the financial reporting and operational risks specifically on financial statement and reporting, internal controls, legal or regulatory compliance, corporate governance, risk management, and fraud risks. The CRO-led Enterprise Risk Management Services team provides the Audit Committee with periodic reports on risk exposures and risk management activities by our SLT, while Globe Internal Audit provides assurance on the effectiveness of the risk management system and processes.

The Board designated the Audit Committee as the overall risks aggregator for all of the Board committees, enabling an integrated approach to an enterprise-wide risk management oversight at Board level and a coordinated view of risks across the enterprise. The Audit Committee reports regularly to the Board of Directors on our risk management efforts, providing the Board with a more collaborative and effective review of risks across the company and assurance over our overall risk management, that aids the Board in making strategic decisions for the company.

With guidance provided by the Board, Management remains primarily responsible for the development of the design and implementation of risk management plans and frameworks, policies, and systems intended to address the identified risks.

The Audit Committee reports after each meeting and provides a copy of the minutes of its meetings to the Board.

To ensure compliance with regulatory requirements and assess the appropriateness of the existing Charter for enabling good corporate governance, the Committee also reviews and assesses the adequacy of its Charter annually, seeking Board approval for any amendments. The most recent Charter was approved by the Board in February 2015.

The Committee conducts an annual assessment of its performance to benchmark its practices against the expectations set out in the approved Charter, in compliance with our Manual of Corporate Governance, SEC Memo Circular No. 4 (Series of 2012), and aligned with the ACGS and the SEC Revised Code of Corporate Governance. The results of the self-assessment and any ensuing action plans formulated to improve the Committee's performance are reported to the Board.

Internal Audit

It is our policy to establish and support an Internal Audit function as a fundamental part of our corporate governance practices. Internal Audit is a service, providing an independent, objective assurance, and consulting function within Globe, and sharing our common goal of creating and enhancing value for our stakeholders, through a systematic approach in evaluating the effectiveness of our risk management, internal control, and governance processes. Globe Internal Audit (IA) assists and supports Management in continuously instilling and nurturing the Control Self-Assessment (CSA) environment at Globe through facilitation of self-assessment exercises among various business groups. The Audit Committee regards its relationship with Internal Audit as having a vital role in supporting the Audit Committee in the effective discharge of its oversight role and responsibilities.

Globe IA performs its auditing functions faithfully by maintaining independence from Management and controlling shareholders as it reports functionally to the Board, through the Audit Committee and administratively, to the President and CEO. The Committee, having appointed the Chief Audit Executive, also concurs in his/her replacement, reassignment, or dismissal.

Globe IA maintains, reviews, and assesses the adequacy of its Charter annually to ensure conformance with the International Standards for the Professional Practice of Internal Auditing (the Standards) and appropriateness for enabling good corporate governance. Any amendments to the Charter are submitted to the Audit Committee for approval.

Globe IA adopts a risk-based audit approach in developing its annual work plan ensuring that all risks, mapped to eTOM-based processes, with integrated risk assessments for processes across the enterprise, are captured in the audit universe. Globe IA's annual work plan is re-assessed quarterly to consider emerging risks and the changing dynamics of the telecommunications business, thereby allowing maximum and timely coverage of key/critical risk areas. The Audit Committee reviews and approves the annual work plan and all deviations and ensures that internal audit examinations cover at least the evaluation of adequacy and effectiveness of risk management and control processes encompassing the company's governance,

operations, information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, and regulations. The Audit Committee also ensures that audit resources are adequately allocated to and focused on the areas of highest risk.

The Audit Committee meets with the internal auditors, and discusses the results of their audits, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing risk management, internal controls, regulatory, and compliance issues. The Audit Committee also receives periodic reports on the status of internal audit activities, key performance indicators' accomplishments and quality assurance, and improvement programs.

Globe IA governs its internal audit activities in conformance with the Institute of Internal Auditor's Code of Ethics, and our Code of Conduct. To ensure consistent conformance with the Standards, Globe IA subjected its activities to its 2nd external Quality Assurance Review (QAR) in 2013 which resulted in a "Generally Conforms" rating, the highest rating that can be achieved in the QAR process.

Geared toward excellence, Globe IA provides for continuing professional and personal development for all internal auditors to equip them in the conduct of reviews, with focus on acquiring expertise on Globe Telecom's business processes, network and IT systems, internal controls, new accounting and auditing standards, and regulatory updates. In addition, Globe IA has been actively participating in Ayala Group and Singtel Internal Audit Network that aims to benchmark and share knowledge, leading global best practices including information on methodology, process improvement, and audit tools to develop a network of world-class, multi-skilled, internal audit professionals.

External Audit

The company engages the services of independent auditors to conduct an audit and obtain reasonable assurance on whether the financial statements and relevant disclosures are free from material misstatements. The independent auditors are directly responsible to the Audit Committee in helping ensure the integrity of the company's financial statements and reporting process.

It is the practice of the company every three years or sooner to tender bid for the external audit services of independent auditors. The most recent tender bid process was conducted in Q4/2014. Also, the company conducts on an annual basis an independent auditors' performance appraisal. From the results, the Audit Committee evaluates and proposes to the Board for endorsement and approval of the stockholders, the appointment of the independent auditors. The endorsement is presented to the stockholders for approval at the ASM. The representatives of the independent auditors are expected to be present at the ASM and have the opportunity to make a statement on the company's financial statements and results of operations if they desire to do so. The auditors are also expected to be available to respond to appropriate questions during the meeting.

In the meeting last April 7, 2015, the shareholders appointed the accounting firm of Navarro Amper & Co./ Deloitte Philippines (NA/DP), an affiliate of Deloitte Southeast Asia Ltd. (a member firm of Deloitte Touche Tohmatsu Limited) as the Independent Auditors of Globe Telecom and Subsidiaries (Globe Group) for the calendar year 2015. NA/DP replaced SGV & Co., a member firm of Ernst & Young (EY) who served as the independent auditors of the Globe Group for more than 30 years. The change in independent auditors is consistent with our thrust on good corporate governance.

There were no disagreements with the company's independent auditors on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

Fees approved in connection with the audit and audit-related services rendered by NA/DP and SGV & Co. pursuant to the regulatory and statutory requirements for the years ended 31 December 2015 and 2014 amounts to ₱15.36 million and ₱16.40 million, inclusive of 7.5% and 10% out-of-pocket expenses (OPE), respectively.

In 2015, Deloitte Philippines was not engaged to perform non-audit related service for Globe. There were no non-audit fees incurred for the said year.

The Audit Committee has an existing policy to review and to pre-approve the audit and non-audit services rendered by our independent auditors. It does not allow the Globe Group to engage the independent auditors for certain non-audit services expressly prohibited by SEC regulations to be performed by independent auditors for its audit clients. These safeguards are kept in place to ensure that the independent auditors maintain the highest level of independence from the company, both in fact and appearance.

The aggregate fees billed by NA/DP are shown below (with comparative figures for 2014 from SGV & Co. and EY India):

	NA/DP	SGV
(Amount in millions of pesos)	2015	2014
Audit and Audit-Related Fees[1]	₱15.36	₱16.40
Non-Audit Fees		
EY India	-	4.94
SGV	-	5.59
	-	10.53
Total	**₱15.36**	**₱26.93**

[1]Excludes 2015 audit fees for GTI HK of ₱687K (₱503K in 2014) performed by Deloitte HK and EY HK, respectively; ₱308K (₱277K in 2014) and for GT EU; ₱556K (₱465K in 2014) for GT UK audit services performed by Wellden and Turnbull LLP; and 2015 audit services for GT SG of ₱215 performed by Ardent

Audit and Audit-Related Fees

Represent audit of Globe Group's annual financial statements and review of quarterly financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2015 and 2014. NA/DP was not engaged to perform audit-related services for 2015. For 2014, SGV & Co. performed assurance and related services that are reasonably related to the performance of the audit or review of the Company's 2014 financial statements pursuant to the regulatory requirements.

Tax Fees

The Company has not engaged NA/DP and SGV & Co. for any tax-related services for fiscal years 2015 and 2014, respectively. There were no tax fees incurred for the said years.

Non-Audit Fees

In 2015, NA/DP was not engaged to perform non-audit related service. There were no non-audit fees incurred for the said year. In 2014, non-audit fees are charges pertaining to reviews of data migration, test strategies and plans, and IT Transformation Programs incurred by the Company. These also include charges for validation of stockholders' votes, trainings and seminars rendered by SGV & Co. and its affiliates. Non-audit fees in 2014 do not outweigh fees for audit and audit-related services.

The fees presented above include out-of-pocket expenses incidental to the Independent Auditors' services.

ETHICS AND INTEGRITY G4.12, G4.41, G4.56, G4.57, G4.58

We respect the rights of our stakeholders. We have adopted a Code of Conduct, and promulgated policies governing the following matters: (i) Conflict of Interest, (ii) Whistleblowers, (iii) Insider Trading, (iv) Related Party Transactions and (v) Health, Safety, and Welfare of Employees. We also have existing formal policies concerning unethical, corrupt, and other prohibited practices covering our employees, members of the Board, subsidiaries, and affiliates. These policies serve as guide to matters involving work performance, dealings with employees, customers and suppliers, handling of assets, records and information, avoidance of conflict of interest situations and corrupt practices, as well as the reporting and handling of complaints from whistleblowers. These documents are the key to the balance of control and governance at the company. These policies, together with the Anti-Corruption Policy, Policy on Related Party Transactions, and others, are also on the company website for investors and other stakeholders to refer to at their convenience.

Customer Welfare

We put our customers first. We truly make a difference through superior, end-to-end customer experience brought to life by a genuine culture of service and caring. We embed service into our Globe culture, as well as to our vendor partner, sustaining the momentum of our Circle of Happiness where our happy employees create happy customers. Practices of our culture transformation are reflected in "Our culture of service" section.

Employee Welfare

We are committed to provide the best protection for the health and safety of our employees. We do the same to the communities surrounding our operations. It is the management's primary objective and the employee's individual and collective responsibility to meet this commitment. To this end, we shall:

- Continuously assess all health and safety hazards in the workplace and provide programs towards its eliminations;
- Comply to all occupational safety and health news applicable to our telecommunication business;
- Train and motivate our employees to work in a safe manner and encourage our business partners to adopt these principles;
- Report our occupational safety and health performance to our stakeholders;
- Conduct a regular review of our management system to ensure that the commitments of this policy are being delivered; and that we strive for continual improvement.

Practices of this policy are reflected under the "providing a healthy and safe workplace" section.

Rewards or Compensation Policy

We attract, retain, and engage our talents to support our business strategies and enhance value of the organization through our remuneration philosophy and framework.

Vendor Audit

We follow socially responsible procurement practices for vendors. The team maximizes value through commodity management, selection of best-in-class suppliers, and pursuit of process excellence in procurement and supply chain management. Vendor partners undergo a comprehensive accreditation process which includes assessment of their legal, technical, and financial capability from business continuity to conflict of interest, safety, health, and environmental policies. Grounded on the practice of fair, ethical, and governance policies, opportunity is equitably provided to the appropriate suppliers through competitive bidding and auctions. Proposals are evaluated on the basis of best-value including a consideration of their environmental and social policies and practices. Given equivalent proposals, preference for purchase award is given to local suppliers.

Relationships with suppliers are also highly valued, with each considered a business partner. We continue to recognize and foster strong business relations with our partners through the Business Partner Awards. Vendors also provide learning opportunity through plant visits and technology briefings. Conversely, Vendor Clinics are initiated for selected vendors to help improve their performance and competitiveness.

Environmental Sustainability Policy

We are committed to promote environmental sustainability by reducing the impact of our business operations to the environment and we shall achieve this together with the help of our employees, business partners, and clients. We have robust systems in place to manage our environmental impact and integrate these into our corporate social responsibility management. The policy and practices on environmental value chain are reflected in the "reducing waste to protect the environment" and "improving energy efficiency" sections.

Community Interaction

Through Globe Bridging Communities, the Corporate Social Responsibility platform of Globe and our subsidiaries, we aim to transform underserved communities nationwide through relevant and innovative solutions that harness the power of collaboration and inclusivity through information and communications technology. The objective is to ensure sustainability by creating shared value across our employees, customers, and our stakeholders in areas where we operate. As our business continues to grow, we contribute to nation-building and shareholder value with an engaged and empowered workforce committed to do a Globe of good.

We adopt best practices of ISO 26000 Social Responsibility enabling us to operate in a socially responsible way across the organization and seek continuous innovative solutions in creating a wonderful world. ISO 26000 helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally. Practices of this policy can be seen in the "expanding avenues of learning," "increasing productivity and prosperity," "banking the unbanked," and "building resilience against calamities" sections.

Conflict of Interest

Globe is above board and, at all times, exercises discretion, prudence, and mature judgment when entering transactions for the company. In carrying out their duties with integrity and in the interest of the company, it is the duty of board members to withdraw themselves from discussions that put them in a conflicted situation. It is the obligation of every regular employee, officers and directors of Globe, and our subsidiaries, including consultants/project hires seconded to or engaged on a full-time basis by Globe, to declare and divulge in writing to the company his own involvement in any conflict of interest with the company. Our Code of Conduct provides the definition, guidelines, and procedures, including the reportorial of any such circumstance, involving conflict of interest.

In general, conflict of interest will be deemed to exist where an employee has or may possibly have a financial or personal interest divergent with or in conflict with his professional obligations, or where financial or other personal considerations may compromise, or have the appearance of compromising the employee's judgment in the administration, management, decision-making, and discharge of his official functions. Personal interest is not confined to the personal involvement of the employee himself—it may also arise from the employee's family or close personal relationship with a contractor, sub-contractor, customer, competitor, creditor, or any other entity that does business with the company.

At the start of the year, the Globe Human Resource Group requires all employees to submit the Related Party Disclosure Form, regardless if an employee has any declaration or none.

Anti-corruption

The employee, by virtue of his employment, is bound not to betray that trust by seeking to gain any undue personal or pecuniary advantage (other than the rightful proceeds of employment) from his dealings with or for and in behalf of Globe.

Our employees maintain the highest standards of honesty and professional conduct. Seeking undue financial and material advantage from transactions with Globe is a breach of trust between the employee and the company.

Employees are reminded through internal communications channel to fill out gift disclosures especially during national festivities. The form is then submitted to employees' respective group heads who will decide whether the gift shall be returned or kept by the employee or be surrendered to Human Resources Group for possible use during company events.

We conduct periodic lectures and seminars on anti-corruption initiatives by Human Resources Group to all employees.

Whistle-blowing

We are committed to compliance with laws and regulations to which we are subject and conduct our business in accordance with ethical standards. All officers and employees of the company, and all suppliers and business partners of the company, are thus required to observe and practice high standards of business and personal ethics in the conduct of their duties and responsibilities.

Through various channels which includes a hotline (0917-8189934), portal, an e-mail address (gt_whistleblower@globe.com.ph) as well as a specific group under the HR Employee Relations department, we provide a mechanism that allows employees and even third parties to report suspected violations of company policies by an employees, officers, directors, and partners, on unethical and corrupt practices, misappropriation of company assets, fraudulent reporting practices, and other violations of the company Code of Conduct, Stock Transaction Policy, Code of Corporate Governance, and Securities Regulation Code. Disclosures—in whatever form, including verbal—made in good faith will be investigated according to the protocols established in this policy and protected by keeping the information confidential. The identity and source of the information are likewise protected to the extent required by law.

These are by no means the only channels by which disclosures may be received. Persons or units within the organization who receive disclosures shall, however, forward or relay the disclosures to Security and Enterprise Risk Management for activities involving third-party contractor and Employee Relations for activities involving an employee. ERM designates a complaint administrator who is in charge of administering the portal, and receiving, collating, and submitting all disclosures to the Disclosure Committee, who is composed of the company's Corporate Secretary, HR, Internal Audit, ERM, and Legal Services. If and when disclosure involves a member of the Board or ERM or the complaint

administrator, the disclosure shall be transmitted directly to the Corporate Secretary for handling. Meanwhile, if disclosure involves the Disclosure Committee, the disclosure will then be endorsed to the Board.

Once disclosure is submitted, the Whistleblower shall receive a notice that the complaint has been received and that it shall be processed in accordance with the policy. Disclosures will then be investigated by either ERM or ER depending on the activity. If with financial and reputation risk, Security and ERM will forward the report to DC for proper endorsement to the Office of the President, Audit Committee, and Legal for possible criminal case/action. Meanwhile, for employee related activities, ER will implement appropriate disciplinary proceedings in accordance with due process. If with financial (₱1 million and up) and reputation risk, ER will do the same and forward to DC for proper endorsement to the Office of the President, Audit Committee, and Legal for possible criminal case/action. The whistleblower will also receive an update if no merits were found on the complaint filed.

Insider Trading

We restrict trading of securities (buying or selling) by covered persons considered to have knowledge of material information, during the blackout period, except in accordance with this policy.

We also prohibit key officers and employees with access to the quarterly results in the course of its review, from trading in company shares 10 trading days before and three trading days after any structured report/disclosure, and three trading days before and three trading days after an unstructured report/disclosure.

Related Party Transactions (RPTs)

We disclose, review, and approve related party transactions, in accordance with the principles of transparency and fairness, to ensure that they are at arm's length, the terms are fair, and they will inure to the best interest of the corporation and its subsidiaries or affiliates and their shareholders.

The RPTs are disclosed in our financial statement (page 106), annual reports, and other applicable filings in accordance with the relevant rules and issuance of the SEC and other applicable regulatory bodies. The disclosure includes, but is not limited to, the name of the related party, relationship with the corporation for each RPT, and the nature and value for each RPT. Such disclosure is also made publicly available by the corporation, for the benefit of all shareholders and other stakeholders, through our website and such other media channels as applicable.

Shareholders, including minority shareholders, and other stakeholders are provided with proper guidelines and procedures for right of action and remedies that are readily accessible in order to redress the conduct of the corporation (e.g. Facebook page, Twitter account, e-mail account, and hotline numbers), as necessary.

The independent directors form the independent committee that is tasked to review and monitor material RPTs, among others, to ensure our best interest, our shareholders', and all other stakeholders', and that the RPTs are executed with fair and transparent terms prior to endorsement to the Board for approval.

Non-compliance with any of the provisions of the policy on RPT shall result in the nullification of any agreement or contract involved in the execution of the RPT. A director, officer, employee, or Related Party is subject to the corresponding procedures and penalties under our Code of Conduct and relevant laws, as applicable.

In 2015, members of the Board agreed to vote in accordance with the decision of the three independent directors in resolving a matter on voting preferred shares to further exercise independence and integrity at the Board level.

Creditors' Rights

It is our policy to protect the rights of our creditors by maintaining, at all times, our good credit standing. We thus strictly observe contractual obligations, and regard fair and truthful disclosure and transparency of financial records and dealings of utmost importance to assure creditors of our continued credit worthiness. Our periodic reports to our creditors such as our latest certified Financial Statements, Certificate of No Default, and CFO Certification in compliance with financial ratios ensure the Creditors of the company's financial soundness.

We provide prompt and accurate reports of our financial standing to creditors by providing them our financial and operating results, Management Discussion and Analysis, and Financial Statements on a periodic basis that allow the creditors to continuously evaluate and monitor our performance and credit standing.

Moreover, we adopted an expanded corporate governance approach in managing business risks. A Revised Enterprise Risk Management Policy was developed to provide a better understanding of the different risks that could threaten the achievement of our vision, mission, strategies, and goals. The policy also highlights the vital role that each individual plays in the organization from the senior management to the staff in managing risks and in ensuring that the company's business objectives are attained. With this, it assures the creditors that we are proactive in managing our risks and are committed to sustaining the growth of the company. As part of the implementation, we regularly submit our quarterly financial results to the PSE and SEC.

The loan agreements with banks and other financial institutions provide for certain restrictions and requirements with respect to, among others, maintenance of financial ratios and percentage of ownership of specific shareholders, incurrence of additional long-term indebtedness or guarantees and property encumbrances.

Board Diversity Policy

In addition to the qualifications, disqualifications, and other criteria set forth in our corporate documents and relevant law in relation to the nomination and election of members of the Board, we are committed to promote and observe diverse membership among our directors.

The Board of Directors, led by the Chairman, encourages our shareholders to nominate candidates who will diversify membership in the Board. Therefore, as company policy, no director or candidate for directorship shall be discriminated upon by reason of gender, age, disability, ethnicity, and nationality, or political, religious or cultural backgrounds.

Privacy Policy and Intellectual Property Rights

Our Privacy Policy outlines our policy in relation to the collection, use, and protection of Customer Data to provide customers and other stakeholders with a wonderful experience. We will notify all customers and relevant stakeholders with any update on our Privacy Policy by posting it on our website for easy reference.

We respect customer and stakeholder privacy and intellectual property. As such, we secure and protect Customer Data with proper safeguards to ensure confidentiality and privacy; prevent loss, theft, or use for unauthorized purposes; and comply with the requirements of the law. Permission is granted to electronically copy and print hard copy portions from our company for the sole purpose of customers to view or pay their own Globe Telecom bills. Any other use of materials on our website, including reproduction for purposes other than those noted above, modification, distribution, or republication, without our prior written permission is strictly prohibited.

As communications over the internet may not be secure, we make reasonable and appropriate security arrangements and measures that use a variety of physical, electronic, and procedural safeguards to protect Customer Data. For example, we protect and keep information submitted through our website safe using a secured server behind a firewall, encryption, and other appropriate security controls. When information is entered through our website, we encrypt the information using Secure Sockets Layer (SSL) technology so that it cannot be read as the information travels over the internet. We regularly review our information collection, storage, and processing practices, including physical security measures, to guard against unauthorized access to our system and unauthorized alteration, disclosure, or destruction of information we hold.

Among other safeguards, we keep our records as accurate as possible. If customer personal information is wrong, we give ways to update it. Registered customers may access account details and correct personal information by contacting Globe Customer Care (+632 7301000 or 211 using your mobile phone) or his/her designated relationship manager, as may be applicable; or by visiting any Globe Store or our website at www.globe.com.ph. Contact details of our Privacy Officer are likewise publicly-available through our website and effective procedures are in place in case of a report or complaint on data privacy or intellectual property. Rest assured, we do our utmost to comply with relevant rules and laws on data privacy and intellectual property rights.

DISCLOSURE AND TRANSPARENCY G4.49

Our management is continuously committed to high standards of disclosure, transparency, and accountability. The management established the sustainability policy and reviews its adequacy at the highest level periodically and allocated resources to ensure effective implementation. The practice

of sustainability reporting was implemented as a means to provide fair, accurate, and meaningful assessment of its overall performance on triple bottom line (viz. Economic, Environment, and Social) responsibility to our stakeholders including investors.

As a listed company in the PSE and PDEx, with reportorial requirements, rules, and applicable laws as well as regulations of relevant regulatory agencies, we aim to provide a fair, accurate, complete, and meaningful assessment of our company's financial performance and prospects through the annual report, quarterly financial reports, and analyst presentations. We practice regular disclosure of our financial results. Quarterly financial results are immediately disclosed after the approval by the Board to PSE and SEC. Quarterly and year-end financial statements and detailed management discussion and analysis are filed within 45 and 105 calendar days, respectively, from the end of the financial period. Our financial reporting disclosures are in compliance with the PSE and SEC requisites. Beginning last year, we have driven management and respective departments to release our audited financial statements within 60 days from financial year-end, in compliance with the ACGS standard that is earlier than the local regulatory deadline. These reports are made available to the analysts after disclosure and posting on the company's website.

In case of mergers, acquisitions, and/or takeovers requiring shareholders' approval, the board of directors of the offeree company shall appoint an independent party to evaluate the fairness of the transaction price. Such shall be disclosed in our financial statement and relevant reports. We shall also ensure our compliance with applicable law, rules, and regulations prescribed by the SEC and the PSE. Any market-sensitive information such as dividend declaration is also disclosed to the SEC and PSE and then released through various modes of communication.

Finally, on the corporate governance pillar of disclosure and transparency, we recognize the importance of regular communication with our investors, and are committed to high standards of disclosure, transparency, and accountability through our Investor Relations (IR) program. Our IR Program is geared toward fulfilling our commitment to a transparent disclosure regime and accessibility for all stakeholders. In addition to the Annual Shareholders' Meeting, we extend various venues for stakeholders to communicate effectively with us through the conduct of analysts' briefings, ad-hoc briefings, investor conferences, media briefings, one-on-one or small group meetings, and investor days that are organized by our IR Department and/or Corporate Communications Group or in partnership with our shareholders, broker, or other partner institutions. All stakeholders, including institutional shareholders, are likewise encouraged to attend our stockholders' meetings and engage with us through our various communication channels. Other than keeping the company website up-to-date, these venues provide another means for us to discuss our quarterly financial results, announcements, material disclosures and other relevant information with stakeholders. In the past years, we have been further streamlining communication efforts and opening up several new customer touchpoints, enabling them to interact with us at their convenience. Among other enhancements, we utilized e-mail, live chat, SMS, website, and social media channels (e.g., Facebook, Twitter, Instagram) to provide our customers with real-time information and quicker responses to concerns. A conference call facility is set up during analysts' briefings and meetings to enable wider participation among shareholders and other stakeholders. We also participate in both local and international investor conferences, which host various shareholders and other stakeholders. Details and information on these conferences are published on our corporate website. We have sustained this convenient and accessible line of communication through our IR Program in the last financial year and will continue to enhance this in the succeeding years.

Financial Performance Indicator

We are committed to efficiently manage our resources and enhancing shareholder value. We regularly review our performance against our operating and financial plans and strategies, and use key performance indicators to monitor our progress.

Except for net income, our financial performance indicators are not measurements in accordance with Philippine Financial Reporting Standards (PFRS) and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

STOCKHOLDERS	COMMON	% OF COMMON	VOTING PREFERRED	% OF VOTING PREFERRED	NON-VOTING PREFERRED	% OF NON-VOTING PREFERRED	TOTAL OUTSTANDING	% OF TOTAL OUTSTANDING
Ayala Corp	40,351,591	30.40%	-	0.00%	-	0.00%	40,351,591	12.96%
Singtel	62,646,487	47.19%	-	0.00%	-	0.00%	62,646,487	20.13%
Asiacom	-	0.00%	158,515,016	100.00%	-	0.00%	158,515,016	50.93%
Directors, Officers, ESOP	206,209	0.15%	5	0.00%	47,500	0.24%	205,032	0.07%
Public	29,538,480	22.25%	-	0.00%	19,952,500	99.76%	49,539,297	15.92%
Total	132,742,767	100.00%	158,515,021	100.00%	20,000,000	100.00%	311,257,423	100.00%

Non-financial performance indicator

We also use a non-financial performance indicator to measure the success of the business and emphasize our commitment to sustainability. These include: (1) employee engagement score; (2) customer satisfaction; (3) environmental and social impacts; among others. These indicators are disclosed in this report, aligned with the Global Reporting Initiative (GRI).

Dividend Policy

We declare dividends to our common stockholders on a regular basis as may be determined by the Board of Directors. We return to our shareholders, dividends equivalent to 75% to 90% of the prior year's core net income. Dividends declared on our stocks are payable in cash or in additional shares of stock. As a policy and as much as practicable, we observe a 30-day period for the payment of dividends to shareholders from the declaration date of such dividends.

The Board regularly reviews our dividend policy, including the frequency of its distribution, taking into account our operating results, cash flows, debt covenants, capital expenditure levels, and liquidity. The payment of dividends in the future will depend upon our earnings, cash flow, and financial condition.

We in our regular conduct of business enter into transactions with our major stockholders, Ayala Corporation and Singtel, venturers, and certain related parties. More extensive discussion on our dividends is in Items 17.3 to 17.5 of the Notes to Consolidated Financial Statements (page 214-216).

DECLARATION DATE	PER SHARE[1]	AMOUNT[2]	RECORD DATE	PAYABLE DATE
Nov 6, 2015	20.75	2,754.41	Nov 24, 15	Dec 4, 2015
Aug 3, 2015	20.75	2,754.37	Aug 17, 2015	Sep 2, 2015
May 12, 2015	20.75	2,754.35	May 26, 2015	Jun 11, 2015
Feb 5, 2015	20.75	2,754.22	Feb 18, 2015	Mar 4, 2015

[1]In pesos
[2]In millions of pesos

Ownership Structure G4.7

We regularly disclose the top 100 shareholders of our common and preferred equity. Disclosure is also made of the security ownership of certain record and beneficial owners who hold more than 5% of our common and preferred shares. Finally, the shareholdings and percentage ownership of the directors and key officers are disclosed in the Definitive Information Statement sent to the shareholders prior to the ASM.

DEALINGS IN SECURITIES

We have adopted strict policies and guidelines for trades involving the company's shares made by directors and key officers and those with access to material non-public information. Directors and key officers and those with access to the quarterly results in the course of its review are prohibited from trading Globe shares starting from the time when quarterly results are internally reviewed until after we publicly disclose its results. Notices of trading blackouts are regularly issued to the directors and key officers concerned and to those with access to such material non-public information.

Also, all directors and key officers are required, within three trading days upon change in ownership of securities, to submit a report on their trades to the Compliance Officer for immediate submission/disclosure to the SEC and the PSE.

GLOBE TELECOM BOARD OF DIRECTORS				
	TITLE OF CLASS AND NATURE OF OWNERSHIP	2015 BEGINNING BALANCE IN COMPANY SHARES	2015 CHANGE/S IN SHAREHOLDINGS	END BALANCE IN COMPANY SHARES AS OF 31 DECEMBER 2015
Jaime Augusto Zobel de Ayala	Common (direct)	2	-	2
	Common (indirect)	1	-	1
Gerardo C. Ablaza, Jr.	Common (direct)	22,741	-	22,741
	Common (indirect)	38,974	-	38,974
Mark Chong Chin Kok	Common (indirect)	2	-	2
Ernest L. Cu	Common (direct)	65,255	-	65,255
	Common (indirect)	-	1,000 (A) December 15, 2015	1,000
	Voting Preferred (direct)	1	-	1
	Non-voting Preferred (indirect)	16,700	-	16,700
Romeo L. Bernardo	Common (direct)	1,079	1,079 (D) April 1, 2015	aa
	Common (indirect)	2,659	2,159 (D) April 1, 2015	500
	Voting Preferred (indirect)	1	-	1
Delfin L. Lazaro	Common (direct)	1	-	1
	Non-voting Preferred (indirect)	2,800	-	2,800
Fernando Zobel de Ayala	Common (indirect)	1	-	1
Samba Natarajan	Common (direct)	-	2 (A) April 7, 2015	2
Rex Ma. A. Mendoza	Voting Preferred (direct)	1	-	1
Saw Phaik Hwa	Voting Preferred (direct)	-	1 (A) April 7, 2015	1
Manuel A. Pacis	Common (indirect)	100	-	100
	Voting Preferred (direct)	1		1
GLOBE TELECOM KEY OFFICERS				
Alberto M. de Larrazabal	Common (direct)	4,322	-	4,322
	Non-voting Preferred (direct)	2,000	-	2,000
Gil B. Genio	Common (indirect)	51,838	-	51,838
	Non-voting Preferred (direct)	20,000	-	20,000
Renato M. Jiao	-	-	-	-
Rebecca V. Eclipse	Common (indirect)	21,415	2,500 (D) April 7, 2015	18,915
	Non-voting Preferred (direct)	4,000	-	4,000
Vicente Froilan M. Castelo	Common (direct)	814	-	814
Carmina J. Herbosa	Non-voting Preferred (direct)	2,000	-	2,000
Bernard P. Llamzon	-	-	-	-
Solomon M. Hermosura	Common (direct)	20	-	20
Marisalve Ciocson-Co	Common (direct)	1,539	-	1,539
Rosemarie Maniego-Eala	Common (indirect)	3	-	3
Maria Aurora Sy-Manalang	Common (direct)	179	-	179

(A) Acquired
(D) Disposed of



BOARD OF DIRECTORS





JAIME AUGUSTO ZOBEL DE AYALA

Mr. Zobel, 56, Filipino, has served as Chairman of the Board since December 1996 and a Director since March 1989. He is the Chairman and CEO of Ayala Corporation. He also holds the following positions: Chairman of Bank of the Philippine Islands, and Integrated Micro-Electronics, Inc.; Co-Chairman of Ayala Foundation, Inc.; Vice Chairman of Ayala Land, Inc. and AC Energy Holdings, Inc.; Chairman of Harvard Business School Asia-Pacific Advisory Board and Asia Business Council; Vice Chairman of the Makati Business Club, and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, International Business Council of the World Economic Forum; Philippine Representative for APEC Business Advisory Council. He graduated with B.A. in Economics (with honours) degree from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

Directorship in other listed companies: Ayala Corporation; Bank of the Philippine Islands; Integrated Micro-Electronics, Inc.; Manila Water Company; and Ayala Land, Inc. All listed on the Philippine Stock Exchange.

ERNEST L. CU

Ernest Cu, 55, Filipino, has served as Director since April 2009. He is currently the President and Chief Executive Officer of Globe Telecom, Inc. Mr. Cu joined Globe in October 2008 as Deputy CEO, and was officially appointed President and Chief Executive Officer on 2 April 2009. Since then, he has been passionately driving a sweeping transformation across the company, including modernizing its network and IT infrastructure, creating a strong collaborative and service-oriented culture, and product innovations in its mobile business. Under Mr. Cu's visionary leadership, Globe has outperformed industry growth with the company breaking records across all key product groups, brands and market segments, now recognized as the number 1 mobile brand in the country. In 2015, Mr. Cu was named Best CEO by Finance Asia for the second time, the last one in 2010. Moreover, for the third year in a row, he was recognized as one of the 100 most influential telecom leaders worldwide by London-based Global Telecoms Business Magazine Power 100. In 2014, Mr. Cu was honored as the Telecommunications Executive of the Year by the International Business Awards (Stevies). Mr. Cu also earned international accolade in 2012 as CEO of the Year by Frost & Sullivan Asia Pacific. Prior to Globe, Mr. Cu was President and CEO of SPi Technologies from 1997 to 2008. At the cusp of the new millennium, Mr. Cu spurred the beginning of the BPO business model for the Philippines, to be widely regarded as one of the founding fathers of BPO in the Philippines. Lauding his pioneering spirit, and drawing great highlight to his career then was a recognition from Ernst & Young in 2003 as the ICT Entrepreneur of the Year. Mr. Cu has a Bachelor of Science Degree in Industrial Management Engineering from De La Salle University in Manila, and an M.B.A. from the J.L. Kellogg Graduate School of Management, Northwestern University.

Mr. Cu is not a Director of any other listed company.

FERNANDO ZOBEL DE AYALA

Mr. Zobel, Filipino, 55, has served as Director since October 1995. He is the President and Chief Operating Officer of Ayala Corporation, one of the Philippines' largest conglomerates involved in real estate, financial services, telecommunications, water, electronics, automotive, international investments, business process outsourcing, power generation, and transport infrastructure. He is also Chairman of Ayala Land and Manila Water Company and Vice Chairman of the executive committee of Bank of the Philippine Islands; Co-Chairman of Ayala Foundation, which has projects in education, art and culture, environment and sustainable development. Mr. Zobel is also a member of the INSEAD East Asia Council and the World Presidents' Organization; member of the Board of Habitat for Humanity International and the Chairman of the steering committee of Habitat for Humanity's Asia Pacific Capital Campaign. He also serves on the Board of Trustees of the Asia Society. He is involved in the Harvard Club of the Philippines, Makati Business Club, Management Association of the Philippines, and Philippine-Singapore Business Council. Mr. Zobel is a Board member of the National Museum, Caritas Manila, the foundation of the Roman Catholic Church, Pilipinas Shell Corporation, and Pilipinas Shell Foundation. Mr. Zobel holds a liberal arts degree from Harvard College and a Certificate in International Management from INSEAD, France.

Directorship in other listed companies: Ayala Corporation; Bank of the Philippine Islands; Ayala Land, Inc.; Manila Water Company; and Integrated Micro-Electronics, Inc. All listed on the Philippine Stock Exchange.





BOARD OF DIRECTORS



GERARDO C. ABLAZA, JR.

Mr. Ablaza, 62, Filipino, has served as Director since June 1997. Mr. Ablaza is currently the President and CEO of Manila Water since June 30, 2010 where he is responsible for overseeing the financial and operational growth within Manila Water's service areas in the Metro Manila east zone and in its expansion areas. He is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee, a post he has held since 1998. Mr. Ablaza also serves as director for subsidiaries of Manila Water both local and international, including Manila Water Philippine Ventures, Inc., Boracay Island Water Company, Inc., Laguna AAA Water Corporation, Manila Water International Solutions, Inc., Clark Water Corporation, Manila Water Total Solutions Corporation, Manila Water Asia Pacific Pte. Ltd., Manila Water South Asia Holdings Pte. Ltd., Kenh Dong Water Holdings Pte. Ltd., Thu Duc Water Holdings Pte. Ltd, and North-West of Saigon Holdings Pte. Ltd. He is also a member of the Board of Trustees of the Manila Water Foundation, Inc. He also serves as director for Hochiminh City Infrastructure Investment Joint Stock Company, Azalea International Ventures Partners Ltd., Asiacom Philippines, Inc., LiveIt Investment Ltd.; AC Energy Holdings, Inc., Purefoods International Ltd., A.C.S.T. Business Holdings, Inc., AC Intrastructure Holdings Corporation and Ayala Retirement Fund Holdings, Inc. He is also a member of the Board of Trustees of Ayala Foundation, Inc. From April 1998 to April 2009, Mr. Ablaza was the President and CEO of Globe Telecom, Inc. He was also the Chairman of the Board of Directors of Innove Communications Inc., a wholly owned subsidiary of Globe Telecom Inc. from October 2003 to April 2009. Before joining the Ayala Group, Mr. Ablaza was Vice-President and Country Business Manager for Philippines and Guam of Citibank, N.A. for its Global Consumer Banking Business (1994-1997), Vice President for Consumer Banking of Citibank, N.A. Singapore (1994-1995). In 2004, Mr. Ablaza was recognized by CNBC as the Asia Business Leader of the Year, making him the first Filipino CEO to win the award. In the same year, he was awarded by Telecom Asia as the Best Asian Telecom CEO. In 2013, he was recognized for his consistent leadership and innovation across the banking, investment, telecommunications and utility service industries through the Citi Distinguished Alumni Award for Leadership and Ingenuity. He is the first and the only Filipino to be awarded with such an honor. Mr. Ablaza graduated summa cum laude from the De La Salle University in 1974 with a degree in Liberals Arts, Major in Mathematics (Honors Program). As one of the most accomplished graduates of his alma mater, he sits as a member of the Board of Trustees in various De La Salle schools in the country.

Mr. Ablaza is a Director of Manila Water Company, Inc., listed on the Philippine Stock Exchange and Hochiminh City Infrastructure Investment Joint Stock Company, listed on the Ho Chi Minh Stock Exchange.

DELFIN L. LAZARO

Mr. Lazaro, 69, Filipino, has served as Director since January 1997. His other significant positions include: Chairman of Philwater Holdings Company, Inc., Atlas Fertilizer & Chemicals Inc., Chairman and President of AC Energy Holdings, Inc. (formerly Michigan Power) and A.C.S.T. Business Holdings, Inc.; Director of Ayala Corporation, Ayala Land, Inc., Integrated Micro-Electronics, Inc., Manila Water Co., Inc., Ayala DBS Holdings, Inc., Probe Productions, Inc. and Empire Insurance Company; and Trustee of Insular Life Assurance Co., Ltd. He was named Management Man of the Year 1999 by the Management Association of the Philippines for his contribution to the conceptualization and implementation of the Philippine Energy Development Plan and to the passage of the law creating the Department of Energy. He was also cited for stabilizing the power situation that helped the country achieve successive high growth levels up to the Asian crisis in 1997. Mr. Lazaro earned his Bachelor of Science in Metallurgical Engineering from the University of the Philippines, and his Masters of Business Administration (with distinction) from the Harvard Graduate School of Business.

Directorship in other listed companies: Ayala Corporation; Ayala Land, Inc.; Integrated Micro-Electronics, Inc.; and Manila Water Company. All listed on the Philippine Stock Exchange.

MARK CHONG CHIN KOK

Mr. Chong, 52, Singaporean, previously served as a Director for one year, from 6 October 2009 to 8 October 2010. He was elected again as Director at the Annual Stockholders' Meeting on 16 April 2013. Mr. Chong was appointed CEO of International, Group Consumer, of Singapore Telecommunications Limited (Singtel) on 14 January 2013 to oversee the growth of Singtel Group's international affiliates, strengthen its relationship with overseas partners, and drive regional initiatives for scale and synergies. Prior to this appointment, he was Chief Operating Officer of Advanced Info Service Plc (AIS), the Group's associate in Thailand, in charge of sales and marketing products, network operations, IT solutions, customer and services management. He has also held senior executive roles in the Consumer, Enterprise and Network groups in Singtel. Mr. Chong graduated with a Bachelor of Electronics Engineering and Master in Research in Electronic Systems from ENSERG, Grenoble, France and obtained his Master of Business Administration from the National University of Singapore. He is also a senior fellow with the Singapore Computer Society.

Mr. Chong is a Director of Bharti Infratel, a public listed company in India.



BOARD OF DIRECTORS



SAMBA NATARAJAN

Mr. Natarajan, 50, US citizen, was elected as Director on 7 April 2015. He is currently the Managing Director of Digital Enterprise of Singapore Telecommunications Limited. In this role, he is responsible for identifying, executing, and operationalising growth opportunities from emerging digital and technology trends such as Cloud, Cyber Security, Analytics, Internet of Things (IoT), Machine-to-Machine (M2M), and Anything-as-a-service that are rapidly changing the way enterprises (B2B) and their customers (B2B2C) interact and collaborate in their everyday lives. Prior to this, he was a Partner with McKinsey & Co., where he most recently led the Telecoms, Media and Technology (TMT) practice for South East Asia, with 15 years of management consulting experience in North America & Asia. He had deep advisory and counseling relationships with boards, CEOs and management teams across leading telecom service providers, sovereign wealth funds, regulators in South East Asia (including Singapore, Indonesia, Malaysia, Philippines), and Australia. Mr. Samba also has wide range of advisory experience on issues of strategy, growth, portfolio optimization, regulation, commercial, M&A due diligence, organization and internal process improvements. He has been invited to moderate at CommunicAsia, including at the Inter-Ministerial Forum involving a panel of several ministers and CEOs of telecoms in Asia. Mr. Natarajan also has more than eight (8) years of prior experience in banking & investment services, with significant operational experience in setting up offshore operations and developing a new range of investment products. From 1988 to 1996 he was connected with Citibank, New York/Chicago handling investment products for offshore clients, International Client group; Citibank, Mumbai/ Chennai handling Core Banking Operations, Off-shoring and Outsourcing; Citibank, Singapore /Manila handling Business Development, for Non-Resident Indian New Markets (Asia). Mr. Natarajan graduated with a Bachelor of Engineering, Major in Electrical Engineering (EE), summa cum laude equivalent from the Birla Institute of Technology & Science, Pilani, India and obtained his Post Graduate Diploma in Management at Indian Institute of Management. Ahmedabad. Mr. Natarajan holds an MBA degree, Dual Major in Strategic Management & Finance from The Wharton School, University of Pennsylvania, where he was a Palmer Scholar and a Ford Fellow.

Mr. Natarajan is not a Director of any other listed company.

ROMEO L. BERNARDO

Mr. Bernardo, 61, Filipino, has served as Director since September 2001. He is Managing Director of Lazaro Bernardo Tiu and Associates (LBT), a financial advisory firm based in Manila. He is also a GlobalSource economist in the Philippines. He is Chairman of ALFM Family of Funds and Philippine Stock Index Fund. He is likewise a director of several companies and organizations including Aboitiz Power, BPI, RFM Corporation, Philippine Investment Management (PHINMA), Inc, Philippine Institute for Development Studies (PIDS), BPI-Philam Life Assurance Corporation, National Reinsurance Corporation of the Philippines (NRCP) and Institute for Development and Econometric Analysis. He is a member of the Philippine World Bank Advisory Group and a member of the Panel of Conciliators of the International Centre for Settlement of Investment Disputes. He previously served as Undersecretary of Finance and as Alternate Executive Director of the Asian Development Bank. He was an Advisor of the World Bank and the IMF (Washington D.C.). Mr. Bernardo holds a degree in Bachelor of Science in Business Economics from the University of the Philippines (magna cum laude) and a Masters Degree in Development Economics at Williams College from Williams College in Williamstown, Massachusetts.

Directorship in other listed companies: Aboitiz Power; Bank of the Philippine Islands; RFM Corporation; and National Reinsurance Corporation of the Philippines. All listed on the Philippine Stock Exchange.







BOARD OF DIRECTORS

SAW PHAIK HWA

Ms. Saw, 61, Singaporean, was elected as Director on 7 April 2015. She was the Group CEO of Auric Pacific Group, listed on the Mainboard of the Singapore Exchange, which has diverse business interests ranging from distribution of fast moving consumer food, food manufacturing and retailing, management of restaurant and food court operations to other strategic investments including fund investment. The Group operates in various countries throughout Asia including Singapore, Malaysia, Indonesia, Hong Kong and China. Ms. Saw will be retiring as its CEO effective from 1 May 2015 but will remain as a consultant with the Lippo Group of companies, and will continue to advise the Group on various matters. Ms. Saw is also a Director of Hour Glass Limited. Prior to this, Ms. Saw was the President and CEO of SMRT Corporation Ltd between December 2002 to January 2012, Singapore's first multi-modal public transport service provider. During her tenure, she had enhanced the public travel experience in Singapore by introducing commuter-centric initiatives and adding lifestyle conveniences at stations to make public transport a choice mode of travel for all. She also was instrumental in broadening SMRT's geographical footprint as well as establishing SMRT's presence overseas with the opening of offices in the Middle East and China which serve as springboards to opportunities in those regions. For the period 1984 to 2002, Ms. Saw was the Regional President in charge of businesses in Singapore, Indonesia, and Malaysia for DFS Venture Singapore. Ms. Saw holds a Second Upper Class Honours in Biochemistry from the University of Singapore and has attended the Advanced Management Programme, University of Hawaii.

Ms. Saw is a Director of Hour Glass Limited, listed on the Singapore Stock Exchange.

MANUEL A. PACIS

Mr. Pacis, 71, Filipino, has served as Independent Director since April 2011[1]. He was formerly a Vice President for Finance of the Procter & Gamble Company (P&G) in Cincinnati, Ohio and was named Vice President-Comptroller, Internal Controls of P&G Worldwide. As such, among his many functions and responsibilities included leadership for financial auditing, accounting, financial and strategy management of the company. He held positions of increasing responsibility in the Philippines, the US, Mexico, China, and Japan including Chief Financial Officer of P&G Asia, and a Global Business Unit (GBU). He also served as Vice President for Internal Controls Worldwide and Financial Systems Worldwide at P&G. His wide-ranging experiences throughout his business career have included leadership roles in corporate governance, strategic planning, internal audit, management systems / IT, M&A, joint ventures, and finance & accounting. Mr. Pacis graduated with a Bachelor of Business Administration (BBA), magna cum laude, from the University of the East in 1963.

Mr. Pacis is not a Director of any other listed company.

REX MA. A. MENDOZA

Mr. Mendoza, 53, Filipino, was elected as Director on 8 April 2014. He is the founder and Managing Director of Rampver Financials, a financial services firm and the leading non-bank mutual funds distributor in the country. He was previously the Senior Adviser to the AIA Group CEO for Marketing and Distribution. AIA Group Limited is the leading Pan-Asian insurance company and is the parent firm of the Philippine American Life and General Insurance Company (Philam Life). Prior to this position, he was the President and Chief Executive Officer of Philam Life, Chairman of The Philam Foundation, Inc. and Vice Chairman of BPI Philam Life Assurance Company. Prior to rejoining Philam Life, he was Senior Vice President and Chief Marketing and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc., and Avida Sales Corporation. He currently serves as Director of The Freeport Area of Bataan, Esquire Financing, Inc., Seven Tall Trees Events, Inc., and the Cullinan Group. He has a Master's Degree in Business Management with distinction from the Asian Institute of Management and was one of the 10 Outstanding Graduates of his batch at the University of the Philippines where he obtained a BSBA degree with a double major in marketing and finance. He was awarded Most Distinguished Alumnus of the University of the Philippines' Cesar E.A. Virata School of Business last December 2013. He is also a fellow with distinction at the Life Management Institute of Atlanta, Georgia, USA, a Registered Financial Planner and a four-time member of the Million Dollar Round Table. Mr. Mendoza was a professor of Marketing and Computational Finance at the De La Salle University Graduate School of Business. He taught strategic marketing, services marketing and services strategy. He has served as Chairman of the Marketing Department and was awarded as one of the University's most outstanding professors.

Mr. Mendoza is not a Director of any other listed company.

[1]SEC Memorandum Circular No. 9, series of 2011 sets the term limit for independent directors, effective January 2, 2012. Mr. Pacis has served the company as independent director for three years and 11 months, and remains qualified to serve the company as such.



ON CONTINUITY AND CONSISTENCY

Risk

RISK MANAGEMENT

G4.2, G4.14, G4.45, G4.46

Globe Telecom believes that effective Risk Management (RM) practices are crucial to sustaining our profitability and resiliency as a company. Hence, we ensure that RM remains a core capability and an integral part of how decisions are made in the organization to deliver value to our shareholders.

We live out our RM philosophy via three key pillars,— Culture, Structure, and Process.

- Culture – We strive to build a risk aware culture by setting appropriate tone at the top, defining clear accountability for risks, espousing transparency and timeliness in sharing risk information, enabling risk-adjusted decisions, recognizing appropriate risk-taking attitudes, and embedding the right risk skills across the organization.
- Structure – We strive to establish an organizational structure that supports strong corporate governance, clearly defines risk-taking responsibility and authority, facilitates ownership and accountability for risk-taking, and ensures proper segregation of duties.
- Process – We strive to institutionalize sound processes that facilitate the identification, assessment, quantification, mitigation, management, monitoring, and communication of risks at the enterprise and operational level. We also strive to review our RM processes and policies on a continuing basis to ensure that we remain robust and relevant, through benchmarking against industry and global best practices.

ROLES AND RESPONSIBILITIES

Board of Directors

The Board of Directors oversees and conducts an annual review of our material controls, covering operational, financial, and compliance areas and overall RM systems. The overall responsibility for our RM oversight rests with the Board. To enable the Board to effectively discharge our RM function, various Board committees have been designated to provide RM oversight for specific risk areas.

Given the overlapping oversight functions of the various committees, and to enable an integrated and holistic approach to RM oversight at the Board level, the Board has designated the Audit Committee as the overall consolidator of risks for all the committees. The Audit Committee regularly reports to the Board of Directors on our RM efforts, thus, providing the Board with a more coordinated and effective review of risks across the company and assurance over our overall RM. To that effect, the Audit Committee functions as a separate level risk committee.

Management

With guidance provided by the Board, our management is fully responsible for decision-making over the day-to-day affairs of Globe including the design, development, and implementation of the RM strategies, policies, and systems intended to address the identified risks.

Chief Risk Executive

The President and Chief Executive Officer (CEO) acting as the Chief Risk Executive (CRE) is ultimately responsible for ERM priorities, including strategies, tolerances and policies which he recommends to the Board for approval. The CRE:

- Acts as the final enforcer of the ERM process
- Establishes organizational structure, assigns authority, and designates management of key risks to Risk owners to ensure that the RM activities are carried out effectively
- Reviews the continuing effectiveness and relevance of the ERM framework, processes, organization, and tolerances, as assisted by the Chief Risk Officer
- Ensures that RM activities are linked to the Risk owners' Key Result Areas

BOARD RISK MANAGEMENT OVERSIGHT

EXECUTIVE COMMITTEE

- Provides oversight on corporate strategic risks, technology, and operational risks
- Provides guidance in setting up integrated and cross-functional risk management systems and controls infrastrusture
- Reviews, jointly with management, the adequacy of risk management processes for strategic, operational, and technology risks

AUDIT COMMITTEE

- Provides oversight on financial reporting risks
- Provides oversight on operational risks, specifically on financial statements and reporting, internal controls, legal or regulatory compliance, corporate governance, risk management, and fraud
- Consolidates risks for all committees for Board review

FINANCE COMMITTEE

- Provides oversight on the Company's financial risk management including risks related to capital structure, acquisitions, divestments, treasury activities, tax strategy, and compliance

Chief Risk Officer

The Chief Finance Officer (CFO) and concurrent Chief Risk Officer (CRO) supports the CRE at the Management level. The CRO ensures that:

- Risk Management processes and activities are embedded in policies, business cycles, and operational decisions
- Responsibilities for managing specific risks by Senior Management are clear
- The level of risk accepted by the company is appropriate
- An effective control environment exists for the company as a whole
- The Audit Committee and the Board are provided periodic information on the results of the annual risk assessment exercise, status of top risks, key risk mitigation activities, key risk and performance indicators, and emerging risks that could impact the attainment of our objectives

The CRO reports quarterly to the Board through the Audit Committee regarding our critical risks and key mitigation strategies.

Enterprise Risk Management Services Division

The Enterprise Risk Management Services Division (ERMSD), headed by a Risk Management Program Officer, supports the CRO in undertaking his role. Key functions of the ERMSD include:

- Developing and implementing programs to embed RM discipline in the organization
- Facilitating Senior Management's annual risk assessment exercise and reporting the results thereof
- Coordinating with Risk owners to gather updates on the status of risks and Risk management/mitigation activities
- Facilitating the execution of Line Management's risk and controls assessment exercise through the Operational Risk Management program

Internal Audit

The Internal Audit Team provides assurance on the effectiveness of RM systems and processes. Internal Audit's examinations cover a regular evaluation of adequacy and effectiveness of RM and control processes encompassing the company's governance, operations, information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, and rules and regulations.

Risk Owner

The Risk owner has overall accountability for the assigned risk/s and is granted authority to enable effective management of a particular risk. The Risk owner's function also includes:

- Understanding the risk/s and determining its drivers
- Planning for and executing appropriate RM strategies and plans
- Securing required resources needed to effectively manage the risks
- Monitoring and reviewing the level of risk exposures and continuing relevance of RM strategies and plans
- Providing timely updates on the status of RM activities to concerned stakeholders

RISK MANAGEMENT APPROACH

The ISO 31000 framework for Risk Management is used as the basis for our ERM process. The established processes also ensure that compliance processes and procedures are effectively guided by the RM policy.

Globe has institutionalized a process to closely monitor the RM plans and actions being taken to address critical risks, including the establishment of key risk indicators and key performance indicators to ensure that critical risks are appropriately managed. This process includes a review made by Senior Management, and a review by the Business Unit and Functional Group Level Leaders. Senior Management monitors enterprise level risks such as strategic risks, major program risks, and regulatory risks while the business unit and group level leaders monitor the operational, legal, and project risks.

Our key RM activities include:

- Identification of top enterprise risks
- Prioritization of risks based on the degree of impact to business objectives and the likelihood of occurrence
- Scenario and mitigation planning
- Business continuity planning
- Crisis planning and management
- Program risk management
- Monitoring and reporting on the status of risks and corresponding RM plans
- Identification, assessment and management of operational risks by line management
- Establishment of operational risk thresholds for monitoring

An enterprise wide assessment of risks is performed by Senior Management and key leaders as part of our annual planning and budgeting process, which are reported to and reviewed by the Board. This assessment focuses on identifying the key risks that threaten the achievement of our business objectives at corporate and business unit level, as well as the assignment of risk owner/s and development of plans in managing such risks. The established strategies and plans to address the risks are continuously developed, updated, improved, and reviewed for effectiveness. On a regular basis, Senior Management discusses the current risk levels and status of implementation of mitigation plans.

We also established an Operational Risk Management (ORM) program which is a coordinated end-to-end process to identify, assess, treat, monitor, and report operational risks for effective and informed business decisions. Management believes that ORM is an essential foundation for a strong ERM process as it reinforces the lines of defense against key operational risks. Senior Management is apprised of the results of ORM reviews, particularly, the most significant risks for inputs on strategies and action plans and guidance on issues needing further review.

When necessary, we seek external technical support to aid our Management and Board in the performance of their duties and responsibilities including RM.

GLOBE PRINCIPAL RISKS

The achievement of our key business objectives can be affected by a wide array of risk factors. Some of these risk factors are universal such that these affect not only Globe but also other businesses within and outside the telecommunications industry, including minority shareholders and other stakeholders. The risks vary widely and the occurrence of some are beyond our control. There may also be risks that are either presently unknown or not currently assessed as significant, which may later prove to be material. However, we aim to mitigate the exposures through appropriate RM strategies, strong internal controls and capabilities, close monitoring of risks and mitigation plans. The section below sets out the principal risk types:

Political and Socio-Economic Risks

Our growth and profitability may be influenced by the overall political and economic situation of the Philippines. Any political instability in the Philippines could negatively affect the country's general economic conditions which, in turn, could adversely affect our business, financial condition or results of operations, including the ability to enhance the growth of its customer base, improve its revenue base, and implement its business strategies. The change of administration in the upcoming national and local elections poses uncertainties which may or may not have a negative impact on our operations.

A regular environmental scanning exercise is performed to ensure the identification of any uncertainties arising from political and socio-economic factors. This is to enable management to implement appropriate risk mitigation plans.

Financial Markets Risk

Foreign Exchange Risk

Exposure to foreign exchange risks remains a risk to Globe. Our foreign exchange risk results primarily from movements of the Philippine peso against the US dollar (USD) with respect to our USD-denominated financial assets, liabilities, revenues, and expenditures.

There are no assurances that declines in the value of the peso will not occur in the future or that the availability of foreign exchange will not be limited. Recurrence of these conditions may adversely affect our financial condition and results of operations.

Interest Rate Risk

In order to fund our major expenditures, Globe has entered in various short and long-term debt obligations, which exposes us to the risk of changes in interest rates.

Our exposure to interest rate risk and currency risk are being managed by:

- Using a mix of fixed and variable rate debt, targeting a defined debt-to-equity ratio
- Entering into interest rate swaps, in which we agree to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount
- Using a combination of natural hedges and derivative hedging to manage its foreign exchange exposure

We also regularly evaluate our projected and actual cash flows and continuously assess conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

Competition Risk

Traditional Competition

Competition remains intense in the Philippine telecommunications industry amidst a maturing mobile market and high growth data business. We continue to play against an incumbent operator seeking to dominate the market with aggressive offerings through affordable pricing/plans and attractive product/device bundles and prepare ourselves for a new entrant who wants a piece of the growing mobile data market by offering cheaper services.

Alternative Competition

The competitiveness of the industry is further underlined by cheap alternatives to communication such as instant messaging, social network services, voice over internet protocol, among others, accelerated by the increasing market penetration of smartphones and internet-capable mobile devices.

We continue to assert our market position through the launch of innovative products and services that are relevant and responsive to the needs of the customers and focusing on superior customer experience. We also partner with leading providers of content, mobile messaging, social media, and other popular applications in order to provide products and services that anticipate and cater to shifting customer preferences.

Customer Preference and Technology Shift Risk

Our ability to recognize and quickly respond to changes in customer preferences by upgrading our existing infrastructure and systems may impact our competitiveness in the marketplace.

Mobile data applications and the rising popularity of smartphones and mobile and connected devices are key contributors to the explosion of data traffic. This phenomenon will eventually put a strain on our network capacity as well as the supporting back-end systems impacting customer experience negatively.

Our business, product and technical teams continue to keep abreast of the latest innovations and trends in telecommunications technologies, devices, and gadgets. The information and insights gathered are considered in the roadmap of future products and services and our network and IT infrastructure evolution. Proper timing of investments in technology and infrastructure always consider its strategic implications, velocity of technology cycles, and customer adaption.

Globe will be enhancing our data network by deploying new mobile and data technologies, increasing our network capacities and coverage and modernizing the fixed line data infrastructure.

Change Program Risk

Globe is in the process of transforming our businesses and such changes permeate into our Network and IT systems and supporting processes. Crucial changes in our network infrastructure are being pursued mainly to improve network quality, anticipate the surge in voice and data traffic, decrease total cost of ownership and make the network robust enough to meet future needs. IT transformation programs are set to re-engineer our IT systems and key processes to enhance our ability to deliver superior customer experience and understand what our customers value, while being able to roll out products to the market in a more efficient and effective manner.

Should our ambitious and complex transformation programs fail to achieve the desired outcomes, we could ultimately lose market share thus impacting our financial results.

We have institutionalized the appropriate program governance organizations with senior management oversight and accountability to ensure program risks are properly considered and managed with the end objective of improving customer experience. We ensure that a competent program office and project organization is in place for major change programs. Supporting processes have been established to closely monitor and provide a venue for regular progress updates, alignment of efforts, discussion of critical implementation issues and challenges, and help ensure successful execution of our change programs.

Reputational Risk

We are recognized as one of the Philippines' top companies providing innovative services and delivering superior customer experience while maintaining a socially responsible business. We are exposed to reputational risks which may result from our actions or that of our competitors; indirectly due to the actions of an employee; or consequently through actions of outsourced partners, suppliers, or joint venture partners.

Damage to our reputation and erosion of brand equity could also be triggered by the inability to swiftly and adequately handle negative social media sentiments on our products and services triggered by various factors such as unfavorable customer experience, among others.

Regular process effectiveness and efficiency reviews on existing customer impacting processes are being conducted to identify and address existing gaps, thus minimizing exposure to reputational risks arising from problem areas. Front line staff are regularly trained to enable them to effectively handle customer cases. On the other hand, close monitoring of customers' online sentiments is being performed to quickly detect customer issues being surfaced in social media and be able to manage them early on.

Regulatory Risk

We are regulated by the NTC for our telecommunications business, and by the SEC and the BSP for other aspects of our business. The introduction of, changes in, or the inconsistent application of laws or regulations from time to time, may materially affect our operations, and ultimately our earnings which could impair our ability to service debt. There is no assurance that the regulatory environment will support any increase in our business and financial activity.

The government recently formed the Philippine Competition Commission (PCC) whose primary mandate is to level the playing field among businesses and holds the power to penalize anti-competitive agreements, mergers and acquisitions, and abuse of market dominance. This development creates uncertainties in the industry that may have an impact on our market position.

We manage our regulatory risks through regular monitoring of regulatory rulings especially those that could negatively impact our businesses and proactive engagement with the regulators.

Human Capital Risks

We are exposed to risks in staffing our critical functions with competent management and technical expertise. Our greatest asset is our people and our success is largely dependent on our ability to attract highly skilled personnel and to retain and motivate our best employees. Our people is the glue that brings everything together which is why it is crucial to ensure that we are able to acquire the right people and enhance their exceptional abilities further.

Various people-related programs designed to engage and motivate employees are being implemented in order to retain and attract key talents. We also conduct an annual survey to determine the level of employee engagement across the organization. Below norm employee engagement criteria are analyzed to determine employees' key concerns, and correspondingly, implement programmed interventions to address such concerns and ensure sustainable engagement.

Organizational Agility Risk

Leading the digital lifestyle for our customers and diversification of our business portfolio is critical to maintain our market competitiveness. Failure to drive the entire organization to quickly adapt work practices and make the right shift in skills and competencies necessary for us to lead in the digital space and forge into adjacent spaces may lead to missed business opportunities.

We have initiated cultural change programs that focus on customer centricity and innovation. Opportunistic hiring of talents required for innovation and new investment areas are also carefully considered. Further, through Kickstart Ventures, we invest in building to scale, the technical foundation of digital and tech start-up businesses operating in the Philippines. We continue to build the right leadership structures and system team that will support an agile, future-ready, and customer-centric organization.

Compliance Risks

Revenue Leakage

We are inherently vulnerable to revenue leakage with the dynamic changes in networks and IT systems and the multitude of its service/bundle/plan offerings given the pace at which new offers are launched in the market.

We continuously improve controls in our revenue assurance processes in order to prevent and/or detect cases of revenue leakages. Prior to the launch or cut-over of new products, services, and new systems, appropriate revenue assurance controls are already embedded in system capabilities and manual processes.

Fraud

We run the risk of falling victim to fraud perpetrated by unscrupulous persons or syndicates either to avail of "free" services, to take advantage of device offers, or defraud our customers. With the increased complexity of technologies, network elements, and IT infrastructure, new types of fraud that are more difficult to detect or combat could also arise. This risk also involves irregularities in transactions or activities executed by employees for personal gain.

We have institutionalized processes and built capabilities that enable the early detection, close monitoring, and timely reporting of various instances of fraudulent activities.

Business Disruptions

The quality and continued delivery of our services are highly dependent on our network and IT infrastructure which are vulnerable to damages caused by extreme weather disturbances, natural calamities, fire, acts of terrorism, intentional damage, malicious acts, and other similar events which could negatively impact the attainment of revenue targets and our reputation.

We are enhancing our incident and crisis management plans and capabilities and have incorporated disaster risk reduction and response objectives in our business continuity planning.

Cyber Threats

The cyber security landscape is rapidly evolving and users are heavily relying on digitized information and sharing vast amounts of data across complex and inherently vulnerable networks. This exposes us to various forms of cyber attacks which could result in disruption of business operations, damage to reputation, legal and regulatory fines, and customer claims.

New technologies and systems being installed in the name of advanced capabilities and processing efficiencies may introduce new risks which could outpace the organization's ability to properly identify, assess, and address such risks. Further, new business models that rely heavily on global digitization, use of cloud, big data, mobile, and social media exposes the organization to even more cyber attacks.

We continue to strengthen and enhance our existing security detection, vulnerability and patch management, configuration management, identity access management, events monitoring, data loss prevention, and network/end-user perimeter capabilities to ensure that cyber threats are effectively managed.

Data Privacy

In the course of regular business, we acquire personal information of our customers and retain the same in our IT systems. Existing laws require that these information be adequately protected against unauthorized access and/or disclosure. The risk of data leakage is high with the level of empowerment granted to in-house and outsourced employees handling sales and after sales transactions to enable the efficient discharge of their functions.

Employee awareness on data protection and loss prevention is reinforced through regular corporate dissemination channels. Further, employees are made accountable for maintaining the confidentiality of data handled, including disclosures and information shared in various social media platforms. Controls over processes that require handling of customer's personal information are being tightened, coupled with enhancements in existing security capabilities to prevent compromise of customer data.



KEEPING THE PROMISE OF TOMORROW

Sustainability

DISCUSSION ON MANAGEMENT APPROACH

G4.18

Globe is committed to transparent sustainability reporting and wants to provide information in a way that is of value to our different stakeholders. Our report has been prepared in accordance with the GRI G4 guidelines and is also drawn against the 2030 UN Sustainable Development Goals.

We recognize that the economic, social, and environmental issues that face the world can impact our business and our stakeholders. We also recognize that our business and the businesses of our clients and suppliers can affect these same issues.

Our report covers each sustainability focus area defined by the company as its framework that include Care for the Environment, Care for our People, Positive Societal Impact, and a Digital Nation. The management approach of economic performance is covered by the Corporate Governance and Management Discussion & Analysis sections.

Globe has a process in place to help the business identify its material issues for reporting. Material issues and an update on the Stakeholder map were defined through the consultancy services of ThePurposeBusiness, Ltd founded in Hong Kong. The Materiality Analysis and Stakeholder Engagement exercises were done late 2015 and outcome of which will be realized and reported on in 2016. Globe has also improved its reporting this year by including key issues of interest for each Stakeholder group and were plotted with a materiality perspective, following GRI G4 aspects.

Finally, the commitment of Globe to key material sustainability areas is evident through recovery and buy-back initiatives that address Environment indicators, direct financial gains for Economic indicators, robust employee training and engagement programs that address Labor Practice indicators, diversity at the workplace for Human Rights, multi-channel platforms to define customer satisfaction and a suite of products for digital inclusion that pertain to Product Responsibility, and significant community relations programs that answer Society indicators.

MATERIALITY G4.15, G4.18, G4.19, G4.20, G4.21, G4.43

In December of 2015, we revisited the important issues which are critical and relevant to our operations as well as our stakeholders. We used a methodology based on the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines to identify and refresh the issues that are material to Globe and its key stakeholders.

The issues that emerged from the interviews and workshops are mapped onto a materiality matrix to help visualize their relative importance to us and our stakeholders. A list of concerns raised by certain stakeholders which are currently not prioritized by Globe respondents is also presented, which we will continue to address and respond to. This prioritization supports our strategic decision-making and directs our reporting.

GRI STEPS & PRINCIPLES	METHODOLOGY
Identification Stakeholder Inclusiveness, Sustainability Context, Completeness	Reviewed our previous stakeholder engagement results; identified objectives and expectations as well as material changes to business operations; re-categorization of stakeholder set; identified and scheduled interviews based on the new stakeholder sets identified Globe Senior Leaders as well as representatives of new stakeholder sets identified key issues through our GRI-referenced worksheet. The worksheet was a list of GRI-referenced aspects of issues that are material to our sustainability performance
Prioritization Materiality, Sustainability Context	Consolidated responses from the Senior Leaders and stakeholders' GRI worksheet, and interviews from stakeholders
Validation Completeness, Stakeholder Inclusiveness	Compared prioritization of issues according to Globe and those that are of importance to stakeholders
Review Completeness, Materiality	Feedback and inputs from the process will be communicated back to the Sustainability working committee and Senior Leaders as part of strategy planning

MATERIALITY MATRIX



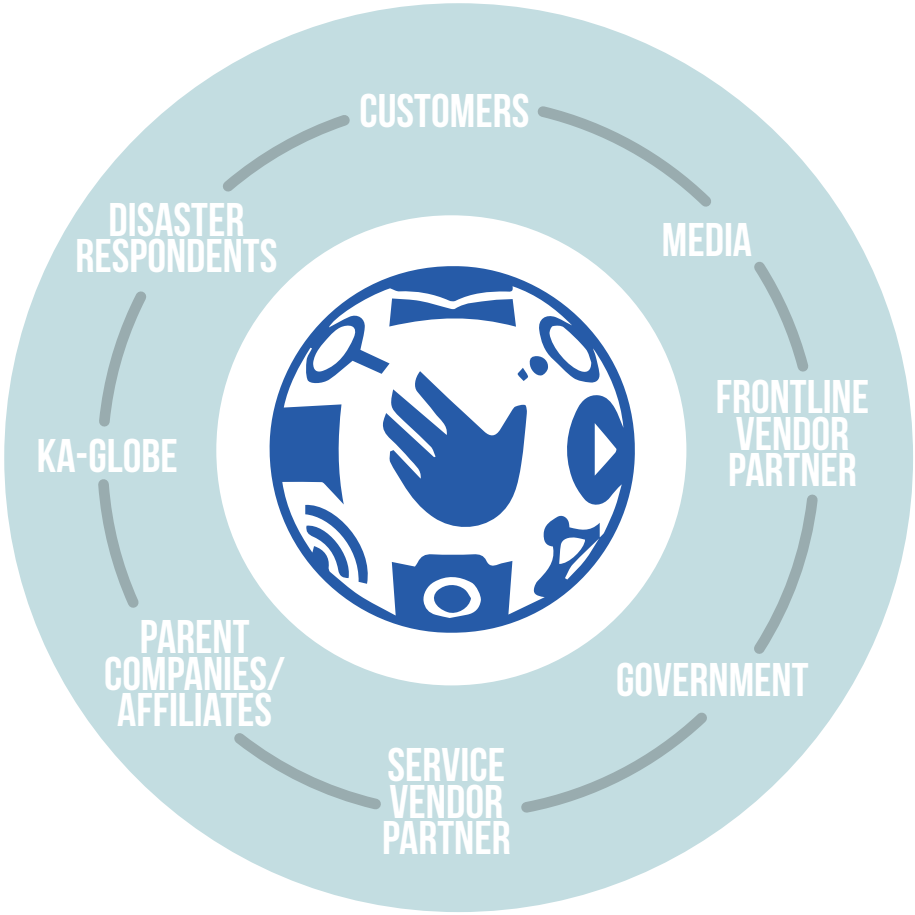
[1]*Stakeholders raised the following issues as their top areas of concern*

ISSUES[2]	DESCRIPTION
Customer Data Protection and Privacy	Customer privacy and data losses that may lead to fraud and/or other cyber threats
Economic Impacts and Financial Performance	Direct and indirect economic impact on significant locations of operations
Learning and Development	Expand the knowledge base of our employees and partners through trainings and lifelong learning
Overall Customer Experience and Service	Measure the level of engagement and satisfaction of our customers; how are we addressing their needs
Environmental Responsibility	Compliance to various environmental standards of our value chain and our partners
Responsible Business Operations	Compliance to laws designed for regulating anti-competitive behavior, anti-trust, or monopoly practices; managing risks of incidents of corruption within and outside the organization
Health & Safety	Occupational health and safety of our people and our frontline and service vendor partners; as well as our customers
Human Rights	Equal opportunities for all; mitigating forced and child labor throughout the operations
Employee Welfare	People engagement with the company by looking into compensation, benefits, etc.
Community Development and Public Service	Local community engagement, impact assessment, and development programs
Product & Service Labelling	Accessible and adequate information on products and/or services that will make informed purchasing choices
Network Investment	Efficiency of our network infrastructure in terms of quality, reliability, coverage, connectivity, and accuracy in terms of billing and usage
Responsible Supply Chain Processes	Vendors contracted by the organization compliance to environmental, social, labor, and human rights policies and practices
Company & Brand Reputation	Transparent disclosure of all information, especially on products and/or services, so as not pose a risk to reputation, customer loyalty, and satisfaction
Disaster Risk, Response and Preparedness	Readiness, in terms of preparedness and response, of the company toward our people and customers during disaster

[2]*Issues are not based on any prioritization or ranking*

STAKEHOLDER ENGAGEMENT G4.24, G4.25, G4.26, G4.27

Due to the shift in the behavior of our stakeholders, we decided to conduct a full stakeholder engagement exercise in 2015. To start off, we revisited the members of our Sustainability Working Committee and expanded the representatives from those identified in 2012. The committee then identified their respective stakeholders based on their level of influence in terms of environmental, social, and governance performances. As a result, stakeholders were now grouped into eight categories: customers, frontline vendor partner, service vendor partner, government, parent companies and affiliates, employees, media, and disaster respondents. We took into account the expectations of our stakeholders, whose opinions and inputs we carefully listened to.



STAKEHOLDER GROUP	MODE OF ENGAGEMENT	ISSUES	HOW WE ADDRESS THEM
Media	• Program launches • Forums • Conferences and meetings • E-mail correspondence and updates • Focus group discussions	• Overall customer experience and service • Company reputation and citizenship • Public service	• Experiential press launches like the WWG quarterly series • Quarterly investor relations, media briefings, and Annual Stockholders' Meeting • Annual Media Excellence Awards in Visayas and Mindanao • Annual Tatt Awards nationwide • Ayala Group Corporate Communications Council
Customers	• Customer hotlines and other self-service channels and/or touchpoints • Satisfaction and engagement surveys • Field visits • Company product launches	• Network investment • Company reputation and citizenship • Overall customer experience and service • Environmental responsibilities	• Continuous network modernization program • Ongoing migration of all line of business into one business support systems (BSS) platform • Expansion of Globe GEN3 Stores • Enhancement of self-service channels • Knowledge Management System (KMS) • Service culture program to employees and vendor partners
Ka-Globe	• Engagement surveys • Independent development plan discussion • Performance evaluation • Planning, meeting, and/or kick-offs • Strategy alignment	• Empowerment and accountability • Total rewards and benefits • Engagement activities • Learning and development • Company reputation and citizenship • Working relationship	• Globe University • Customer First Circle • Internal communication channels • Everyday Leadership program • Quarterly townhalls • Various interest clubs • Ayala ASSIST app, centralized emergency mobile application
Government	• Conference, meetings, and/or electronic dialogue • Compliance with laws and regulations • Partnerships	• Network investment • Compliance • Environmental responsibilities	• Transparent and timely submission of compliance reports • Mobile and ICT solutions • Internal and external audits (i.e. quarterly network service test with NTC)
Disaster Respondents	• Meetings	• Disaster preparedness, response and risk management • Compliance	• Community-based disaster risk reduction and management program • Mobile and ICT solutions • Nationwide participation of emergency safety drills and other disaster-related government initiatives • Participation in the GSMA Humanitarian Connectivity Charter
Parent Companies or Affiliates	• Board and committee meetings	• Economic impact	• Internationally recognized Enterprise Risk Management practices • ISO 22301:2012 Societal security—Business continuity management systems • Quarterly investors briefing and Annual Stockholders' Meeting
Service Vendor Partner	• Meetings and alignment • Operations review and audit	• Responsible supply chain process • Disaster preparedness, response and risk management	• OHSAS 18001: Occupational health and safety standard • Improved internal procurement process and protocol • In-house service training for vendor partners (i.e. Service Culture-Building Programs; Service Education Program)
Frontline Vendor Partner	• Vendor engagement survey • Townhalls	• Responsible supply chain process • Engagement activities • Learning and development	• Improved internal procurement process and protocol • In-house service training for vendor partners (i.e. Service Culture-Building Programs; Service Education Programs for frontliners) • Extend Business Continuity Plan for stores for regional operations support during disasters

TRANSFORMING SOCIETIES



According to GSM Association's (GSMA) report, "Building Digital Societies in Asia," citizens living in a digital society at a more advanced level are connected to disparate industries, institutions, and infrastructure simultaneously over a digital platform, and are able to interact with them in new ways that create value for all the parties involved. With individual access to digital technologies, people are able to get more personalized solutions to their needs while increasing convenience in everything they do.

Asia, the most diverse region in the world in terms of economic and information and communications technology (ICT) development, is home to some of the world's biggest economies and most connected countries like South Korea and Hong Kong. In contrast, it also contains a number of countries with low connectivity levels and relatively small economies.

According to the same report, the Philippines has an ICT index of 4.0, making it a part of the group of nations tagged as "Transforming Digital Societies," which include Vietnam, Malaysia, Thailand, and Indonesia. These are nations where personalized services are available to the customers and are at early stages of interconnectivity among industries, institutions, and infrastructure. As the leading telecommunications company in the Philippines, we understand the need for us to become the purveyor of the Filipino digital lifestyle and help the country advance as a digital society.

Digital services also have the potential to help solve key challenges that Asian countries face. Many of these countries are struggling to cope with mounting social and economic challenges brought about by rapid population growth, lack of

"Globe should be seen as an enabler of individuals and institutions to grow and be successful, stretching itself into new industries to catalyze success. Because of the strength of the brand, Globe can educate and become part of the fabric of social development, addressing greater good. The company has to be engaged in the creation of wealth and value."

Jaime Augusto Zobel de Ayala,
Globe Telecom Chairman

access to essential services, inefficient utilization of available resources, increasing pressure on existing infrastructure and services, and huge humanitarian and economic costs from natural disasters. Thus, when the United Nations proposed the 17 Sustainable Development Goals in September, we saw the opportunity to make a difference and help create a society that provides a more fulfilling and purposeful life through digital technology.

The future that we envision is one that provides equal opportunities when it comes to education, employment, and access to healthcare. It's where people feel safe at home or at work, and are protected from calamities. It's also where everyone is free to pursue the things that make them happy, where everyone lives in a society that's inclusive instead of exclusive, prosperous instead of wanting, and one that puts people, profit, and the conservation of the environment in equilibrium.

Here is a picture of that future. And it's a lot closer now than you might think.



"Access to information is now a human right, and you [Globe] are the vehicle of this knowledge sharing. You are part of society and have to be aware of your contributions to society."

Gamaliel Cordoba, National Telecommunications Commission (NTC) Commissioner



MAKING HEALTHCARE AFFORDABLE AND ACCESSIBLE

Ensure healthy lives and promote well-being for all at all ages

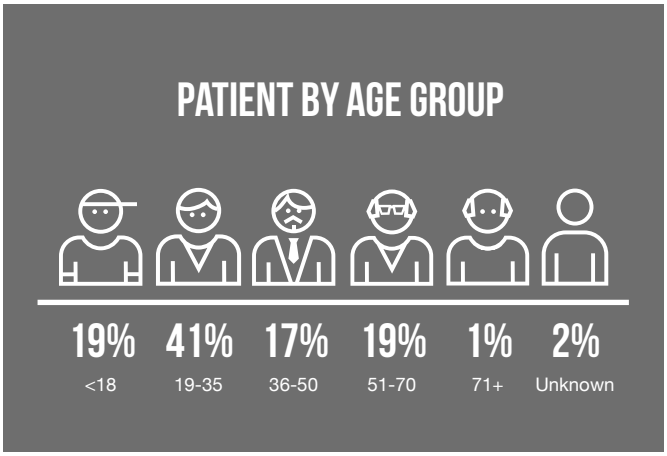


Any society that aims to be productive and innovative relies on healthy citizens. But with under-resourced public hospitals, poor health infrastructure, costly medical consultations, and only 70,000 doctors[3] serving a population of some 100 million, providing basic and affordable healthcare in the Philippines remains to be an enormous challenge.

In August, we launched KonsultaMD nationwide, our first foray into the life services industry. Subscriber of the service enjoy 24/7 service manned by licensed Filipino doctors that provide medical assessment, basic healthcare, and permissible medication over the phone.

A sufficient number of doctors is on duty to cover three shifts to provide advice on cases relating to general and family health, pediatrics, and general medical inquiries. From its soft launch in July, we have over 16,000 active subscribers and have answered a total of 951 successful health-related consultations.

For as little as ₱150, Globe postpaid subscribers can enroll up to four household members to the program. Meanwhile, prepaid subscribers can enrol themselves for as little as ₱15 per week, ₱60 per month, ₱120 for two months, or ₱180 for three months. Calls made from Globe landline phones nationwide are free while calls from Globe or TM mobile phones are charged at only ₱1 per minute. Calls made from non-Globe landlines within Metro Manila are free while calls from outside Metro Manila are charged regular NDD rates. Similarly, calls from non-Globe or non-TM mobile phones are charged regular cross-network rates.





[3]*Approximate number of registered doctors from Philippine Medical Association*



"Many mobile network operators around the world have already tried or started to offer healthcare solutions based on their local context. KonsultaMD underscores the role of telecommunications in transforming the way healthcare is provided worldwide. Through information and communications technology (ICT), KonsultaMD will be able to provide practical solutions in a cost effective manner while enjoying the benefits of modern healthcare."

Maridol Ylanan, Global Telehealth, Inc. CEO

KonsultaMD was made possible through our partnership with Salud Interactiva, a company that has been in the telehealth business in Mexico for 20 years. This enables us to combine our ICT expertise with their industry experience to create healthcare solutions that will truly benefit Filipinos, especially those who lack sufficient access to basic health services. This is only the beginning for us and we are working hard to make our services even better.

In addition to KonsultaMD, we have made two strategic investments in the healthtech sector through our wholly owned subsidiary, Kickstart Ventures.

First is Lifetrack Medical Systems, which is a digital healthcare startup that makes radiology readings from x-rays, CT scans, and MRIs more accessible and affordable through their unique radiology software platform. This helps address the shortage in the number of qualified radiology technicians around the world, particularly emerging markets like the Philippines. Kickstart has also invested in Medix, a cloud-based clinic management service. Initially designed for dental practices, it has eventually developed an electronic medical record platform that's already being used in hospitals and clinics in the Philippines, in addition to being the system used by the Ayala Corporation's chain of community clinics called Family Doc.



EXPANDING AVENUES OF LEARNING

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

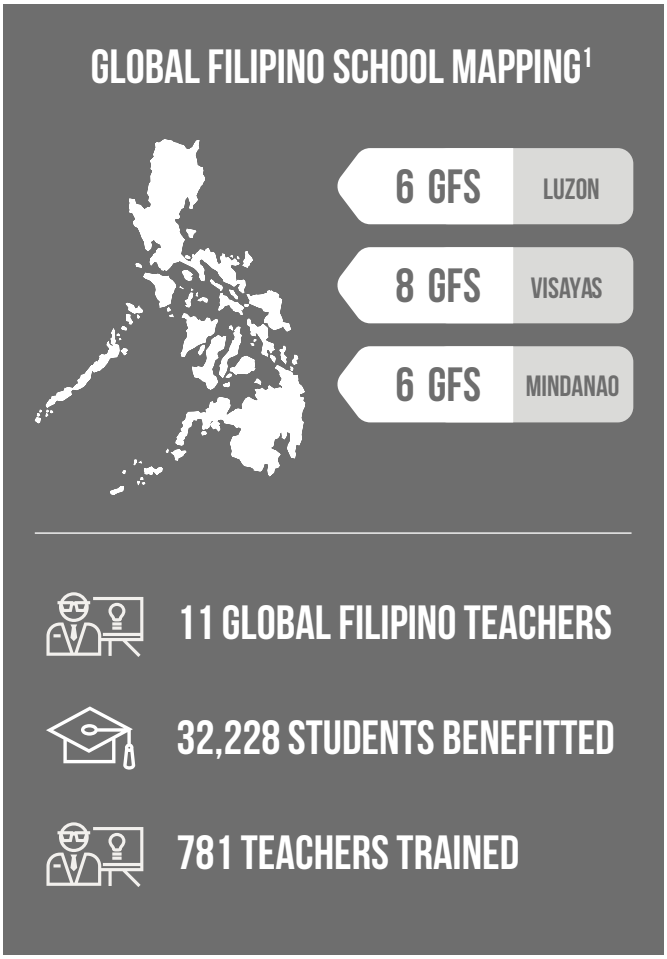
A nation's economic development depends largely on the level and quality of education of its citizens. When they receive better education and achieve higher levels of learning, they have better chances of moving up the economic ladder.

Developments in technology, particularly mobile internet adoption and the availability of affordable data-capable phones and tablets, have made it easier for both students and teachers to access a vast library of information previously out of their reach. Students can go beyond what they learned in the classroom with just a few clicks. Teachers benefit too, because the information they get from the internet can make for more interesting and enriching lessons. Meanwhile, tablets and internet-capable phones enable anyone to access the information they need whenever and wherever possible.

However, figures from the Department of Education (DepEd) Education Management Information System Division show that only 12,121 or 25.9% of the country's 46,739 public schools have internet access—7,800 for elementary schools and 4,321 for high schools. This means that more than three quarters of public schools are missing out on the benefits that having internet access provides. Lack of adequate infrastructure is one of the reasons for this, which consequently slows down the progression of our country's human capital.

Globe has been a longtime advocate of education. This pushed us to give Filipino especially those who are underprivileged yet deserving more access to educational opportunities through ICT and setting up an environment that's conducive to learning.

Text2Teach, in partnership with Ayala Foundation, is our first large-scale effort in advancing mobile learning to boost quality education since 2008. Using our network, teachers can access, download, and store videos and materials for Grade 5 and 6 students in subjects around english, math, science, and values education to their mobile devices and connect it to a normal TV or a video projector to play the videos to a class. With a wide selection of materials, the program truly makes significant contribution in the learning of the underserved schools and communities in the country. To date, there are 1,493 Text2Teach recipient schools with 7,465 trained teachers, benefitting 315,600 students.



[1]*Data is a cumulative figure since 2012*

Then there is the Global Filipino School (GFS) program. Since 2012, this has transformed select public schools into centers of ICT excellence and creates teacher training hubs that aim to increase understanding and effective usage of ICT in the classroom.

As of end 2014, we have transformed a total of 11 schools into GFS across the country, including Bilar National High School in Bohol, City Central in Cagayan de Oro City, and New Ormoc National High School in Ormoc City; benefitting and estimated 32,000 students nationwide. Through our partnership with the DepEd and selected public schools, we have been able to provide unparalleled online connectivity, a



Globe Mobile Laboratory package, and 21st Century Teaching Methods using ICT in the classroom. Before the year ended, we closed a partnership with Ayala Foundation, Inc. to connect nine more schools nationwide into GFS, totaling 20 schools in 2015.

The 21st Century Teaching Method is based on P21's Framework for 21st Century Learning. This defines and shows student outcomes or the skills and knowledge that students need to succeed in the 21st century, not only in the classroom but also in their work, life, and in the society in which they live. Support systems complement these outcomes, which ensure students master the skills required of them.

The GFS falls under two student outcomes—Learning and Innovation Skills, and Information, Media, and Technology Skills. With Learning and Innovation Skills, students are trained to be creative, think critically, communicate, and collaborate in preparation for a more complex work and life environments ahead of them. Meanwhile, the Information, Media, and Technology Skills outcome helps students use the wealth of information available to them today more effectively. These outcomes are supported by 21st Century Learning Environments, the support system which aims to provide all students with equal access to "quality learning tools, technologies, and resources" among other things.

Teachers are also trained on ICT education and project-based learning through the Global Filipino Teachers (GFT) program so they can maximize the resources provided to their school. To further extend quality education, mentors impart their 21st century teaching skills to their peers through the GFT lead program. To date, we were able to train 781 teachers from the program; 279 were trained by our GFT teachers and 502 were trained by our partner Coalition for Better Education (CBE).

Apart from preparing public schools for 21st century learning, we also find ways to showcase how technology can make learning even more exciting. In partnership with The Mind Museum, we developed a mobile application called The Mind Museum App to increase interest in science and appreciation toward the different initiatives that The Mind Museum accomplishes. Launched during World Teachers' Day in October 5, the app features a guide on its 250 different exhibit pieces, questions ranging from K to 12 topics that stir students' curiosity, and do-it-yourself experiments that both teachers and students can try in the classroom or at home.

In addition, Kickstart Ventures donated ₱1.5 million to the Bonifacio Art Foundation, Inc. (BAFI)—The Mind Museum's parent company—to fund the design, construction, and management of The Maker Studio Pilipinas. It is an educational package composed of two components. First is a set of modules that encourage individuals seven years old and above to create and build their own inventions using available resources. Then there is a mobile maker space where people can access creative learning materials, which can be deployed within or outside the museum.

Kickstart's donation aims to provide an extraordinary educational experience that inspires better understanding of science by the public, creates engagement, and builds a feeder system for tech talent.

To push the boundaries in the learning innovation and transforming the full spectrum of our education systems, we launched the Globe Education Solutions suite in 2015. The suite provides life-long learning by combining our vast infrastructure with solutions provided by top companies in the education sector—Brightspace of D2L, Educube of Globals, and Flipside.

Brightspace—an integrated learning platform—can increase student engagement, personalize students' learning experience, and enable teachers to fine-tune their teaching methods through data-driven analytics.

Meanwhile, Educube helps school administrators streamline their business processes using Educube's Enterprise Resource Planning designed specifically for schools. With this kind of system built in, schools will be able to automate and integrate all of their administrative services, including staff and student information, admissions, enrolment, fees management, payroll, attendance, and grading system.

"Education is probably the most impactful long-term development goal that technology can aid. In terms of relevance, Filipinos place education at the top of their priorities as a means to equalize access to opportunities and lift families from poverty. There are also clear opportunities in content and access, the latter being particularly addressable through mobile and broadband infrastructure."

Mike Frausing, Globe Senior Advisor of Enterprise and IT Enabled Services Group

Finally, our partnership with Flipside Publishing Services, Inc. can increase adoption of the use of electronic books—also known as e-books—through solutions such as conversion, aggregation, branding, retailing, publishing, and distribution of e-books for the Philippine educational system. We also lent our support for Flipside in introducing the Philippine Educational E-book Reader (PEER), an e-reader app where users can read and buy e-books using their desktop, Android, or iOS device. As of end 2015, there are a total of 286 books for sale in the Flipside library (http://flipreads.com) from 78 contributors. We also distributed free collections of over 1,200 e-books with 35 different BISAC subject headings to libraries in Manila, Caliraya, and Ilocos Norte. In addition, we donated over 250 digital libraries to 158 academic libraries from schools and universities and 22 government institution and public libraries throughout the country through our partnership with the Philippine Librarians Association, Inc.

PROVIDING A HEALTHY AND SAFE WORKPLACE

G4-LA5, G4-LA6

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

Globe employees are integral to our success as a company. We thus put a premium on ensuring their health and safety in their place of work and even outside of it. We do this through our strict adherence to government's Occupational Safety and Health (OSH) standards and the OHSAS 18001 Occupational Health & Safety Management Systems Standards, as well as a host of other related programs.

We currently have two OHSAS-certified facilities—our Valero office and GTI. However, the same safety practices and standards apply to our other sites as well. This ensures that we minimize everyone's exposure to risk and accidents, including contractors, vendors, visitors to our sites, and our employees. We've seen a decrease in incidents, which includes motor vehicle and/or office-related injuries, from regular Globe employees because of proactive OHSAS standard implementation and safety training courses. There are no reported accidents[4], fatality, and disabling injury in 2015.

NUMBER OF INCIDENTS

2015	2014
165	221

Our Occupational Safety and Health Policy guide us in protecting the health and safety of our employees and the surrounding communities where we operate. Part of implementing this policy is the annual physical examination (APE) that all employees are required to have. In 2015, 97% of our eligible employees took control of their health through availment of their APE. Our in-house health adviser then uses the result of the examination to provide personalized wellness programs to each employee and the quarterly consultations that track the progress of the program. In September, we also introduced a licensed dietician who can guide employees on how to eat right based on their specific circumstances. As of end 2015, 122 employees engaged with the dietitian and jumpstart a healthier lifestyle. Meanwhile, our partnership with Maxicare ensures that employees get the best in-patient and outpatient coverage they deserve.

There are various employee engagement activities as well to promote the well-being of our employees. Those who are housed in the Globe Tower have access to an indoor gym with daily specialized classes ranging from Yoga to TRX. As another alternative, employees can get special discounts at leading gyms through our partnership with the likes of Fitness First and Gold's Gym. Those who love sports can also join competitions such as the Ayala Group-wide sportsfest, basketball, and bowling tournaments.

With regard to safety, we disseminate and make public to our employees, through our intranet, a Safety, Health, and Environmental Management System (SHEMS) manual that covers mitigation of operational risks and a proactive approach to creating a safer workplace, such as correct ergonomics at work and avoiding serious illnesses. We also assigned and trained around 15% of our total employees to assess all health and safety hazards in the workplace and communities, and proactively created programs to address these incidents.

HEALTH & SAFETY COMMITTEE MEMBERS



2015	2014
769	696
11% of total workforce	11% of total workforce

[4] *Accidents are uncontrolled events that results to lost of days work of employees due to injury*



Aside from the Health & Safety Committee, regular safety drills and trainings are also performed to ingrain in each employee best practices and standards that must be followed in case of an emergency. Throughout the year, we have conducted training courses which spread out in 17 batches with a total of 240 participants composed of our regular employees in 2015.

The most significant drill of the year was our participation in the Shake Drill led by the Metro Manila Development Authority held on July 30. It was a Metro Manila-wide simulation of a 7.2-magnitude earthquake originating from the West Valley Fault System in the National Capital Region. A total of 17 sites participated in this drill—11 of which are Globe sites and the remaining six being Bayantel sites—and involved over 7,000 employees, occupants, and visitors in those sites. It was the first time this type of drill was conducted on this scale, and it featured high employee turnout, especially in The Globe Tower (98%), Globe Telecom Pioneer (94%), and Valero Telepark (89%).

TRAINING COURSES

- DEFENSIVE DRIVING
- DEFENSIVE DRIVING FOR OFF-ROAD
- INDUSTRIAL CLIMBING, HAULING AND ROPE ACCESS
- INDUSTRIAL FIRST-AID AND BASIC LIFE SUPPORT
- WATER SAFETY AND RESCUE
- EMERGENCY PREPAREDNESS AND RESPONSE FOR STORES
- ARTICULATED VEHICLE: DRIVING COURSE

INCREASING PRODUCTIVITY AND PROSPERITY

G4-EC8, G4-SO2

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

Micro, small, and medium enterprises (MSMEs) provide jobs and more opportunities for financial growth to millions of Filipinos. According to the Philippine Institute for Development Studies (PIDS), 99.6% of enterprises in the Philippines are MSMEs, which employ 62% of the country's workforce. A huge majority of these are micro enterprises, comprising 91.55% of the total number of enterprises, followed by small with 7.66%, medium enterprises with 0.40%, and finally large enterprises with 0.39%.

Despite the status of MSMEs as the country's main economic driver, many face challenges that usually include the lack of access to finance, technology, and skills, as well as supply chain problems. We help them overcome these challenges through Globe myBusiness, which supplies business owners with all the ICT tools they need to efficiently run and grow their enterprises.

First there's myWebsite where MSMEs are able to build online presence with their own customized website at a price point suited for small businesses. Their business can now be search optimized to reach a wider audience. The service comes with a free 30-day trial.

Meanwhile, the Google Apps for Work suite provides businesses with essential tools to get their work done, including a personalized business e-mail on the Gmail platform, Google Hangouts for video meetings and group messaging, and Google Drive for creating and collaborating on documents, spreadsheets, and presentations over the cloud system.

We also help simplify inventory tracking with myShopkeeper which employs a paperless inventory tracking system. It also creates a centralized dashboard for inventory and sales transactions organized for the business owners. It can improve transaction time and efficiency especially for repetitive tasks and can make re-stocking easier with its stock balance feature.

When it comes to reducing physical documents, MSMEs can use Canvas. It's a digital form builder that businesses can use to create, organize, file, and process documents online that eliminate paperwork. They can customize their own forms or choose from over 16,000 templates to get them up and running instantly.

Shopify makes e-commerce much easier. Merchants use the platform to manage every aspect of their business—from products to orders to customers, selling online, in retail stores, and on the go. Accounts have a dashboard that business owners can use to manage their inventory, track their orders, and monitor their sales. We can also link up businesses with other services such as a payment gateway and courier services to streamline their operations further.



Physical stores can also start accepting credit and debit card payments with Globe Charge, a card reader that attaches to a smartphone or tablet. Getting the device is easier too because it has fewer requirements, a low service fee, a downloadable app for easy setup, and features next-day deposit to their account.

As it is already a growing expectation, establishments can provide WiFi access to their customers with myBusiness WiFi Hub. It has a built-in printer that generates and prints logins and passwords for customers. Up to 20 users can connect to the WiFi Hub simultaneously, and businesses can choose to provide access based on either time or volume consumed.

To top off all of these tools and features, the Globe myBusiness postpaid plans also give businesses more flexibility when it comes to staying connected online through our various data offers. Businesses can get all-day access to app bundles through the myBIZ App. They can choose specific bundles for messaging, shopping, travel, and fitness as deemed fit for their own needs.

Moreover, we find ways in bringing our solutions closer to entrepreneurs nationwide through events like Globe myBusiness Day. We held the first one in Cauayan, Isabela, since it is considered as one of the country's first smarter cities as declared by the Department of Science and Technology (DOST), to enable businesses to avail of our solutions as well as to educate them on running their business. We pooled different sectors and government units for the learning sessions to encourage participants to run their own business. The event also featured franchising options for people who were still unsure about the type of business that they want to set up. Events like these not only help us promote our products, but more importantly boost the growth of enterprises in regions outside of Metro Manila.



As more organizations adopt new business models related to mobility, cloud computing, the Internet of Things (IoT), and the Internet of Everything (IoE), the enterprise is becoming an amorphous environment.

Globe Business, through our information and communication technology (ICT) arm, commits to revolutionize and build up Philippine enterprises and business organizations through ICT. We help them realize the importance of ICT in making them more efficient and productive so they can succeed and expand their reach globally.

As early as 2011, Globe broke ground as the first telecommunications company to offer infrastructure cloud computing solutions in the country. Cloud computing has become an important factor for any service that requires information coming from a digital network. In the past, this was only limited to private enterprises, but it has since expanded to serve different types of businesses developers and startups to large companies as served by Globe Business.

Businesses enjoy a number of benefits when they transition to cloud computing, including considerable savings and increased productivity. This is because this solution offers scalability where businesses can adapt immediately to the needs of their customers without upgrading their infrastructure. Meanwhile, productivity is improved as this technology allows employees to access files and collaborates wherever they are in the world.

"Making these business solutions readily available to SMEs is a big step to help them discover new ways to reach their customers and grow their businesses. In a way, we are helping them realize that these digital solutions are not as complex to use but can actually make their operations more cost-efficient and reliable over traditional business processes."

Martha Sazon, Globe Small and Medium Business Group Senior Vice President

More importantly, cloud computing addresses the issue of sustainability as it gives businesses the option to forego expensive data centers that require considerable energy to run. That is why when businesses choose cloud computing, it is not only they who win, but the environment as well. These environmentally conscious actions can also have an effect on the evaluations conducted by rating agencies, helping boost the company's image.

These are the same benefits that our CloudSolutions product provides to businesses, regardless of their size and scale of operations. They can avail of these services: (a) Infrastructure-as-a-Service (IaaS), (b) Infrastructure Services, and (c) Software-as-a-Service (SaaS).

IaaS helps organizations save up on their file storage costs and equipment by using a virtual environment where business-

critical information can be stored. Doing so enables them to let go of cumbersome and expensive physical hardware or servers. Globe enables businesses to use IaaS by providing them with a Virtual Private Cloud (VPC). Here, our virtual servers are hosted in our data centers where consumers can store or launch their own private cloud resources.

This service is flexible as well, because consumers can scale their own requirements by customizing the service's vCPU, vRAM, storage, and other components.

Our CloudSolutions also comes with a Dedicated Private Cloud (DPC) service where businesses can build their own private cloud by leveraging pre-configured and tested components. Additionally, the solution also leases customizable Dedicated Server Hosting to clients.

Then there's our Disaster-Recovery-as-a-Service (DRaaS) solution. This protects our clients' data and their applications in case of natural or man-made disasters.

On top of IaaS, DRaaS, and SaaS solutions, we also provide Back-up-as-a-Service (BaaS), Google Apps for Work, Microsoft Office 365, Canvas, PayrollCloud, and DocumentCloud solutions for businesses that wish to fully utilize cloud computing.

Then there's AdSpark, a Philippine digital solutions startup and a wholly owned subsidiary of Globe, which helps entrepreneurs tap into their customers online through affordable digital marketing and advertising. In 2015, AdSpark acquired social marketing company Socialytics to provide better understanding of social media analytics and metrics to improve performance on digital platforms.

LocalUp, formed under the AdSpark and Globe umbrella is a Digital Marketing Agency dedicated to bringing SMEs online. LocalUp focuses on helping Small & Medium Businesses establish themselves in the local digital landscape through search optimization and SMS marketing that enable localized and targeted campaigns for their consumers.

Of course, our work doesn't end there. We continue to increase productivity at the Bottom of the Pyramid (BoP) through our sustainable livelihood program. In 2015, we helped generate ₱12.7 million in revenues for the sector, which is about a 92% increase from the previous year, by providing them ICT connection, capacity building support and market access. We also enhanced our program strategy and partnered with KIVA and other organizations which contributed to the increase in revenue.



We also expanded sustainable livelihood opportunities for vocational students in collaboration with Educational Development Center (EDC), a global non-profit organization which addresses some of the world's most urgent challenges in education, health, and international development. Through EDC's Accelerating Work Achievement and Readiness for Employment (AWARE) program, we hosted 54 technical-vocational students from Benigno Ninoy Aquino High School (BNAHS) and Eulogio "Amang" Rodriguez Vocational School to improve their work readiness by sharing EDC's ICT expertise.

Students received five-day mentoring on the latest technologies, shadowed our technicians, and received hands-on training on various hardware processes, as well as software installation. These activities expose the students to new technologies and develop their knowledge and skills in ICT.

To generate additional income opportunities for the BoP, we continued with the AMAX caravan in partnership with the Department of Social Welfare and Development (DSWD) through their 4Ps program.

Meanwhile, as we further promote the digital lifestyle, we partnered with Kiva, a company with a mission to connect people through lending to alleviate poverty, our customers can easily send funds through GCash to people from local micro-enterprising programs under agriculture, services, food, and the retail sector. Beneficiaries of this program include Negros Women for Tomorrow Foundation, BagoSphere, and Paglaum Multipurpose Cooperative, among others.

BANKING THE UNBANKED

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

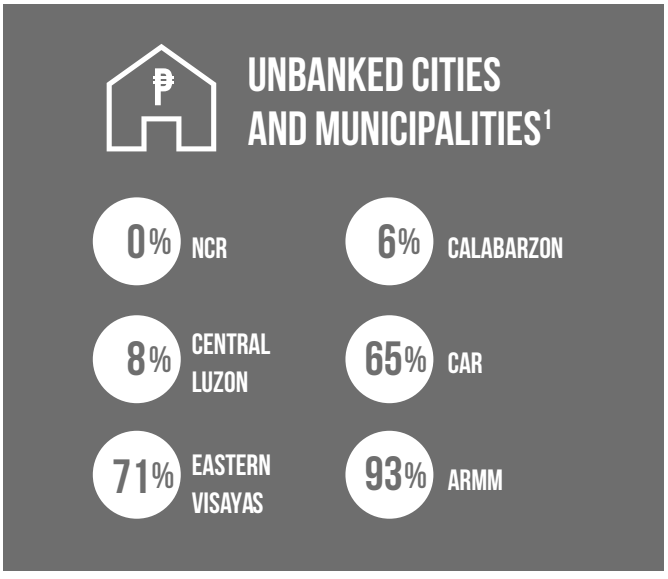
Lack of access to financial services remains a common problem among Filipinos. According to Bangko Sentral ng Pilipinas (BSP), four out of ten Filipino adults put aside money to save. Sixty-eight percent of those who saved money keep their savings at home, 33% saved in banks, 7.5% in cooperatives, and 2.6% in group savings, also known as *paluwagan*. As much as 12% of municipalities in the Philippines remain unserved.

These factors make obtaining credit difficult for the unserved and underserved, which is why many are forced to borrow from informal sources such as family, relatives, and friends (62%) and informal lenders (10%). Meanwhile, getting remittances from overseas poses challenges as well due to high bank transaction costs and the time and effort needed to pick up the remittance from outlets.

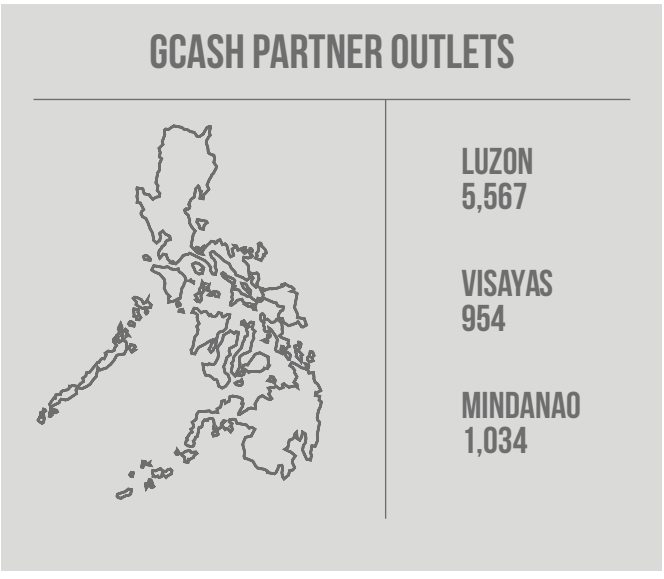
Mynt, a wholly owned subsidiary of Globe Telecom, aims to build a unified Globe financial services structure that provides those financial services that previously were not available to most Filipinos. The continuing shift to a digital lifestyle presents a unique opportunity for us to boost financial inclusion in the Philippines with the use of mobile technology.

Since our launch in 2004, GCash has evolved from a mobile wallet into a digital money transmitting business service. There are 2.32 million GCash account holders who can receive monetary transfer that can either be used for purchase, to pay for specific things like load and bills, or it can also be withdrawn in cash from our 7,555 Globe partner outlets nationwide. There are 1.2 million account holders carded with a GCash Mastercard, who enjoy the benefits of cashless shopping and online purchases on sites where credit cards are usually required. The PowerPay+ product simplifies salary disbursement for business owners and handling of employee's loans.

With more Filipinos taking their business online, the lack of secure payment platforms needs to be addressed. Globe Charge enables businesses to accept credit card payments using a small device that can easily be connected to a data-capable phone. The system is more convenient than manual point-of-sale (POS) systems and be activated on public WiFi or a mobile data subscription to operate the service. As of December 2015, we have 3,110 merchants utilizing the service.



[1]*BSP Financial Inclusion in the Philippines 1Q2013*





More than a million Filipinos who ride the Light Rail Transit (LRT) and Metro Rail Transit (MRT) daily can finally enjoy the combined convenience of paying for their MRT and LRT fares plus engaging in cashless shopping and bills payments with the new GCash beep Mastercard.

GCash beep Mastercard is the first value-added card to be beep ready, allowing cardholders to load and pay for their MRT and LRT trips easily, while maintaining the functionality of an ATM and debit card. The tap, swipe, and shop feature also makes it easy for customers to just tap the card to pay for their fares, swipe their card for purchases, and even shop online for apps and online goods. Currently, the beep card can be used at any of the 33 million Mastercard merchants worldwide, LRT and MRT lines, and select partner establishments. Since our launch in October 2015, there are approximately 30,980 GCash beep Mastercards sold.

Working with BPI BanKO, we also offer microloans to commercial loan programs for entrepreneurs who wants to scale up their businesses. For the year 2015, we have disbursed ₱300 million loans to around 9,000 borrowers.

Mynt will pioneer initiatives that enables financial services previously not available to most Filipinos. Through mobile technology, we will provide our customers with instant access to payments, disbursements, e-commerce, insurance, investments, and remittances, while also providing an ultra convenient and safe way to store and access their funds. By leveraging on technology and alternative credit scoring models, we will also eliminate informal lending and drive loans that are quick and easy with affordable rates.

By being the center of our customer's financial lives, we will do our part to enable every Filipino's digital lifestyle.

"This move underpins our commitment to help drive mobile money adoption by removing barriers between different providers. We advocate mobile money interconnection to lower cost, increase convenience, and formalize cross-border remittance flows."

John Rubio, Mynt President and CEO

GIVING EQUAL OPPORTUNITIES TO ALL

G4-9, G4-10, G4-11, G4-LA1, G4-LA9, G4-LA12, G4-HR4

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

At Globe, we promote a culture of collaboration in diversity, which gives us a significant edge as our customers shift to a digital lifestyle. Through this kind of culture, we are able to draw from a wide range of ideas and experiences that help us shape products and services that are better suited to what our customers need.

We welcome every employee regardless of their gender, age, religion, or ethnicity. Our full-time employee of 6,864, 11% higher than the previous year due to our Bayantel merger, is almost evenly balanced as 53% are male, while the remaining 47% are female. At the board level, one female executive sits as independent director. In addition, five of our 11 key officers are female, proof that both men and women receive equal opportunities in our organization.

Under the internal employee tiering, Globe recognizes the right of employees to form organization for the purpose of collective bargaining. In Globe, employees under our collective bargaining unit (CBU) are part of Globe Telecom Employees' Union - Federation of Free Workers (GTEU-FFW). These ensure our compliance to the Department of Labor and

EMPLOYEE PROFILE		2015
BY AGE	UNDER 30 YRS OLD	1,543
	30-50 YRS OLD	5,116
	OVER 50 YRS OLD	205
BY REGION	LUZON	5,772
	VISAYAS	656
	MINDANAO	436

TURNOVER		2015	2014
GENDER	MALE	302	286
	FEMALE	297	226
BY AGE	UNDER 30 YRS OLD	172	165
	30-50 YRS OLD	402	326
	OVER 50 YRS OLD	25	21
BY REGION	LUZON	497	434
	VISAYAS	58	48
	MINDANO	44	30

NEW HIRES		2015	2014
GENDER	MALE	677	355
	FEMALE	609	357
BY AGE	UNDER 30 YRS OLD	615	439
	30-50 YRS OLD	664	273
	OVER 50 YRS OLD	7	-
BY REGION	LUZON	1,131	619
	VISAYAS	84	38
	MINDANO	71	55

Employment's Collective Bargaining Agreement (CBA). And part of our CBA, there is a Labor Management Council, a venue where Management and the Union, discuss and resolve issues pertaining to productivity, policy, and customer service. A grievance committee is also established to process any grievance that may arise from time to time in accordance with the grievance machinery. We do not discriminate, interfere, restrain, or coerce any CBU in exercising their right as a member of the union.

PERCENTAGE OF CBU EMPLOYEES[1]

	2015	2014
	217	359
	3.16% of total workforce	5.81% of total workforce

[1]Excluding Innove Communications and G-Xchange, Inc.

We also look after our employees' welfare by offering flexible benefit plans to suit individual needs from healthcare, security, financial to value-added benefits. As for our part-time employees, we still treat them as one family. Even though they do not enjoy the full suite of benefits that a regular employee can, they are at least covered by statutory benefits.

For a holistic personal development, we also offer volunteering opportunities to support our employees' advocacies. Guided by our employee volunteer manual, they may choose from either activity-based or skill-based volunteering. Volunteer time-off are provided to enable them to share in their desire to contribute to social development.

We believe that education is a great equalizer. Every employee is believed to have leadership potential regardless of their rank and stature. We thus give every Globe employee access to continuous learning development through Globe University. It develops their leadership and managerial skills,



VOLUNTEERING BY THE NUMBERS

2,342 UNIQUE GLOBE EMPLOYEES

23 SINGTEL AND OPTUS EMPLOYEES

IMPACT

58 SCHOOLS REACHED

16 LGUS SERVED

40 NGOS BENEFITTED

4 OTHER GOV'T AGENCIES ENGAGED

22,686 BENEFICIARIES[1]

[1]Data is based on information provided by the volunteers

giving them a competitive advantage in their area of expertise. To further strengthen our commitment to this initiative, we've come up with new programs and courses in 2015 and renovated the entire fifth floor of our old office, Globe Telecom Pioneer, to our very own Globe University. This provides employees with an environment more conducive to learning, and at the same time enables us to increase the number of employees we can accommodate.



"Globe Telecom strongly believes that in order to best serve our customers, we should have highly engaged employees who excel in their own field of expertise. By investing in our people, we are able to outperform competition, be first in the market, and provide customers with the most innovative mobile solutions and superior customer experience."

Renato Jiao, Globe Chief Human Resource Officer



[1] *Towers Watson*

Anchored on our leadership and functional competencies, we have introduced five new academies—Sales and Marketing, Technical, Leadership, Professional Development, and Culture—to build competencies and to accelerate talent pools necessary in setting up for the next Globe. This initiative has resulted in a 120%[5] increase in total employee training hours in 2015 compared to 2014, based on the ratio of training hours per headcount.

At the end of the day, it boils down to engaging our employees to keep them committed and connected to their work to give our customers that wonderful experience. We recognize and reward our employees through spot recognition and our annual employee awards for a job well done. In 2015, Globe once again received above norm of an overall sustainable engagement score of 89%, 2% higher than 2014.

Equality also means that everyone has equal responsibilities when it comes to upholding the company's values and reputation. The Globe Code of Conduct remains the guide of our Board of Directors and all employees, including our subsidiaries and affiliates in this aspect. This involves practices such as online resources on whistle-blowing, information security protocols, and honesty and integrity practices. As we take cases such as corruption, bribery, and extortion seriously, we impose sanctions on any employee proven to have committed such acts.

[5] *In 2014, ratio of training hours is at 10 hours per headcount; while in 2015, 22 hours per headcount*

FOSTERING CONNECTIVITY

G4-EC7

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation



Over the past years, we have invested in a robust network infrastructure to enable an enjoyable digital lifestyle, empower businesses with digital capabilities, enhance productivity, and make them globally competitive.

We reached a major milestone in late 2014 when we completed our rollout of HSPA+ technology, giving us 100% 3G and 4G coverage across the Philippines. In addition, we made strategic partnerships that put the latest broadband technology to our customers.

Our partnership with Alcatel Lucent has helped further extend our mobile ultra-broadband infrastructure in the Visayas and Mindanao using LTE-TDD and LTE-FDD technologies. We are also in the process of implementing LTE-CA and LTE-eMBMS technologies, which will increase our bandwidth capacity and allow us to deliver video and multimedia services on our LTE network, respectively.

As we foresee an explosive growth in mobile data services traffic, Globe became the first operator in the world to deploy Huawei Technologies' SingleSON (self-optimizing network) solution in March. This will enable us to manage a more complex network effectively and provide our customers with unparalleled digital experience. We have since tested it live in our network's 20,000 2G, 3G, and 4G cells, which saw excellent results and immediate improvement on both drop call rates and our users' throughput.

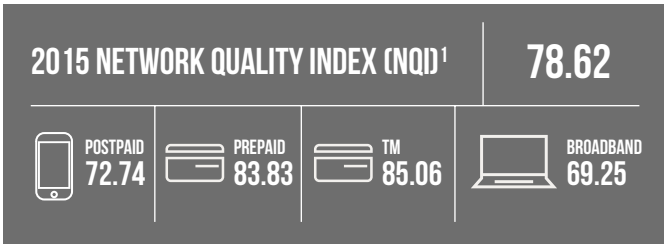
"Globe is committed in investing in and developing its mobile broadband network, understanding the needs of a growing chunk of our customers for high-speed data connectivity on their mobile devices as they continue to build their lives around a digital lifestyle."

Ernest Cu, Globe President & CEO

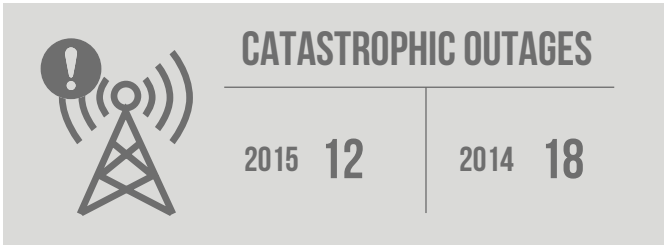
In November, we also signed a five-year partnership deal with Huawei in a bid to further enhance and expand our mobile network. The partnership involves planning and design of a mobile broadband network utilizing the latest state-of-the-art technology trends. The project also involves the creation

of a "mobile innovation center" to yield innovative products and solutions that would ensure we maintain our competitive edge and leadership in the intensely competitive local telecommunications industry.

We posted one of the highest capex-to-revenue ratio in the last two years due to our aggressive upgrading and enhancing of our network infrastructure. At a 27% index in 2014, which rose to 28% in 2015, we were investing more compared to the local industry averaging only 23% in both years. In Asia, only China's capex-to-revenue ratio of 36% in 2015 and 33% in 2014 exceeded those of Globe based on the published financial statements online of publicly listed telecommunications companies in the region, which were compiled and computed per country.



[1] The NQI model was developed in partnership with Polaris Research. In 2015, we adopted a new model; hence results from previous year are not comparable



We also showcased our capability in providing world-class internet speeds during the Asia Pacific Economic Cooperation (APEC) summit in November as one of the official ICT partners. In the various meetings held in different locations in the Philippines, we provided data allocation of 12.5 Gbps, including those held at the Philippine International Convention Center, the World Trade Center, the Ninoy Aquino International Airport, Clark Pampanga, Subic, Iloilo City, Bacolod City, Boracay, and Cebu City.

APEC National Organizing Council Director General Marciano Paynor sent his commendation for the role we played in the two-day summit in a letter. "That the delegates were able to effectively utilize communication technology in aid of substantive discussions made during these meetings was due to in large measure to the facilities provided through the expertise, attention, and assistance of your company."

Customers were able to experience world-class internet speeds by providing them with the fastest fiber connection speeds at home at a more affordable price with our Platinum Broadband Plans. These plans bring exceptionally fast internet speeds of 50 Mbps to 1 Gbps with the fiber-to-the-home technology. These come with unlimited data, no data cap, and free access to Spotify, NBA League Pass, and HOOQ. These plans are initially available at select areas. The new pricing scheme effectively puts the Philippines at par, if not better, against other countries such as USA, Thailand, and Indonesia in terms of affordability of broadband services.

To effectively roll-out our network capacity building program, we are seeking Open Access legislation for the telecommunications industry to help mitigate bureaucratic red tape and other political hurdles that stand in the way in the deployment of telecommunication and broadband infrastructure. We are also calling for the equitable distribution of the 700 megahertz (MHz) frequency spectrum which enables mobile operators to reduce capital and network costs while accelerating the rollout of services at lower prices, so service providers can address the rapidly increasing data traffic amid growing smartphone use in the country.



FIRING UP INNOVATION

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

Innovation is a main driver for Globe in order to remain competitive in the local and global market.

"We have taken on an approach of 'innovate or perish' in our company. If not, we will be driven to extinction by over-the-top players and other emerging technology entities," Globe president and CEO Ernest Cu said in his speech during the Amazon Web Services (AWS) Summit in Singapore in May.

We thus leverage the latest technologies to help us deliver our services to our customers faster and more conveniently than ever before.

Since 2011, we have adopted a 'cloud-first' strategy, utilizing the benefits of cloud computing to help drive down our costs. In the same speech, Cu said that lower costs is essential to the company, "as we spend around US$650 million in capital expenditures annually." For Globe to become more sustainable, "any effort where we can channel our spending from IT resources to bolstering our modernized 3G and 4G network will be important," he added.

Our move to the cloud has not only lowered our costs, but has also helped us deliver our services more efficiently. For example, by moving our public portal such as www.globe.com.ph to the cloud, we are able to adjust our capacity depending on the traffic at any given moment, which is especially critical prior to major phone launches. Our customers can thus continue to shop and browse through our website without any disruption to our service.

Of course most of the innovation we encounter nowadays comes from the startup scene. Over the past three years, we have seen an explosive growth in the number of startups in the country, and in Southeast Asia in general. During this period, we estimate that more than 100 Philippine startups have received funding or grants from institutional investors and angels, further driving expansion and innovation in this sector.

In Tech in Asia's interview with Minette Navarrete, president of Kickstart Ventures, Inc. (www.kickstart.ph), Ms. Navarrete observed that startups based in the Philippines, "have greater interest in solving social problems," including lack of access to credit and financial services in general, education, and healthcare.

She added that the local startup community, particularly those in the Kickstart investment portfolio, has a helpful atmosphere where, "founders show a sincere desire to help others."

Kickstart—as an early-stage venture capital firm focused on digital innovation—plays three key roles: (1) as an investor, it provides critical capital and market access to support entrepreneurs at the riskiest stage of business-building; (2) as an innovation driver, it seeks and promotes new solutions and business models to drive business growth and address fundamental problems at scale; and (3) as an ecosystem developer, it helps foster a national policy environment and a startup culture that is more conducive to collaboration across geographies and organisations.

"We are looking for startups that have strategic capabilities of value to communications and digital companies, in which we could invest more significant sums at Series "A" round and beyond to drive customer adoption and market momentum. These startups can be anywhere in the world and this new fund underscores our confidence that Philippine capital and the Philippine market will support innovation. "

Minette Navarrete, Kickstart Ventures President

Over the past four years, Kickstart has helped foster this much more collaborative and diverse startup culture by organizing grassroots activities like their FinTech, HealthTech, and SaaS Forums, as well as their signature monthly community event, #RaidTheFridge, which brings global experts into dialogue with the startup community. Kickstart representatives have also participated in forums here and abroad, promoting the Philippines as an attractive startup community for tech talent, as well as for investors and global corporate partners.

But there are challenges too, particularly with regard to the ease of doing business, according to Navarrete. For instance, there's no distinction in requirements to incorporate a multibillion-dollar business and million-peso business. Tax regulations are unclear especially around investment instruments, and there are tough reporting standards. Kickstart is helping propose improvements in the policy environment through consultation and participation in forums with the National Competitiveness Council, the Department of Science & Technology (DOST), the Department of Trade and Industry (DTI), and with policy drivers like Senator Bam Aquino.

Despite the challenges, the local startup scene is expected to grow further in the coming years. Kickstart, through Globe, will continue to be at the forefront of innovative solutions that help shape the future in the country.

This year, we earmarked US$4 million for Kickstart's Fund 1 for Seed-to Early-Stage startups, and US$50 million as a second, new venture capital fund (Fund 2) to boost the expansion of Growth-Stage high-potential startups. In addition, we funded four early-stage startup—Innovantage (www.ivantageapps.com), LoanSolutions (www.loansolutions.ph), LifeTrack Medical Systems (www.lifetrackmedicalsystems.com), and Squadzip (www.squadzip.com). Two growth-stage startups, meanwhile, received funding from Kickstart—Switch (www.switch.co) and Teridion (www.teridion.com). These grew Kickstart's portfolio of companies to 25 startups, since we started in 2012, translating to 574 jobs generated, as well as almost 800,000 users of the services of these portfolio companies, and an estimated 13,000 paying customers globally. The startups Kickstart has invested in are not confined only to the Philippines, but also those based in the United States and Israel.

25 KICKSTART PORTFOLIO COMPANIES[1]

ECOMMERCE

AVA, four eyes

SOCIAL IMPACT

BagoSphere, ritmo

DIGITAL LIFESTYLE

zap, lifebit, Peekaboo, PARTYPHILE, Tripid, Gift Launcher

SAAS

Kalibrr, Lenddo, mClinica, MEDIX, MyLegalWhiz, InnoVantage, loansolutions.ph, switch.co, squadzip, TERIDION

[1]*Four out of the total portfolio startup companies—Apptivate, Tripsiders, TrueProperty, WorkInspire—were inactive as of end December 2015*

Training and mentoring startups also form a part of Kickstart's determination to give the local startup scene a boost. They conduct monthly business checkpoints with all their teams, and have run workshops on various subjects like Lean Startup, Growth Hacking, and Pitching. There are joint mentoring sessions too, such as with Amazon Web Services (AWS) on information architecture, and Facebook

on user acquisition and the use of FreeBasics. To date, 2,290 participants have joined the different mentoring and training sessions that Kickstart conducted.

Most importantly, the local startup community benefits from having a nurturing ecosystem, with a hub called Area 55 (referencing Kickstart's location on 55 Paseo de Roxas Avenue in Makati City). In Area 55, important components that make a successful startup converge—the founders themselves, prospective investors, digital talent, potential corporate partners, and the media that help evangelize innovation, entrepreneurship, and investment in building the digital economy. Moreover, it's a vibrant community of innovators, entrepreneurs, and industry leaders who are both like-minded and have diverse opinions at the same time, allowing for more creative ideas to emerge.

The local startup scene has also begun to spread its influence outside the country's borders. Joomajam (www.joomajam.com), a Kickstart-funded education startup, was among the 14 finalists in the 2nd Singtel Group-Samsung Regional Mobile App Challenge 2015 competition that received over 700 submissions from Africa, Australia, and parts of Asia, including the Philippines.

Designed for parents with young children, Joomajam is an easy-to-use educational activity pack that combines bilingual music, videos, and games focused on learning three languages—their Mother tongue, a global language like English, and the language of technology. In addition, mClinica (www.mclinica.com) and Lenddo (www.lenddo.com)—both Kickstart portfolio companies that launched first in the Philippines—have started to expand to Indonesia, Vietnam, Thailand, and India.

This year, #RaidtheFridge remained the most popular startup event in the country, conducting 12 events in three cities, featuring 20 speakers and 2,073 guests.

In addition, Kickstart organized or joined other events that include the Globe Enterprise Innovation Forum (EIF) in August, the Ayala ICT Summit in September, and the APEC SME Summit in November.



The EIF is an event that brings together the country's top business and enterprise leaders for a day of sharing, learning, and discussing best practices on how to remain competitive in today's digital age through innovation. On the event's sixth year, we invited MIT executive director Hal Gregersen as keynote speaker where he discussed how companies can develop the necessary skills to move progressively from idea to impact through innovation.

Singtel Group Enterprise CEO Bill Chang was also at the event where he spoke to industry heads, IT professionals, and key company officials on the importance of cyber security to enterprises, and the need for them to stay one step ahead of online threats.

Finally there was John Wagner, Partner and Managing Director of the Boston Consulting Group, who shared his insights on innovations and trends that shape the global enterprise landscape during the EIF's CEO Breakfast Forum.

Fueling innovations and building avenues for dialogue among creative thinkers like we do at Globe help pave the way toward our vision of a digital society where everyone lives better and happier lives. It's a work that's never over, and so we continue to lead the march toward progress, toward prosperity, and toward this beautiful, more wonderful world.



BUILDING RESILIENCE AGAINST CALAMITIES

G4-SO1

Make cities and human settlements inclusive, safe, resilient, and sustainable

The Philippines' location in the Pacific Ring of Fire and the Pacific Typhoon Belt makes it prone to earthquakes, volcanic eruptions, and damage caused by typhoons. It is a country where an average of 20 tropical storms enter every year, of which about nine make a landfall.

As a leading telecommunications company, we understand the importance of our role before, during, and after disasters. That is why we have strategic initiatives that help us stay prepared in case of disruptions to our service through our enterprise-wide[6] and certified business continuity programs.

In 2015, Globe joined six telecommunications companies from six countries in the GSMA Humanitarian Connectivity Charter designed to ensure people's access to communication and information during a crisis in order to minimize loss of life and aid humanitarian response. GSMA launched the charter at the Mobile World Congress in March, and is supported by the UN Office for the Coordination of Human Affairs, the UN Emergency Telecommunications Cluster, and the International Federation of the Red Cross and Red Crescent Societies.

We adopted a number of mechanisms of the charter including transmittal of free mobile alerts via SMS, first implemented when Typhoon Koppu (Lando) struck Luzon in October. We also developed a mechanism to share relevant information on restoration, disruption of services, and other preparedness initiatives. When a disaster area is cleared for humanitarian efforts, we also provide relief services such as free calls, internet, charging stations, and other relief materials.

Globe also became the first telecommunications company in the country to be re-certified in Business Continuity on an enterprise-wide[6] scale in 2015. We received from the British Standard Institute an ISO 22301: 2012 or the Business Continuity Management System Standard, which recognizes our implementation of best practices on business resiliency based on our efforts to plan, establish, implement, operate, monitor, review, maintain, and continually improve a documented management system. This ensures that our clients and stakeholders that we are equipped to survive in the event of a major incident or disaster.

We fortified awareness of Business Continuity Management (BCM) by launching the #GlobeREADY campaign, which we ran in preparation for the Metro Manila Development Authority's (MMDA) earthquake drill in July. This involved nationwide awareness sessions and forums which were graced by prominent officers from the MMDA, National Disaster Risk Reduction and Management Council (NDRRMC), and other local government units.

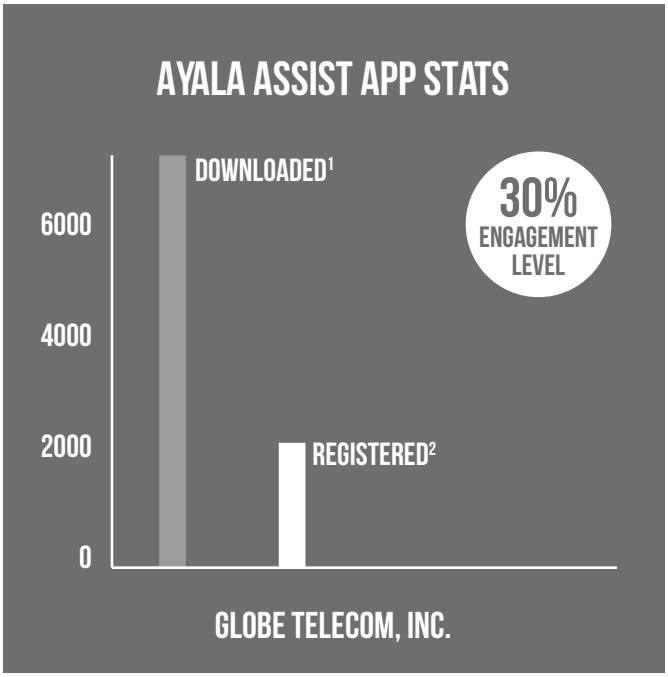
"To shore up our capability in assisting the government and various stakeholders in disaster mitigation, Globe has contingency planning and critical disaster recovery mechanisms to substantially reduce network disruption in times of disaster and thus ensure the availability of telecommunication services. This will allow flow of information among emergency-related agencies and ensure that our customers have access to these services at these critical times."

Yoly Crisanto, Globe Corporate Communications Senior Vice President

In addition, we have utilized a system that the Department of Science and Technology developed for threat and hazard mapping. This will enable us to overlay the locations of our stores and cell sites with the hazard map, so that we can identify potential risk areas and take the necessary precautions to minimize our exposure to disasters.

Our mitigation plan for recovery during disasters not only involves securing physical structures but also prioritizing the safety of our workforce. Without them, ensuring our quick

[6]*Globe Telecom Inc., Innove Communications, G-Xchange Inc., and Bayan Telecommunications*



[1]Employees who downloaded the Ayala ASSIST application on their mobile device but have yet to register
[2]Employees who downloaded and registered their credentials to the Ayala ASSIST applications

and efficient recovery will be impossible. Thus we constantly train them to follow and enforce safety procedures, and provide them with tools they'll need when calamity strikes. In July, we launched Ayala ASSIST—the Ayala Group's emergency management mobile app—together with other Ayala subsidiaries. Since its launch, 1,995 employees from Globe were registered to the Ayala ASSIST, out of the 2,445 employees from the Ayala Group of companies. The application was co-developed with Yondu, a technology solutions company established in 2001. Using the app, it makes it easier to alert employees in times of an emergency, for people managers to account for their staff, and to request for help, to name a few of its essential features.

Aside from operational efficiency, we also extended our resources to help communities prepare for emergencies in times of disaster with our community-based disaster risk reduction and management program. We partnered with the Provincial Government of Bataan for the launch of the Community-Based Disaster Risk Reduction and Management (DRRM) Program, which aims to provide them with ICT support through the Metro Bataan Development Authority (MBDA).

The program addresses the need for quick and efficient communication during a disaster by ensuring that communities are ready, responsive, and resilient at all times. We make this possible through TxtConnect, an SMS broadcast facility that enables the Governor or the head of the MBDA to contact directly the different local government and barangay leaders, and provide them with relevant and critical information during emergencies. Each barangay will also receive SIM Cards that are included in the TxtConnect database, which will be distributed to barangay officials. Participating officials will also receive equipment for rescue operations.

Through our partnership with Weather Philippines, we conducted Weather 101 and a series of community-based DRRM trainings for their officers and barangay officials. These equip barangay officials who act as first responders in the community with basic knowledge on emergency procedures and basic first aid so they can respond to emergencies more effectively. We also maximized our partnership with MMDA as they give back to our partner communities by giving free DRR trainings focused on basic awareness during disasters or emergency situations.

The MMDA is another recipient of our TxtConnect and internet facilities. As with the MBDA, these will help ensure reliable communication and enhance the organization's capability in areas such as public safety and disaster response.

We have also helped build classrooms across the country, including disaster-resilient ones in areas affected by Typhoon Haiyan in 2013. Called Noah's Ark classrooms, these are designed by Habitat for Humanity to be transformed into evacuation centers in case of a disaster. These can accommodate a large number of people, and come with two toilet and bath facilities, and a kitchen. We have constructed seven of these classrooms in Aklan where we were tasked by the government through the Office of the Presidential Assistant for Rehabilitation and Recovery (OPARR) as the province's development partner after Haiyan.

CLIMATE CHANGE, PUBLIC SERVICE, AND BUSINESS CONTINUITY ARE KEY INTERCONNECTED ISSUES FOR GLOBE

As disasters hit the Philippines with increased frequency, we are expanding our role to help our customers stay connected before, during, and after a calamity. “When disaster strikes, the first and last thing one relies on is telecommunications. People expect Globe to always be there,” said Ayala Corporation Chief Financial Officer and Chief Sustainability Officer TG Limcaoco.

Climate change issues are of critical concern and affect how Globe allocates its resources, according to Mark Chong Chin Kok, Board Director of Globe and CEO of Singtel International. He added, “Globe has to plan on maintaining its services (in times of disasters) and build up the capability to restore services quickly, because we are a critical service during these times.”

Rob Hansor, Director for Global Sustainability of Huawei Technologies Technologies said "We are in the telecommunications business, therefore we are in public service. When disaster strikes, it's all hands on deck. You go beyond the call of duty. The closeness of Globe and Huawei is no longer vendor relationship, but partnership. We are working with friends."

Given the critical role that telecommunications companies play in disaster risk reduction, Kelvin Art Ofrecio from the Office of the Civil Defence of the Philippines (OCD) said that he sees a great opportunity for Globe to participate in grassroots education of people in terms of risk assessment, disaster response, and community resilience.

Along this line, Ofrecio believes that Globe should be involved directly in climate change mitigation and adaptation efforts. Thus, a better coordinated and standardized disaster reporting system must be in place, given that early or immediate response and accurate data analysis is critical to disaster preparedness, management, and resilience. “With the approval of RA10639 (free mobile alerts), we see the opportunity for the full-time engagement of Globe. Globe has been very visible in the hearings and public consultations,” Ofrecio added.

REDUCING WASTE TO PROTECT THE ENVIRONMENT

G4-EN23

Ensure sustainable consumption and production patterns



In its publication "Chemicals and Waste Management for Sustainable Development," the United Nations Development Program talks about humanity's dependence on the earth's resources for its survival. Contrary to what many believe, the planet has limited supply of food, water, and other natural resources for everyone. This supply is further diminished when people carelessly dump waste and other hazardous materials in the environment. Here at Globe, we try to make a difference by collecting waste we generate and recycle those that we can.

As we continue to expand our range of products and services to better serve our customers, we strive to do so without creating a negative impact on their health and the environment. We also take a close look into our entire value chain, identify which areas produce waste—specifically solid, electronic, and hazardous waste—and ensure that these are handled correctly. From our infrastructure to products that have reached their end-of-life, we find ways to collect them and properly dispose them. This commitment is cemented in our Environmental Sustainability Policy, which guides us in protecting the environment around our areas of operations, managing our industrial waste, developing environmentally friendly products and services, and minimizing our carbon footprint.

We understand that by continuing to upgrade our network and the increased penetration of mobile phones into the mainstream market, electronic waste or e-waste poses an even

ENVIRONMENTAL SUSTAINABILITY POLICY

Globe is committed to promote environmental sustainability by reducing the impact of our business operations to the environment and we shall achieve this together with the help of our employees, business partners, and clients. We have robust systems in place to manage our environment impact and integrate them into our corporate social responsibility management.

We commit to:

- Consciously move toward the continuous reduction of our ecological footprints from our operations. Where possible, we will move beyond regular compliance and apply best practices and global voluntary standards on environmental and social responsibility.
- Manage emissions from our energy use, particularly to our networks and ensure that we carry out regular assessments on how energy is consumed within our network to monitor our climate impact and identify opportunities to reduce it.
- Comply with all environmental laws and other laws relevant to our business.
- Encourage and train our employees and business partners to help us reduce our environmental impact by communicating our policies and programs.
- Partner with organizations which share the same environmental values and find ways of cooperation to protect the environment.
- Conduct a review of our environmental management system to ensure that the commitment of this policy is delivered and that we strive for continuous improvement.
- Report our environmental performance to our stakeholders.



bigger environmental threat because this contains hazardous metals such as lead, mercury, and cadmium. This is where our e-waste recycling program called Project 1Phone, which was rolled out in 2014, comes in. In this project, we collect e-waste from our operations and customers and transport the whole lot to our accredited partner Total Environment Solutions Asset Material Management (TES-AMM) in the Philippines. After weigh-in, TES-AMM Philippines now ships the waste to TES-AMM Singapore for proper recycling. This year, we further increased the e-waste we collected by partnering with Huawei, Aboitiz, Coca-Cola, and JPMorgan Chase & Co. among others, resulting in 124,572.19 kg of e-waste generated, up by 56% compared to last year's 79,968.20 kg.

Another hazardous waste that is crucial to our operations are lead acid batteries from our towers, which we also collect and dispose of carefully. Compared to the previous year, we saw a 73.5% drop in the disposal of used lead acid batteries we generated from 222,857 kg to 58,926 kg in 2015. This was due to a delay in the renewal of contract with our accredited recycler, Oriental & Motolite Marketing Corporation (OMMC). These batteries are currently in our staging facilities and scheduled for disposal in the first quarter of 2016.

Meanwhile, there was an increase in the busted fluorescent lamps we generated from 1,125 in 2014 to 5,018 in 2015 from which we generated 200,720 mg[7] of liquid mercury. This was mainly due to our proactive move to LED lights in our various facilities. Used oil is another form of waste that we collect and treat. This year, we were able to collect 844 L of used oil, down from 3,728 L in 2014 due to a delay in our agreement with Genetron International. Currently, the collected used oil are stored at staging facilities and scheduled for hauling in the first quarter of 2016.

We also began to generate and collect grease waste in 2015 due to the opening of cafeterias in our TGT Fort sites. However, we make sure that our housekeeping partners collect these in drums regularly, and safely store these in our materials recovery facility, then disposed of by our accredited partner for waste management. This follows the same practice we apply to other types of waste that we generate, such as busted fluorescent tubes and used oil.

SOLID WASTES GENERATED AND WEIGHED BY TYPE[1]

(IN TONS)	2015	2014
RECYCLABLES	24.2	20.2
RESIDUALS	172.0	77.5
	196.2	97.7

[1]In 2015, we included solid waste from TGT Cebu. This was on top of the four sites mentioned in 2014 - Globe Telecom Pioneer, Valero Telepark, GT-IT Plaza and TGT Fort

WASTES DIVERTED FROM LANDFILL[1]

(IN PERCENTAGE)	2015	2014
OPERATIONS	12	21

[1]In 2015, we included solid waste from TGT Cebu. This was on top of the four sites mentioned in 2014 - Globe Telecom Pioneer, Valero Telepark, GT-IT Plaza and TGT Fort

[7]Average of 40 milligrams of mercury is properly treated and disposed per piece of busted fluorescent lamp. (Source: Dolomatrix Philippines, DENR-accredited recycler)

HAZARDOUS WASTES GENERATED AND WEIGHED BY TYPE

(IN KILOGRAMS)	2015	2014
USED LEAD ACID BATTERY[1]	58,926.0	222,857.0
GREASE WASTE[2]	8,848.5	-
ELECTRONIC WASTES[3]	124,572.2	79,968.2
	192,346.7	302,825.2

[1]All Globe sites which produce lead acid batteries
[2]TGT Fort only
[3]All Globe sites which produce electronic wastes

USED OIL GENERATED

(IN LITERS)	2015	2014
USED OIL DISPOSED AND TREATED[1]	844	3,728

[1]All Globe sites which generate oil

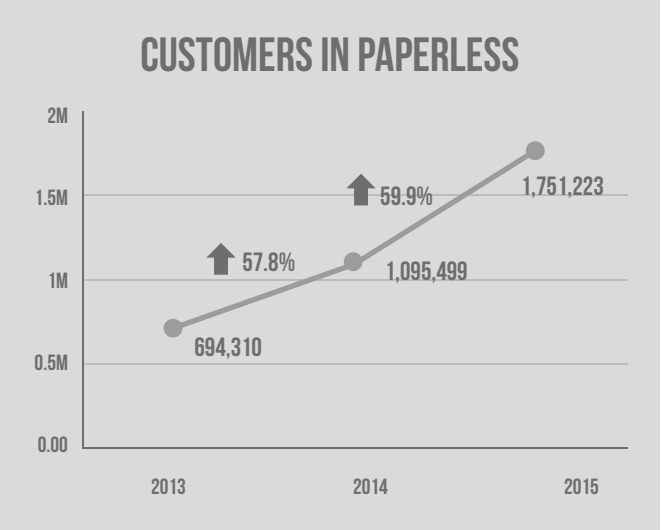
HAZWASTE GENERATED

(IN PIECES)	2015	2014
BUSTED FLOURESCENT LAMP[1]	5,018	1,125
USED CARTRIDGES[2]	1,179	1,263

[1]All Globe sites which use fluorescent lamps
[2]All Globe sites which use printer cartridges

We also believe in setting a good example to our customers so that they too may be inspired to take better care of the environment. All of our regular employees who were issued a postpaid plan are automatically enrolled to our billing on mobile program, also known as paperless billing. By being in the program, we eliminate paper waste by enabling ourselves to view our bill on our phones, tablet, or desktop, and enjoy the convenience of getting our bill on time. We have also pushed our customers to sign up for the same program through raffles and promos. Part of the ongoing initiative of paperless campaign since 2013, we saw an increase in customers who now prefer to receive their bills online. In return, we also saw a 59.9% reduction of paper usage just from last year alone.

We also make our business customers part of our endeavor to protect the environment by encouraging them to use the Canvas application. It can reduce or do away with their need for traditional paperwork. Users of the app can choose from 14,000 apps that range from inspection forms to work orders to surveys, which can help cut their paper costs and achieve productivity savings.



IMPROVING ENERGY EFFICIENCY

G4-EN3, G4-EN6, G4-EN15, G4-EN16, G4-EN17

Take urgent action to combat climate change and its impacts

Climate change poses a real threat to humankind as the resulting change in weather patterns, rise in sea levels, and its impact on the world's oceans could lead to loss of homes and livelihood, death of fish and other sea creatures, and even conflict.

The Philippines is one of the 10 countries most affected by disasters caused by climate change based on data from the 2015 Global Climate Risk Index. It thus led 19 other countries—collectively called the Vulnerable 20 (V20) group—in October to prepare financially for disasters and improve the disbursement of public and private funds in those situations.

More significantly, nearly 200 countries came together in Paris, France in December to adopt the historic Paris Agreement. It aims to maintain the rise in global temperature under 2ºC, and to work further in limiting the increase to just 1.5ºC above levels before the Industrial Revolution that began in the mid-18th century.

We work in solidarity with the rest of the world in ensuring that we take better care of the planet for the sake of the generations that will come after us. We thus make every effort to ensure that even as we improve our infrastructure to meet the current and future needs of our customers, we do so without compromising the welfare of the environment.

Over the past several years, we have seen a steady rise in our customers' demand. As the country's leading telecommunications provider, we take all the necessary steps in order to meet their demand and ensure that our infrastructure is ready to respond to their current and future needs.

However, these improvements and expansion often require a tremendous amount of energy. In fact, a huge bulk of our operational expenses come from the energy consumption of our sites. In 2015, the total energy consumption from our operations reached 384 million kWh, 9.52% higher than the previous year, due to an increased number of sites and upgrades done at some facilities such as installation of additional resources for WiFi, local exchange carrier (LEC), and WiMAX to respond to the needs of our customers. We have thus undertaken programs that enable us to identify solutions that can make our sites run more efficiently.

ELECTRICITY CONSUMPTION IN KWH[1]

OPERATIONS (OWNED & LEASED FACILITIES)	2015	2014
	384,584,462.6	351,159,083.9

[1]kWh = Running hours x (Kilo Volt Amperes x 0.8). Kilo Volt Amperes and running hours are actual numbers provided by facility

One way we've done this is to revisit our existing legacy sites. Through analysis and field visits, we were able to develop solutions and quick fixes that will be applied to all our sites. Through our pilot program, these solutions yielded an average of 1.6kW reduction in energy consumption per site. This translated to a 23% average decrease in consumption in the pilot sites. At ₱10/kWh[8], this translates to approximately ₱384



[8]Based on average ₱/kWh from actual energy consumption payments at cell sites which falls between ₱9 to ₱11

per day or ₱11,500 per month of savings. We also implemented solutions such as shutting down legacy equipment, migrating equipment outdoor, and optimizing existing free-cooling system, cabin vacation, and air-con shutdown.

Another step we undertook was using the new SingleSON (self-optimizing network) solution that allows automatic near-real time diagnostics of our mobile broadband network and optimizing it intelligently. It means less equipment are needed to manage complex networks while delivering a great network experience to our customers. Powered by a SONMaster as the core product and engine, it detects coverage problems and adjusts radio frequency parameters automatically.

"The capabilities of the SingleSON solution in improving our network's O&M efficiency and performance are impressive. It will allow us to continuously deliver a great user experience without additional manpower resources to manage an increasingly more complex network."

Robert Tan, Globe Chief Technical Adviser

Improvements don't stop at our outdoor network infrastructure. We also look into our in-building sites' design and operating models and optimize the design according to the demand of the building or floor type, from putting equipment on standby mode to shutting down legacy equipment.

We further complement these measures by shifting our power generators from traditional lead batteries to more environment-friendly power sources such as deep cycle batteries, lithium ion batteries, diesel hybrid power units that cut diesel fuel usage compared to traditional generator sets, and fuel cells that eliminate the use of diesel altogether. All these ensure that we address our challenge in energy consumption in a way that doesn't harm the environment.

Despite our efforts to further minimize our environmental impact that contribute to climate change, we are aware that we still have a lot of work ahead of us. Because of this we will continue to look for solutions and collaborate with our partners to provide a safer future to everyone.

FUEL CONSUMPTION FROM GENERATORS IN LITERS

	2015	2014
DIESEL	8,451,856.5	11,171,497.6
GASOLINE	10,729.0	38,820.1
	8,462,585.5	11,210,317.7

GREEN SOLUTIONS	NUMBER OF SITES[1]
DIRECT CURRENT HYBRID POWER UNIT (DC-HPU)	16
FREE COOLING SYSTEM (FCS)	577
FUEL CELL BATTERIES	35
LITHIUM ION BATTERIES	455
	1,083

[1]*Some sites may use more than one solution*

GHG EMISSIONS (CO_2E)

IN TONS	2015	2014
TRANSPORT VEHICLE[1]	11,028.1	10,479.5
GENSETS	25,751.8	34,110.5
SCOPE 1 FROM TOTAL FUEL CONSUMED[2]	36,779.9	44,590.0
SCOPE 2 PURCHASED ELECTRICTY[3]	216,345.9	199,126.8
SCOPE 3 BUSINESS TRAVEL VIA AIR[4]	2,247.4	1,743.3
	255,373.2	245,460.1

[1]*Gasoline is at 69.25 kg CO_2/GJ, while for diesel is at 74.01 kg CO_2/GJ*
[2]*Emission factor for Diesel (in units of CO_2 equivalent): CO_2= 3026.99 ; CH_4=0.41 ; $N_2$0=0.02. For Gasoline (in units of CO_2 equivalent): $C0_2$=2916.49 ; CH_4=0.42 ; $N_2$0=0.03*
[3]*For Luzon and Visayas = 603.20 grams CO_2/kWh; For Mindanao = 286.40 grams CO_2/kWh*
[4]*a.) Short flights (<500km) = 0.15 kg/unit; b.) Medium Flight (<1600 km) = 0.12 kg/unit; c.) Long flight (>1600 km)= 0.11 kg/unit*

DEFINING THE MEANING OF ENVIRONMENTAL RESPONSIBILITY FOR TELCOS

Climate change is a real threat to countries all over the world, particularly low-lying coastal ones like the Philippines. This problem is largely driven by the world's incessant need for more energy to power homes and industries like Globe.

According to Ayala Corporation Chairman and CEO Jaime Augusto Zobel de Ayala, "Globe is a big consumer of energy, and there has to be a way to be more mindful of how it uses and stores energy." We have responded to this challenge through our various initiatives at reducing our energy consumption in our offices and sites. With further advances in technology, we shall also be able to build more expansive networks that consume less power and occupy a smaller footprint.

Globe should also think of minimizing its negative impact on the environment, said senior business reporter Doris Dumlao. She added that while regular consumers aren't fully aware of this aspect of businesses yet, "investors are slowly paying attention, even while the focus is on the bottom line."

Our partner, Huawei Technologies, also agrees in having a more environmentally conscious Globe. Part of their research and development efforts involve making their products green by building environmental objectives into their products and services, and they would like Globe to be part of it, according to Rob Hansor, Director for Global Sustainability of Huawei Technologies.

Huawei is serious about its commitment to helping save the environment. Their Solution Director for Globe Evan Xiao Yihuan said, that, sustainability to Huawei means that we operate efficiently and find energy savings where possible. I think energy savings and reducing packaging and waste (without compromising product protection and safety) are the two important opportunities. There is also an opportunity to strengthen e-waste management."

PROTECTING OUR CUSTOMERS' DATA AND PRIVACY

According to the PNP Anti-Cybercrime Group (PNP ACG), they received over 1,000 cybercrime complaints from 2013 to 2015, ranging from online scams to identity theft. Online scam has topped the list of complaints, with 366 reported by victims of online buying/selling, loan sharks, investment, pyramid marketing, and other forms of online fraud.

TOP 5 CYBER THREATS[1]

- ONLINE SCAMS (39%)
- ONLINE LIBEL (25%)
- ONLINE THREATS (14%)
- IDENTITY THEFT (13%)
- ANTI-PHOTO AND VIDEO VOYEURISM (9%)

[1] *Philippine National Police*

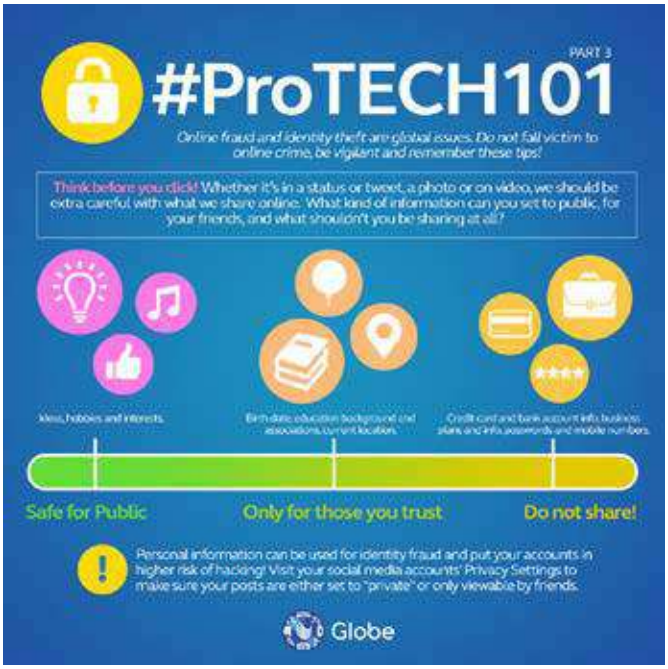
According to We Are Social, there are 47 million internet users in the Philippines and the average time spent on the internet by users is 5.2 hours per day in their desktop and 3.2 hours per day in their mobile. They are becoming increasingly reliant on technology from connecting with their loved ones to online financial services. Often these things require them to share sensitive information as part of the registration process or to confirm their identity, information that can be a goldmine for criminals looking to resell the data, commit fraud in the customer's name, or take advantage of the customer's lack of technical know-how.

That is why at Globe we do everything we can to protect our customers and their data through a combination technology, cooperation with law enforcement agencies, and social media.

Text spam and scams remain a problem among our customers, but we have ramped up our fight against these with our #StopSPAM campaign, which began in 2014. In the period from January to December 2015, we were able to block 26.1 million scam and spam messages, and disconnect from service 21,772 mobile numbers associated with these activities. This is attributed to our filtering system adopted in the year earlier, which blocked an average of 78,000 spam and scam messages a day in 2015, with a peak of 267,000 messages blocked per day achieved in February 2015. We also made it easy for our customers to report cases of fraudulent text messages through our #StopSPAM site at www.globe.com.ph/stopspam. This gained the support of the National Telecommunications Commission (NTC) by ordering companies to stop sending spam and scam messages to our customers.



Not all crimes we encountered required high-tech means of execution. There were also cases of individuals or groups that committed fraud such as SIM swap scams, illegal recontracting and subscription, illegal sale of modems, and cable theft.



In a certain SIM swap scam thwarted by Globe in July 2015, an unscrupulous individual used the identity of a customer to request for a replacement of their SIM card. With a two-step verification that requires users to provide their email and mobile number as an added of layer of security, having access to the customer's number can potentially enable criminals to access the customer's other accounts such as e-mail addresses, bank accounts, and social media accounts. To further prevent similar cases in the future, we ran information drives for our customers and installed CCTV cameras in all Globe Stores nationwide. Video recorded on these cameras can be presented as evidence in police investigations and proceedings against identity thieves.

"Globe will never allow the use of its network by individuals who want to take advantage of our customers. We expect the numbers to increase as Globe steps up its campaign to purge its network of spam and scam messages."

Anton Bonifacio, Globe Chief Information Security Officer

We were also able to catch criminals through our close coordination with the Philippine National Police and the National Bureau of Investigation. This includes the apprehension of 12 individuals for illegal recontracting and subscription fraud, 31 for the illegal sale of WiMAX modems, and 20 for cable theft. Another one was caught for swindling over ₱2 million worth of phones using falsified documents in applying for corporate accounts.

Education plays an important part too in our fight to protect our customers. With our #ProTECH101 campaign, we inform consumers about the dangers of online crimes and provide them with tips on how to keep their accounts and other valuable information safe. These tips include avoiding using weak and easy-to-guess passwords and making them aware of the vulnerabilities of using web browsers' autofill feature that enable users to save and then automatically fill username and password fields of websites they usually visit.

The feedback on the campaign has been positive so far with an estimated 14.8 million impressions from 894 Twitter mentions by 373 users, based on Sysomos Media Analysis Platform (MAP) run in 2015.

GRI G4 CONTENT INDEX

GENERAL STANDARD DISCLOSURES					
PROFILE		**DISCLOSURE**	**SECTION**	**PAGE**	**REPORTED**
Strategy & Analysis	G4.1	Statement from the senior most decision maker of the organization	Message from the Chairman Message from the President & CEO	9-15	●
	G4.2	Description of key impacts, risks and opportunities	Risk Management	62-69	●
Organizational Profile	G4.3	Name of Organization	About Us	2	●
	G4.4	Primary Brands, Products and / or services	Transforming the Digital Lifestyle Retail as the Lifestyle Hub About Us	24-29	●
	G4.5	Location of Organization's Headquarter	About Us	2	●
	G4.6	Number of countries of operation	About Us	2	●
	G4.7	Nature of ownership and legal form	Governance	50	●
	G4.8	Markets Served (Geographic Breakdowns)	About Us	2	●
	G4.9	Scale of Reporting Organization	Giving Equal Opportunities to All	90-92	●
	G4.10	Number of Employees by employment contract	Giving Equal Opportunities to All	90-92	●
	G4.11	Percentage of Employees under collective bargaining	Giving Equal Opportunities to All	90-92	●
	G4.12	Describe Organization's Supply Chain	Governance	44-48	●
	G4.13	Report any significant changes in the reporting period	Globe acquired Bayan Telecommunications (99%)	13	●
	G4.14	Report precautionary approach principle by organization	Risk Management	62-69	●
	G4.15	Externally developed EES charter & Principles	Materiality	72-73	●
	G4.16	List of memberships in associations / industry associations	Membership	5	●
Identified Material Aspects & Boundaries	G4.17	List of entities included in Organization's consolidated financial statement	Conglomerate Map	4	●
	G4.18	Explain process for defining report content & aspect boundaries	Reporting Parameter Materiality Discussion on Management Approach	5 72-73 72	●
	G4.19	List all identified material aspects in process of defining report content	Materiality	72-73	●
	G4.20	For each material aspect, report aspect boundary (within)	Reporting Parameter Materiality	5 72-73	●
	G4.21	For each material aspect, report aspect boundary (outside)	Reporting Parameter Materiality	5 72-73	●
	G4.22	Any statements from previous report has been restated & reason for restatement	None		●
	G4.23	Significant changes in Scope & Aspect boundaries from previous reporting period	None		●

PROFILE		DISCLOSURE	SECTION	PAGE	REPORTED
Stakeholder Engagement	G4.24	List of all stakeholder groups engaged by organization	Stakeholder Engagement	74-75	●
	G4.25	Report basis for identification and selection of stakeholders	Stakeholder Engagement	74-75	●
	G4.26	Organization's approach to stakeholder engagement	Stakeholder Engagement	74-75	●
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	G4.29	Date of most previous report	Reporting Parameter	5	●
	G4.30	Reporting Cycle	Reporting Parameter	5	●
	G4.31	Contact point for questions	Contact Information	295	●
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	G4.33	Policy / practice of seeking External Assurance	Reporting Parameter Independent Assurance Statement	5 124-126	●
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	G4.35	Process for delegating authority for EES topics from highest governance body to Senior executives & employees	Governance	38-40	●
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	G4.38	Composition of highest governance body and its committee	Governance	33-38	●
	G4.39	Report whether the Chair of the highest governance body is also an executive officer	Governance	33-38	●
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	G4.41	Process in place to avoid conflict of interest at workplace.	Governance	41, 44-48	●
	G4.43	Measures taken to enhance collective knowledge of governance body on EES topics.	Materiality	72-73	●
	G4.45	Role of highest governance body in identifying EES risks, impacts & opportunities.	Risk Management	62-69	●
	G4.46	Role of highest governance body in reviewing effectiveness of Risk Management process for EES	Risk Management	62-69	●
	G4.47	Frequency of review of EES risks, impacts & opportunities	Governance	38-40	●
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	G4-SO2	Operations with significant actual & negative impact on local community	Increasing Productivity & Prosperity	85-87	◗
PRODUCT RESPONSIBILITY					
Product & Service Labeling	G4-PR5	Results of surveys measuring customer satisfaction	Ongoing Commitment to Exceptional Service	20-21	●

◗ Partially reported
● Fully reported
Digital nation
Care for the environment
Care for our people
Positive societal impact



CREATING WEALTH TO SHARE VALUE

Financial Performance

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

2015	2014	YoY CHANGE
NET OPERATING REVENUES		
119,969	103,236	16%
SERVICE REVENUES		
113,679	99,025	15%
MOBILE[1]		
85,105	78,069	9%
BROADBAND[2]		
17,458	12,687	38%
FIXED LINE DATA[3]		
7,698	5,480	40%
FIXED LINE VOICE[4]		
3,418	2,789	23%
NON-SERVICE REVENUES		
6,290	4,211	49%

[1]Includes mobile voice, SMS and data revenues
[2]Includes revenues from wired, fixed wireless, and fully mobile broadband services
[3]Includes international and domestic data services, corporate internet access, and data center solutions
[4]Includes revenues from landline and DUO services

FINANCIAL PERFORMANCE

Globe Telecom, Inc. registered another record year, as we posted our highest full-year consolidated service revenues of ₱113.7 billion, 15% higher than the previous record level of ₱99.0 billion we set in 2014. Our revenues peaked in the fourth quarter, reaching a record high of ₱30.3 billion, up 3% from last quarter and 15% higher than the same quarter in 2014. The sustained revenue trajectory was driven by the solid growth in data consumption across all segments and the consolidation of the performance of Bayan Telecommunications, Inc. ("Bayan") in the second half of the year. The continued rise in the number of both our mobile and broadband subscribers, our consumer and corporate clients' increasing demand for mobile data and high-speed internet connectivity, as well as our well-executed product launches during the year have paved the way for our continued success. Even excluding Bayan's revenues in the second half of 2015, our consolidated service revenues grew to ₱110.8 billion, up a solid 12% from the same period last year.

Mobile revenues grew by 9% year-on-year, reaching ₱85.1 billion in 2015 from 2014's ₱78.1 billion, driven by strong revenues across all mobile brands. Our postpaid revenues posted a 7% growth from the same period of 2014, which sustains our leadership in this segment as shown by the significant year-on-year expansion in our customer base boosted by the strong take up of our new myLifestyle Plans. TM, our mass-market brand, likewise increased revenues by 14% year-on-year while Globe Prepaid revenues posted a solid growth of 8%. At the end of December 2015, our mobile subscriber base breached the 50-million milestone, reaching 52.9 million, which translates to a 20% increase from the 44 million subscribers we reported in 2014. Our record-level gross acquisitions during the year and lower churn rates in both prepaid brands helped drive this growth.

The continued upsurge in our mobile data revenues has helped us sustain our growth. Our mobile data service revenues reached ₱22.1 billion in 2015, 55% higher than the ₱14.3 billion reported a year ago, as we continue to be the brand of choice for the Filipinos' digital lifestyles. Our unflagging efforts in improving our 3G, HSPA+ and LTE networks, and various data product launches and promotions throughout the year, such as Free FB + Viber with prepaid & GoSURF promos, Spotify with free games and FB and GoSURF offers with bigger data volume allocation and free games, and other programs have contributed to this growth significantly. In addition, mobile voice increased 6% year-on-year, despite the challenges posted by the declining international voice business, which partially offset the 10% decline in our SMS revenues.

Our broadband business, which now includes Bayan, likewise sustained our growth momentum, increasing both in revenues and subscriber base by 38% and 55%, respectively. Our total broadband service revenues reached ₱17.5 billion in 2015, with our total subscriber base now reaching 4.3 million. Subscriber expansion in both our wireless (+56%) and wired broadband (+48%) solutions, given the favorable customer response to our various Tattoo on-the-go and Tattoo@home broadband offerings, bundling broadband plans with access to premium content such as Spotify, NBA League Pass and HOOQ drove our impressive growth in revenues.

Even excluding the impact of Bayan's consolidation in the second half of 2015, our full year broadband service revenues would have still increased by 27% year-on-year, growing to ₱16.1 billion in 2015 from the ₱12.7 billion recorded a year ago.

Our fixed line data business also improved year-on-year by 40% to reach ₱7.7 billion in 2015 from the ₱5.5 billion we posted in 2014, as demand for data connectivity continues to surge, impacting customer expansion, circuit count increase, and higher usage. The strong demand for internet and domestic leased lines, as well as cloud computing solutions, contributed to the revenue growth in our fixed data business. The growth was likewise driven by the impact of consolidating Bayan's fixed line data revenues starting the third quarter of 2015. Traditional fixed line voice revenues—which now includes Bayan—also posted a 23% increase year-on-year at ₱3.4 billion as of end 2015 due to the continued popularity of the broadband bundled plans with subscribers' preference for value-based offers and low-priced plans. Excluding Bayan's revenues, fixed line data and fixed line voice increased year-on-year by 21% and 8%, respectively.

We posted another record-level consolidated EBITDA for the full year of 2015 at ₱45.8 billion, up a robust 17% from a year ago. Our total operating expenses and subsidy grew in step with our revenues, which is higher by 14% year-on-year from ₱59.8 billion last year to ₱67.9 billion, as we continued to reinvest our gains to support our growing subscriber base and the expansion of our data network. EBITDA margin was at 40%, on par with the previous year's margin. Excluding the impact of Bayan's results for the last two quarters of the year, the consolidated EBITDA for the year would have reached ₱44.8 billion, which is still a solid 14% improvement from the previous year.

Driven by the growth in our EBITDA, and coupled with our lower non-operating expenses for this year, we posted an all-time high in net income at ₱16.5 billion, 23% higher against the ₱13.4 billion reported in 2014. The growth in our net income was also aided by one-time gains coming from the sale of 51% equity stake in Yondu, Inc. ("Yondu") and the acquisition of a 98.6% stake in Bayan. Our core net income, which excludes the impact of non-recurring charges, including these one-time gains from the transactions mentioned earlier, foreign exchange and mark-to-market charges, likewise grew by 4% year-on-year to ₱15.1 billion from ₱14.5 billion in 2014. Excluding Bayan's results, our net income and core net income as of end-December 2015 still grew robustly by 22% and 5%, respectively, compared to 2014.

Consolidated Return on Average Equity (ROE) registered at 29% as of end-December 2015, compared to 28% in 2014 using net income and based on average equity balances for the year ended. Using annualized core net income excluding the effects of non-recurring expenses, foreign exchange loss, one-time gains on net income, return on average equity for the year just ended was at 27% compared to 30% in 2014.

Consolidated basic earnings per common share were ₱120.11 and ₱98.64, while consolidated diluted earnings per common share were ₱119.92 and ₱98.41 as of end-December 2015 and 2014, respectively.

Our balance sheet and cash flows remain strong with ample liquidity and gearing comfortably within bank covenants.

Our consolidated assets as of December 31, 2015 amounted to ₱195.7 billion compared to ₱179.5 billion in 2014. Consolidated cash, cash equivalents, and short term investments—including investments in assets available for sale and held to maturity investments—was at ₱11.8 billion as of end-December 2015 compared to ₱16.8 billion as of end-December 2014.

Net cash flows provided by operating activities for 2015 were at nearly ₱36.0 billion, slightly lower by 1% year-on-year.

Meanwhile, our net cash used in investing activities amounting to ₱32.6 billion was 61% higher than last year. Consolidated cash capital expenditures as of end of December 2015 amounted to ₱32.1 billion, up by 51% from last year's ₱21.2 billion.

Consolidated net cash from financing activities amounting to ₱8.4 billion was 21% higher from last year. Consolidated total debt, likewise, increased by 11% from ₱65.3 billion at the end of 2014 to reach ₱72.2 billion at the end of December 2015.

MOBILE

Globe provides digital mobile communication services nationwide using a fully digital network based on the Global System for Mobile Communication (GSM) technology. We provide voice, data, and value-added services to our mobile subscribers through three major brands--Globe Postpaid, Globe Prepaid, and TM.

Mobile service revenues—which accounted for 75% of our consolidated service revenues for the year—rose to ₱85.1 billion, up 9% from last year's level of ₱78.1 billion, due to the strong revenue contributions from mobile data (+55%) and the continued subscriber expansion across all mobile brands. We closed the year with a total mobile subscriber base of 52.9 million, up 20% from 44.0 million subscribers last year. This was mainly driven by the sustained strong acquisitions of our prepaid (Globe Prepaid) and mass market brands (TM). Combined, Globe Prepaid and TM gross acquisitions comprised 98% of acquired SIMs during the period. The increase in gross additions was boosted by the continued success of our myLifestyle plans, which are bundled with the latest devices from Apple™ and Samsung (iPhone 6s/iPhone 6s Plus/ Samsung S6 Edge Plus, Note 5). With the improvement of overall churn rates in 2015 to 6.11% from 6.46% in 2014, full year net incremental subscribers were up by 60% year-on-year from 5.6 million in 2014 to a robust 8.9 million net additions this period.

Globe Postpaid

Globe Postpaid leads the overall postpaid market with various plan offerings. Over the years, these plans evolved in order to cater to the changing needs, lifestyles, and demands of our subscribers.

To sustain our market leadership in 2015, we launched a revolutionary postpaid plan offer, the new myLifestyle Plan, in order to boost the digital lifestyle experience of our customers who have fully embraced data and content usage on their mobile phones. The new myLifestyle Plan gives customers access to an easier and simplified plan offer starting at ₱499 a month which comes with built-in unlimited calls and texts to Globe and TM plus freebies such as the Navigation Bundle which gives customers all day, all month access to applications such as Waze, Grab, Google Maps, MMDA, and Accuweather, 1 GB Globe Cloud for easy and hassle-free storage of files and photos, and Gadget Care that allows customers to protect their devices against theft and accidental damage. On top of the base ₱499/month plan, Globe postpaid customers can avail of add-on services like Surf Packs for their mobile internet needs, which are bundled with exclusive access to Spotify and/ or NBA League Pass. Customers can choose from GoSURF99 for 100 MB of mobile internet monthly to as much as 15 GB monthly with GoSURF2499. For a richer data experience, myLifestyle Plan customers can also choose from any of the Lifestyle Packs, which includes Music (Spotify), Productivity (Work Bundle for access to Evernote, Gmail, Yahoo Mail, and Globe Cloud), Life (Navigation Bundle, Explore Bundle for access to Agoda, Cebu Pacific, PAL, and Trip Advisor; and Shopping Bundle for access to Amazon, AyosDito, eBay, OLX, and Zalora), and Social (Chat Bundle for access to Viber, Facebook Messenger, KakaoTalk, Line, WeChat, and WhatsApp; Photo Bundle for access to Instagram, InstaSize, Photo Grid, and Photo Repost; ChatApp for access to Viber or Facebook Messenger; and standalone access to Facebook or Twitter). Moreover, they can also get extra calls and texts to other networks, as well as landline and international services with the Classic Packs.

Globe Postpaid remained the leader in the postpaid segment of the market given the continued growth in our acquisitions of high-quality subscribers throughout the year, closing 2015 with over 2.4 million subscribers from nearly 2.3 million last year. The success of the MyLifestyle plan bundled with a wide range of the latest devices, as well as the innovative deals and promotions launched in 2015, helped boost gross additions to reach a new record high of 982,457 in 2015, which is 18% higher than the previous record of 835,290 reported a year ago. Full year net incremental postpaid subscribers stood at 139,094, 41% lower than 2014 level of 236,719, due to the higher churn rate in 2015 (3.1%) against last year's 2.3%.

Globe Postpaid ARPU of ₱1,139 was slightly lower by 2% from last year's level of ₱1,164. Meanwhile, Globe Postpaid subscriber acquisition cost (SAC) increased year-on-year by 2% from last year's ₱8,700 to ₱8,878 in 2015, driven by the successful launch of iPhone 6S, iPhone 6S Plus and Samsung Note 5 in the fourth quarter of the year. Globe Postpaid SAC remain recoverable within the 24-month contract of the postpaid plans.

Prepaid

Globe Prepaid and TM are the prepaid brands of Globe. Globe Prepaid is focused on the mainstream market while TM caters to the value-conscious segment of the market. Each brand is positioned at different market segments to address the needs of our subscribers by offering them affordable innovative products and services.

Globe Prepaid

Globe Prepaid gross acquisitions slightly increased by 1% in the fourth quarter to 4.9 million against the 4.8 million gross additions in the previous quarter, bringing the full year gross additions to 18.6 million, 17% higher than the 15.9 million recorded in 2014. The strong acquisitions were driven by the brand's aggressive acquisition efforts, value for money promotions, the successful Free Facebook + Viber campaign in the first quarter of the year and the popularity of GoSURF data bundles. With the decline in churn in 2015 of 5.9% from 6.4% in 2014, full year net incremental subscribers increased by 148% to reach 3.6 million this period from 1.4 million in 2014.

Globe Prepaid ARPU declined year-on-year from ₱130 in 2014 to only ₱122 in 2015. Globe Prepaid SAC, likewise, were significantly lower year-on-year by 38%, and Globe Prepaid SAC remained recoverable within a month's ARPU.

TM

TM generated its highest gross acquisitions in 2015, registering 24.8 million new SIMs, up 18% year-on-year from the 21.1 million last year. Similar to Globe Prepaid, the free Facebook + Viber promo and sustained aggressive acquisition efforts boosted acquisitions throughout the year. Coming from the very strong acquisition coupled with the decline in churn rates in 2015 from 7.0% to 6.5%, full year net incremental subscribers improved by 33% from 3.9 million in 2014 to 5.2 million in 2015. ARPU was down by 8% year-on-year with the continued shift from regular pay-as-you-use service to unlimited and value offers. TM SAC was down year-on-year by 14%, and remained recoverable within a month's ARPU.

GCash

GCash continues to establish its presence in the mobile commerce industry. GCash's initial thrust towards money-transfers, purchase of goods and services from retail outlets, and sending and receiving domestic and international remittances have spurred alliances in the field of mobile commerce. From a regular remittance service back in 2004, it has evolved into a total mobile money solution that carries a wide portfolio of payment options for its customers. Today, GCash allows Globe and TM subscribers to send money, pay bills, buy load, enjoy rebates, shop online, play games, and donate to to their favorite institution using their mobile phone. To keep the momentum, GCash continues to improve its existing portfolio of services and introduce groundbreaking services to extend reach to a bigger segment of customers.

In March 2015, GCash partnered with GrabTaxi to allow its drivers to receive reimbursements through the GCash GrabTaxi card.

During the second quarter of 2015, G-Xchange Inc. and IXBase, Inc., an IT solutions provider forged a partnership during the period to make GCash as the disbursement facility capturing 20,000 employees from various companies in Visayas and Mindanao. Likewise, Globe Charge and GCash MasterCard were made available in Boracay during the second quarter. This enabled partner merchants in Boracay to finally accept card payments via the Globe Charge, and for customers to enjoy exclusive partner merchant deals with the use of GCash Mastercard.

In the third quarter of the year, the Company launched the GCash beep Mastercard, the first value-added card to be beep ready, allowing cardholders to load and pay for their MRT and LRT trips easily. It is not only a reloadable contactless tap and go card for LRT/MRT passengers but is also accepted as a payment option in popular online shopping sites and in almost 33 million establishments worldwide which recognize the Mastercard brand. At the same time, because it has a GCash account, it can be used to buy prepaid Globe/TM phone load, send money to any Globe/TM user for free, receive remittances, and even withdraw cash from any automated teller machine (ATM). The GCash beep Mastercard allows balance and transaction monitoring to ensure that everything is properly recorded.

As of end-December 2015, GCash now has the largest remittance network in the country with 8,239 active GCASH remittance partners and 11,839 cash-in and cash-out outlets nationwide.

Rewards

We have a loyalty and rewards program called My Rewards, My Globe for Globe Prepaid subscribers, TM Astig Rewards for TM subscribers and Tattoo+ Rewards for Tattoo Broadband subscribers. Globe Postpaid subscribers can earn points based on their monthly billed amounts in excess of their Monthly Subscription Fee (MSF). Subscribers have the option to redeem

rewards instantly, or accumulate points to avail of higher value rewards. Redeemed points in the form of telecom services is netted out against revenues whereas points redeemed in the form of non-telco services such as gift certificates and other products are reflected as a marketing expense. At the end of each period, Globe estimates and records the amount of probable future liability for unredeemed points.

In 2014, Globe Postpaid launched the Globe Blue or Platinum Rewards Cards. The new cards can also work as a GCash Mastercard which can be used to shop anywhere within the Philippines and even abroad. Membership to Globe Blue is given to postpaid customers who spend an average of ₱2,000-₱3,499 per month over a 12-month period. Meanwhile, membership to the Globe Platinum is given to postpaid customers who subscribe to plan ₱3,799 or spend an average of ₱3,500-₱4,999 over a 12-month period. Finally, membership to Platinum Elite Rewards card is given to postpaid customers who subscribe to All Net ₱5,000 or ₱10,000; roaming ₱5,000 or ₱10,000 or spend an average of ₱5,000 and above over a 12-month period. Special perks may vary depending on the plan subscription.

BROADBAND AND FIXED LINE BUSINESS

We also offer a full range of fixed line communication services, wired and wireless broadband access, and end-to-end connectivity solutions customized for consumers, SMEs (Small & Medium Enterprises), large corporations, and businesses.

Our fixed line voice services include local, national and international long distance calling services in postpaid and prepaid packages through our Globelines brand. Subscribers get to enjoy toll-free rates for national long distance calls with other Globelines subscribers nationwide. Additionally, postpaid fixed line voice consumers enjoy free unlimited dial-up internet from their Globelines subscriptions. Low-MSF (monthly service fee) fixed line voice services bundled with internet plans are available nationwide and can be customized with value-added services including multi-calling, call waiting and forwarding, special numbers, and voicemail. For corporate and enterprise customers, we offer voice solutions that include regular and premium conferencing, enhanced voice mail, IP-PBX solutions, and domestic or international toll-free services. With our cutting-edge Next Generation Network (NGN), Globe Business Voice solutions offer enterprises a bevy of fully-managed traditional and IP-based voice packages that can be customized to their needs.

Our fixed line data services include end-to-end data solutions customized according to the needs of businesses. Our product offerings include international and domestic leased line services, wholesale and corporate internet access, data center services, and other connectivity solutions tailored to the needs of specific industries.

Our international data services provide corporate and enterprise customers with the most diverse international connectivity solutions. Our extensive data network allow customers to manage their own virtual private networks, subscribe to wholesale internet access via managed international private leased lines, run various applications, and access other networks with integrated voice services over high-speed, redundant, and reliable connections. In addition to bandwidth access from multiple international submarine cable operators, we also have two international cable landing stations situated in different locales to ensure redundancy and network resiliency.

Our domestic data services include data center solutions such as business continuity and data recovery services, 24x7 monitoring and management, dedicated server hosting, maintenance for application-hosting, managed space, and carrier-class facilities for co-location requirements and dedicated hardware from leading partner vendors for off-site deployment.

Other fixed line data services include premium-grade access solutions combining voice, broadband, and video offerings designed to address specific connectivity requirements. These include Broadband Internet Zones (BIZ) for broadband-to-room internet access for hotels, and Internet Exchange (GiX) services for bandwidth-on-demand access packages based on average usage.

Globe Business also launched Cloud Solutions that allows an organization's infrastructure to match the elasticity of the business climate and increase its business agility. The new cloud capabilities were the first large-scale, private and public-ready, next generation cloud in Asia. We offer Software-as-a-Service or SaaS, which include a suite of business applications that leverage on the power of cloud to help enterprises improve their business operations such as:

- Globe Mail - a low-cost hosted email solution with features such as File storage and sharing, Instant messaging, Music, photo, and video storage and sharing, Whiteboard sharing, and Media player;
- Google Apps for Work - a cloud-based productivity suite that helps businesses and its employees connect and get work done from anywhere on any device;
- Office 365 which has applications that are always up to date and accessible from virtually anywhere;
- Canvas Mobile Forms - enables businesses to replace expensive and inefficient paper forms with powerful mobile forms on their smartphones and tablets;
- Google Drive for Work - a new premium offering for businesses that includes all the services in Google Apps for business plus unlimited storage, advanced audit reporting, new security controls, and Google Vault;
- PayrollCloud application - is an end-to-end SaaS Payroll System;
- Document Cloud - allows companies to manage, access, and store business-related content through a virtual enterprise storage system;
- Globe HealthCloud - an end-to-end web-based health ICT solution that enables real-time, secure, and convenient access to health information

We offer wired, fixed wireless, and fully mobile internet-on-the-go services across various technologies and connectivity speeds for our residential and business customers. Tattoo@Home consists of wired or DSL broadband packages bundled with voice, or broadband data-only services which are available with download speeds ranging from 1 Mbps up to 15 Mbps. In selected areas where DSL is not yet available, we offer Tattoo WiMAX, a fixed wireless broadband service that uses our WiMAX network. Meanwhile, for consumers who require a fully mobile, internet-on-the-go broadband connection, Tattoo On-the-Go allows subscribers to access the internet using HSPA+, 3G with HSDPA, EDGE, GPRS or WiFi at various hotspots nationwide using a plug-and-play USB modem. This service is available in both postpaid and prepaid packages. In addition, consumers in selected urban areas who require faster connections have the option to subscribe to Tattoo Torque broadband plans using leading edge GPON (Gigabit Passive Optical Network) technology with speeds of up to 100 Mbps.

In 2015, we--through our home broadband brand Tattoo--have unveiled our latest roster of broadband plans for new customers to further grow our customer base. With the new broadband plans, customers get exclusive access to a portfolio of entertainment content which allows them to watch movies and basketball games, as well as stream music at the comfort of their homes. As an online entertainment service provider, HOOQ boasts of an extensive content library with thousands of movies, television episodes and shows available for users to watch, including titles from partners Sony Pictures and Warner Bros. Entertainment. With Spotify, the world's most popular music streaming service, customers get the best music experience with access to over 20 million songs. On the other hand, the NBA League Pass allows customers to watch basketball games along with highlights, stats, and other features. Then with our partnership with Disney, Globe customers will now have access to an array of Disney content offerings (whose brands include Disney, Pixar, Marvel, Star Wars and global leader in short-form video, Maker Studios) including long- and short-form programming, interactive content and games, theatrical releases, and retail promotions. Finally, we introduced Tattoo Platinum Fibre-Fast deals this year giving those who subscribed to Tattoo Platinum plans (on 50 Mbps, 100 Mbps and 150 Mbps plans) special discounts up to 50% off on their MSF for the first 12 months. Each plan comes with premium access to Spotify, HOOQ, and NBA League Pass.

Our fixed line and broadband revenues ended the year with ₱28.6 billion, up 36% compared to 2014 as a result of the strong growth in our customer base, which reached to 4.3 million subscribers as of end-December 2015. The remarkable revenue growth and customer uptake throughout the year was partially driven by our various broadband products and packages bundled with exclusive access to entertainment content (HOOQ, NBA League Pass, Disney).

Another contributor to this year's positive year-on-year growth was Bayan's consolidation starting on the third quarter of 2015. Excluding the impact of Bayan's consolidation, our total fixed and broadband revenues reached ₱25.7 billion as of end December of 2015—still a remarkable 23% increase from a year ago.

Our broadband business, which now includes Bayan, likewise sustained its growth momentum, increasing both in revenues and subscriber base by 38% and 55% respectively. Total broadband service revenues reached ₱17.5 billion in 2015, with total subscriber base now reaching 4.3 million. The impressive growth in revenues was driven by subscriber expansion in both wireless (+56%) and wired broadband (+48%) solutions, given the favorable customer response to our various Tattoo on-the-go and Tattoo@home broadband offerings, bundling broadband plans with access to premium content such as Spotify, NBA League Pass and HOOQ. Even excluding the impact of Bayan's consolidation in the second half of 2015, our full year broadband service revenues would have still increased by 27% year-on-year, growing to ₱16.1 billion in 2015 from the ₱12.7 billion recorded a year ago.

Our fixed line data segment—excluding Bayan—continued its revenue growth with ₱6.6 billion, 21% higher year-on-year and 4% growth quarter-on-quarter fueled by strong demand for domestic and international leased line services, sustained circuit base expansion, and the increasing popularity of cloud-based services, such as data storage and solutions-based cloud computing. Likewise, including Bayan's result as of end-December of 2015, the fixed line data segment showed a 40% growth year-on-year.

Our total fixed line voice revenues likewise improved year-on-year by 23% due mainly to expansion in subscriber base, both organically given the popularity of bundled broadband plans and the impact of Bayan's consolidation starting on the third quarter of 2015. Even without the aid of Bayan's results, our fixed line voice still grew by 8% from a year ago.

Report of the Audit Committee to the Board of Directors
For the Year Ended 31 December 2015

Pursuant to the Audit Committee Charter, the Committee supports corporate governance through its oversight responsibilities relative to: a) the integrity of financial statements and financial reporting processes and principles; b) internal controls; c) the qualifications, remuneration, selection, performance and independence of external auditors; d) staffing, focus, scope, performance, and effectiveness of the internal audit function; e) risk management; and (f) compliance with legal, regulatory, and corporate governance requirements. Management however has primary responsibility for financial statements and reporting processes, internal controls, legal and regulatory compliance, risk management and corporate governance.

For 2015, the Audit Committee reports:

- An independent director chairs the Audit Committee.
- We had five (5) meetings. The Chief Financial Officer (CFO), Chief Audit Executive (CAE) and the appointed Independent Auditors Navarro Amper/Deloitte Philippines (NA/DP) attended the Committee meetings. The President & Chief Executive Officer (CEO) and other members of Management attended committee meetings as needed, based on the meeting agenda.
- The Committee held a separate executive session with the CEO, Chief Commercial Officer, Chief Technology and Information Officer and CFO in December 2015 to gain an overview of business strategy, technologies and risks.
- The Committee Chairman met with the CEO regularly during Board meeting week. During the year, he also had briefing sessions with other members of Management.
- We reviewed and discussed quarterly unaudited financial statements and the audited annual financial statements of Globe Telecom, Inc. and Subsidiaries (Globe Group), including Management's Discussion and Analysis of Financial Condition and Results of Operations with the CFO, Internal Auditors and NA/DP.
- We reviewed and discussed updates on Sweden Programs focusing on closure of Phase 1 implementation, placing ownership and accountability with the Business, and completion of Phase 2 or Prepaid deployment without major glitches. We also discussed the status of Optimus Program on the completion of enterprise reporting capability.
- We reviewed and discussed plans and updates on mobile and wireline network expansion projects.
- We discussed challenges on service creation, credit and billing processes and Management initiatives to address the same.
- We reviewed and discussed the highest corporate risks identified by the Enterprise Risk Management Services, focusing on competition, data traffic upsurge, cyber and information security, business continuity, fraud, regulatory, among others. Measures to manage these risks were reported.
- We reviewed and discussed fraud detections and losses for 2015 and anti-fraud measures implemented by Management.
- We reviewed and discussed with the Corporate and Legal Services Group Head relevant regulatory and legal updates.
- We reviewed and discussed updates on the transformation program for Information Security and Data Privacy. We noted Management's ongoing efforts to protect sensitive data and company information in light of global hacking incidents and the recently enacted Data Privacy Law.
- We discussed with the Company's Internal Auditors and Independent Auditors the overall scope of, and plans for, their respective 2015 audits, approved the same and reviewed their performance relative to the audit plans.
- We discussed the reports of NA/DP on financial statements and compliance to financial reporting standards and their observations on internal controls. No material control weaknesses were noted by NA/DP.
- We discussed the results and reports of Internal Controls Division reviews, involvement and contributions in key Globe projects, implementation of audit recommendations and initiatives for capability building. Overall, processes and risk management controls are continuously being improved.
- We reviewed the effectiveness of the internal audit function ensuring compliance with International Standards for the Professional Practice of Internal Auditing (ISSPIA) and providing value to the Company. We concluded that Internal Controls Division's resources are allocated to review areas of highest risk and support key enterprise projects.
- We assessed and discussed the Audit Committee's performance for 2015 to confirm that the Committee continues to meet Board, Management and shareholder expectations.
- NA/DP did not perform non-audit services for the Globe Group in 2015.

Based on the reviews and discussions referred to above, the Audit Committee recommends that the audited financial statements be included in the Annual Report for the year ended 31 December 2015 for filing with the Securities and Exchange Commission.

We also recommend the re-appointment of NA/DP as the Globe Group's Independent Auditors for 2016 based on its satisfactory initial year performance.

We confirm that the Company's internal controls and risk management systems are adequate and effective in all material respects.

4 February 2016



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CERTIFICATION OF FULL COMPLIANCE WITH THE MANUAL OF CORPORATE GOVERNANCE

The Corporation's Manual of Corporate Governance, as revised in May 2015, adopts the leading practices and principles of good corporate governance, and to the best of my knowledge and belief, full compliance therewith has been made since the adoption of the Manual.

This Certification is issued in accordance with the requirement of the Corporation's Manual of Corporate Governance, Article V, Section 3, Paragraph iii; and is executed to attest to the truth of the foregoing facts.

January 29, 2016, Taguig City.

[redacted]

MARISALVE CIOCSON-CO
Compliance Officer, Assistant Corporate Secretary, and
Vice President, Law and Compliance

Countersigned by:

[redacted]

ERNEST L. CU
President and Chief Executive Officer

Globe

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Globe Telecom, Inc. and Subsidiaries ("Globe Group") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements including the additional components attached therein and submits the same to the stockholders.

Navarro Amper & Co. and SyCip Gorres Velayo & Co.,the independent auditors appointed by the stockholders for the period December 31, 2015 and 2014, respectively, have examined the consolidated financial statements of the Globe Group in accordance with the Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

[redacted]

JAIME AUGUSTO ZOBEL DE AYALA
Chairman of the Board

[redacted]

ERNEST L. CU
President and Chief Executive Officer

[redacted]

ROSEMARIE MANIEGO-EALA
Acting Chief Finance Officer and Treasurer

February 5, 2016

SUBSCRIBED AND SWORN to before me this FEB 09 2016 at TAGUIG CITY City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Expiry Date
Jaime Augusto Zobel De Ayala	[redacted]		
Ernest L. Cu			
Rosemarie Maniego-Eala			

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SERIES OF 2016

ATTY. CLARISA A. TIMBANG-CPA
Notary Public for Taguig City
28th Floor, The Globe Tower
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Bonifacio Global City, Taguig 1634
Appointment No. 269 (2015-2016)
Until December 31, 2016
PTR No. A-2585504/07-10-2015/Taguig City
IBP O.R. No. 100721/04-16-15/Pasig City
Roll of Attorneys No. 54868

Independent assurance statement

Scope and approach

Globe Telecom, Inc. commissioned **DNV GL AS Philippines Branch** ("DNV GL") to undertake independent assurance of the 2015 Annual and Sustainability Report (the "Report") for the year ended 31 December 2015.

We performed our work using DNV GL's assurance methodology VeriSustain[TM1], which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We evaluated the performance data at a high level using the reliability principle together with available collated data. The performance data in scope included economic, environmental and social data.

Financial information from the annual report was excluded as these had been independently audited by a 3rd party accountant, the following sections were also excluded from the scope of assurance - Management Discussion and Analysis, as this was a summary of the 20-IS figure submitted to regulatory authorities (Philippines Stock Exchange – Securities and Exchange Commission).

We understand that the reported financial data and information are based on data from Globe Telecom, Inc.'s Audited Financial Statements [posted February 26, 2016], which are subject to a separate independent audit process. The review of financial data taken from the Audited Financial Statements is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a 'limited level' of assurance. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. DNV GL conducted the assurance based on reporting principles.

The scope of assurance carried out by DNV GL's multi-disciplinary team of sustainability and assurance specialists covered operations of Globe Telecom, Inc. Globe Fintech Innovations, Inc., Kickstart Ventures, Inc., Innove Communications, and G-Xchange, Inc. in the Philippines.

Responsibilities of the Directors of Globe Telecom, Inc. and of the assurance providers

The Directors of Globe Telecom, Inc. have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of Globe Telecom, Inc.; however our statement represents our independent opinion and is intended to inform all of Globe Telecom, Inc. stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

We have no other contract with Globe Telecom, Inc. and this is the first year that we have provided assurance. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our opinion

We undertook the following activities as part of the assurance process:

[1] The VeriSustain protocol is available upon request at www.dnvgl.com/assurance/reporting/verification.html

- Review of the current sustainability issues that could affect Globe Telecom, Inc. and are of interest to stakeholders;
- Review of Globe Telecom, Inc. approach to stakeholder engagement and recent outputs of a stakeholder engagement process conducted through a third party that included the vendors, government, parent companies and affiliates, and media and disaster respondents. Stakeholder engagement with employees and customers was carried out directly by Globe Telecom, Inc.;
- Review of information provided to us by Globe Telecom, Inc. on its reporting and management processes;
- Interviews with selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. DNV GL was free to choose personnel from various functions for the interview so as to ensure adequate coverage of the report. Functions interviewed included Human Resources, Enterprise Risk Management, Corporate Communications, Property Management, and Corporate Social Responsibility;
- Site visits to Globe Telecom, Inc HQ, Globe Fintech Innovations, Inc. and Kickstart Ventures, Inc., were carried out for review of process and systems. Globe Fintech Innovations and Kickstart Ventures both contributed stories for the Report;
- Review of supporting evidence for key claims and data in the report. Our checking processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated corporate level;
- Review of the processes for gathering and consolidating the specified performance data.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Globe Telecom, Inc.'s adherence to the Principles for defining Report Content in GRI G4. DNV GL believes that the report is in line with the "Core" requirements of the GRI G4 Guidelines. Further conclusions and observations on the adoption of reporting principles and specified performance information are made below.

Limitations

The engagement excludes the sustainability management, performance and reporting practices of Globe Telecom, Inc. associated companies, suppliers, contractors and any third-parties mentioned in the Report. The company position statements and key addresses are excluded from the scope of our work. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performances based on the financial data were cross-checked with internal documents and the audited consolidated financial statements. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification.

Observations

Without affecting our assurance opinion we also provide the following observations:

The verification team has observed that there is general awareness of sustainability context across all different levels of the organization. Further opinions with regards to the adherence to the following Principles are made below;

Materiality

Globe Telecom, Inc. has identified four focus areas such as Care for the Environment, Care for our People, Positive Societal Impact, and a Digital Nation based on internal consultation with project and operating teams, media research on the recurring themes, and customer surveys. The corresponding GRI performance indicators with the four focus areas are addressed in the Report. A comprehensive materiality assessment was completed only in late 2015 and will only be implemented for the Sustainability Report to be published in 2017. The materiality assessment process is presented with illustration in the Report under the section

'Materiality'. In the prioritization of material aspects, Globe Telecom., Inc. could, in the future, also consider incorporating stakeholder views and expectations of their subsidiaries.

Completeness
The Report has covered the sustainability strategy, management approach and sustainability performances of Globe Telecom, Inc. The current reporting boundaries are dependent on subsidiaries that Globe Telecom, Inc., has ownership of, and not where it may exercise management control. Globe Telecom, Inc. could consider including in its boundaries all entities that generate significant sustainability impacts and those over which it exercises significant influence.

Accuracy and Reliability
The document allows the reader to examine both the positive and the negative trend of Globe Telecom, Inc. performance in 2015. Globe Telecom, Inc. has selected, compiled and reported information in a relatively consistent manner. The stakeholder can analyze changes in the sustainability performance over time. The data used for reporting of the sustainability performance presented in the Report is collected from the subsidiaries by a centrally, dedicated function in Globe Telecom, Inc. headquarters and consolidated for reporting, which is a common approach used by large companies. Any errors or misstatements identified during the engagement were corrected prior to the Report being published. Data owners were able to demonstrate the origin and interpretation of the data in a reliable manner. The data was identifiable and traceable.

Disclosure of Management Approach.
Globe Telecom, Inc. has provided in its disclosure of management approach, the four focus areas which form the basis of their reported materiality aspects for this Report. Globe Telecom, Inc. has also explained why these topics are material and initiatives that the company has taken to manage these material issues. Globe Telecom, Inc. could consider in the future, to have commitments, goals and targets identified for short, medium and long tem, and reporting on performance against these goals and targets.

Opportunities for Improvement

We believe that the outcome of the recent materiality assessment in this sustainability report could have improved the economic, social and governance indicators covered. With regards to the reporting principles, we noted that Globe Telecom, Inc. is working on further alignment of its sustainability report and material indicators to of GRI G4, and also alignment of the DMA to recently identified material issues.

For and on behalf of DNV GL AS Philippines Branch
30 March 2016



Grace Cheah
Lead Verifier
DNV GL – Business Assurance



Antonio Astone
Reviewer
DNV GL – Business Assurance

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue,
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Globe Telecom, Inc. and Subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Globe Telecom, Inc. and Subsidiaries as at December 31, 2015, and their financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information, were audited by another auditor who expressed an unmodified opinion on those statements on February 4, 2015.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:



Gregorio S. Navarro
Partner
CPA License No. 0033571
SEC A.N. 0820-AR-2, issued on May 21, 2015; effective until May 20, 2018, Group A
TIN 109-228-435
BIR A.N. 08-002552-33-2014, issued on September 15, 2014; effective until September 15, 2017
PTR No. A-2798364, issued on January 6, 2016, Taguig City

Taguig City, Philippines
February 5, 2016

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31 2015	2014
		(In Thousand Pesos)	
ASSETS			
Current Assets			
Cash and cash equivalents	16, 28.10, 30	₱11,814,379	₱16,756,908
Receivables - net	4, 16, 28.2.2	21,935,775	17,860,750
Inventories and supplies - net	5	4,489,182	3,186,415
Derivative assets	28.10	600,939	8,319
Prepayments and other current assets	6	8,232,428	8,929,671
		47,072,703	46,742,063
Noncurrent Assets			
Property and equipment - net	7, 16	129,039,522	117,229,158
Intangible assets and goodwill - net	8	13,056,925	5,671,644
Investments and advances	10	1,498,565	450,717
Deferred income tax assets - net	24	1,324,081	1,904,298
Derivative assets	28.10	481,342	580,224
Other noncurrent assets	11,28	3,206,613	6,928,848
		148,607,048	132,764,889
Total Assets		₱195,679,751	₱179,506,952
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	12, 16, 28.10	₱49,827,302	₱47,526,559
Current portion of long-term debt	14, 28.10	7,973,594	6,129,663
Unearned revenues	4	4,938,233	4,609,967
Income tax payable	24	1,519,639	1,587,428
Provisions	13	1,160,118	401,288
Derivative liabilities	28.10	111,278	94,809
		65,530,164	60,349,714
Noncurrent Liabilities			
Long-term debt - net of current portion	14, 28.10	64,255,264	59,146,140
Deferred income tax	24	2,211	399
Other long-term liabilities	15, 18, 28.10	6,494,330	5,473,033
		70,751,805	64,619,572
Total Liabilities		136,281,969	124,969,286
Equity			
Paid-up capital	17	44,486,976	44,478,242
Cost of share-based payments	18.1	338,008	189,433
Other reserves	17, 28	(1,211,513)	(977,853)
Retained earnings	17	15,778,557	10,852,478
Equity attributable to equity holders of the Parent		59,392,028	54,542,300
Non-controlling interest		5,754	(4,634)
Total Equity		59,397,782	54,537,666
Total Liabilities and Equity		₱195,679,751	₱179,506,952

See accompanying Notes to Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the Years Ended December 31 2015	2014	2013
		(In Thousand Pesos, Except Per Share Figures)		
REVENUES				
Service revenues	16, 29	**₱113,679,226**	₱ 99,024,604	₱90,500,137
Nonservice revenues	29	**6,289,968**	4,211,109	4,640,848
		119,969,194	103,235,713	95,140,985
INCOME				
Interest income	19, 29	**518,537**	682,998	688,249
Gain on disposals of property and equipment - net	7, 29	**57,642**	101,159	64,333
Other income – net	10, 20, 29	**2,130,853**	470,647	475,246
		2,707,032	1,254,804	1,227,828
COSTS AND EXPENSES				
General, selling and administrative	21	**48,766,962**	41,382,877	37,318,839
Depreciation and amortization	7,8,29	**21,132,698**	18,123,524	27,477,494
Cost of sales	5	**13,665,203**	10,661,344	9,953,106
Interconnect costs	29	**9,007,919**	8,429,934	9,280,229
Financing costs	14, 22, 25, 29	**3,372,924**	2,565,706	2,911,785
Impairment losses and others	23	**3,109,520**	3,720,169	2,482,628
Equity in net losses of associates and joint ventures	10, 29	**153,512**	224,257	79,959
		99,208,738	85,107,811	89,504,040
INCOME BEFORE INCOME TAX		**23,467,488**	19,382,706	6,864,773
PROVISION FOR INCOME TAX				
Current	24	**6,203,825**	5,879,878	4,995,416
Deferred	24	**779,213**	130,636	(3,090,888)
		6,983,038	6,010,514	1,904,528
NET INCOME		**16,484,450**	13,372,192	4,960,245
OTHER COMPREHENSIVE INCOME (LOSS)	17			
Item that will not be reclassified into profit or loss in subsequent periods:				
Remeasurement losses on defined benefit plan - net		**(266,172)**	(278,551)	(344,406)
Items that will be reclassified into profit or loss in subsequent periods:				
Transactions on cash flow hedges - net		**923**	5,407	156,227
Changes in fair value of available-for-sale investment in equity securities		**24,267**	20,392	(22,500)
Exchange differences arising from translations of foreign investments		**7,322**	14,474	(2,357)
Other Comprehensive Income, net of tax		**(233,660)**	(238,278)	(213,036)
TOTAL COMPREHENSIVE INCOME		**₱16,250,790**	₱13,133,914	₱4,747,209

(Forward)

	Notes	For the Years Ended December 31		
		2015	2014	2013
		(In Thousand Pesos, Except Per Share Figures)		
Total net income attributable to:				
Equity holders of the Parent		**P16,496,644**	P13,376,381	P4,960,245
Non-controlling interest		**(12,194)**	(4,189)	-
		16,484,450	13,372,192	4,960,245
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent		**16,262,984**	13,138,103	4,747,209
Non-controlling interest		**(12,194)**	(4,189)	-
		P16,250,790	P13,133,914	P4,747,209
Earnings Per Share	27			
Basic		**₱ 120.11**	₱ 98.64	₱ 37.25
Diluted		**₱ 119.92**	₱ 98.41	₱ 37.22
Cash dividends declared per common share	17	**₱ 83.00**	₱ 75.00	₱ 67.00

See accompanying Notes to Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		For the Year Ended December 31, 2015							
		Attributable to Equity Holders of the Parent							
	Notes	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note17)	Retained Earnings	Subtotal	Non-controlling Interest	Total
		(In Thousand Pesos)							
As of January 1, 2015		₱8,429,229	₱36,049,013	₱189,433	(₱977,853)	₱10,852,478	₱54,542,300	(₱4,634)	₱54,537,666
Total comprehensive income for the year		-	-	-	(233,660)	16,496,644	16,262,984	(12,194)	16,250,790
Dividends on:	17.3								
Common Stock		-	-	-	-	(11,017,355)	(11,017,355)	-	(11,017,355)
Preferred Stock - voting		-	-	-	-	(33,150)	(33,150)	-	(33,150)
Preferred Stock - non-voting		-	-	-	-	(520,060)	(520,060)	-	(520,060)
Cost of share-based payments	18.1	-	-	153,994	-	-	153,994	-	153,994
Exercise of stock options	17.2	484	8,196	(5,419)	-	-	3,261	-	3,261
Equity transaction costs on non-voting preferred stock		-	54	-	-	-	54	-	54
Non-controlling interest arising from subscription		-	-	-	-	-	-	10	10
Non-controlling interest arising from business combination		-	-	-	-	-	-	22,572	22,572
As of December 31, 2015		₱8,429,713	₱36,057,263	₱338,008	(₱1,211,513)	₱15,778,557	₱59,392,028	₱5,754	₱59,397,782

(Forward)

	Notes	For the Year Ended December 31, 2014							
		Attributable to Equity Holders of the Parent							
		Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 17)	Retained Earnings	Subtotal	Non-controlling Interest	Total
		(In Thousand Pesos)							
As of January 1, 2014		₱7,422,360	₱26,980,036	₱261,144	(₱739,575)	₱ 7,715,286	₱41,639,251	₱ -	₱41,639,251
Total comprehensive income for the year		-	-	-	(238,278)	13,376,381	13,138,103	(4,189)	13,133,914
Dividends on:	17.3								
Common stock		-	-	-	-	(9,952,702)	(9,952,702)	-	(9,952,702)
Preferred stock - voting		-	-	-	-	(26,457)	(26,457)	-	(26,457)
Preferred stock - non-voting		-	-	-	-	(260,030)	(260,030)	-	(260,030)
Cost of share-based payments	18.1	-	-	31,841	-	-	31,841	-	31,841
Issuance of non-voting preferred stock		1,000,000	9,000,000	-	-	-	10,000,000	-	10,000,000
Equity transaction costs on non-voting preferred stock		-	(61,429)	-	-	-	(61,429)	-	(61,429)
Non-controlling interest arising from a business combination		-	-	-	-	-	-	(445)	(445)
Exercise of stock options	17.2	6,869	130,406	(103,552)	-	-	33,723	-	33,723
As of December 31, 2014		₱8,429,229	₱36,049,013	₱189,433	(₱977,853)	₱10,852,478	₱54,542,300	(₱4,634)	₱54,537,666

	Notes	For the Year Ended December 31, 2013							
		Attributable to Equity Holders of the Parent							
		Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 17)	Retained Earnings	Subtotal	Non-controlling Interest	Total
		(In Thousand Pesos)							
As of January 1, 2013		₱7,412,866	₱26,683,110	₱472,911	(₱526,539)	₱11,655,643	₱45,697,991	₱-	₱45,697,991
Total comprehensive income for the year		-	-	-	(213,036)	4,960,245	4,747,209	-	4,747,209
Dividends on:	17.3								
Common stock		-	-	-	-	(8,876,764)	(8,876,764)	-	(8,876,764)
Preferred stock		-	-	-	-	(23,838)	(23,838)	-	(23,838)
Cost of share-based payments	18.1	-	-	50,000	-	-	50,000	-	50,000
Exercise of stock options	17.2	9,494	296,926	(261,767)	-	-	44,653	-	44,653
As of December 31, 2013		₱7,422,360	₱26,980,036	₱261,144	(₱739,575)	₱ 7,715,286	₱41,639,251	₱-	₱41,639,251

See accompanying Notes to Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the Years Ended December 31 2015	2014	2013
			(In Thousand Pesos)	
Income before income tax		P23,467,488	P19,382,706	P6,864,773
Adjustments for:				
Depreciation and amortization	7, 8	21,132,698	18,123,524	27,477,494
Provisions and impairment losses	23	2,693,569	3,035,235	2,046,523
Interest expense	22	2,774,078	2,326,171	2,091,915
Pension expense	18.2	543,248	417,653	348,399
Foreign exchange losses (gains) – net	20, 22	457,295	(884)	486,308
Provisions for inventory obsolescence	23	384,143	437,511	321,460
Cost of share-based payments	18	153,994	31,841	50,000
Equity in net losses of associates and joint ventures	10	153,512	224,257	79,959
Impairment losses on property and equipment and intangible assets	23	72,751	110,238	26,312
Losses (Gains) on derivative instruments	20, 22	(31,008)	(103,560)	59,282
Provisions for (reversals of) claims and assessments	23	(40,943)	137,185	88,333
Gain on disposal of property and equipment	7	(57,642)	(101,159)	(64,333)
Gain on previously held equity interest	9.1	(431,115)	-	-
Gain on disposal of controlling interest in subsidiary	10.2, 20	(449,148)	-	-
Interest income	19	(518,537)	(682,998)	(688,249)
Gain on fair value of retained interest	10.2, 20	(745,831)	-	-
Operating income before working capital changes		49,558,552	43,337,720	39,188,176
Changes in operating assets and liabilities:				
Decrease (Increase) in:				
Receivables		(5,714,476)	(6,275,244)	(5,654,381)
Inventories and supplies		(1,532,769)	(79,039)	(1,789,810)
Prepayments and other current assets		1,371,743	201,119	3,547,877
Other noncurrent assets		(825,851)	(275,508)	727,308
Increase (Decrease) in:				
Accounts payable and accrued expenses		(716,472)	4,047,846	965,321
Unearned revenues		40,085	356,504	1,750,561
Other long-term liabilities		(172,643)	215,490	328,633
Cash generated from operations		42,008,169	41,528,888	39,063,685
Income tax paid		(6,055,966)	(5,073,730)	(5,103,438)
Net cash flows from operating activities		35,952,203	36,455,158	33,960,247
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	7	(31,955,788)	(21,120,217)	(28,999,480)
Intangible assets	8	(174,698)	(114,913)	(101,956)
Investment in joint ventures	10	(332,500)	(548,000)	(59,010)
Interest received		134,340	786,531	771,868
Dividends received		22,000	-	-
Proceeds from loans receivable		-	532,027	187,536
Proceeds from sale of property and equipment		141,759	197,773	105,760
Proceeds from return of investments	10	-	62,944	-
Proceeds from sale of controlling interest in subsidiary, net of cash disposed	10.2	923,491	-	-
Acquisition of subsidiaries, net cash acquired	9	(1,318,689)	(12,251)	-
Net cash flows used in investing activities		(32,560,085)	(20,216,106)	(28,095,282)

(Forward)

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the Years Ended December 31		
		2015	2014	2013
		(In Thousand Pesos)		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings:	14			
Long-term		**12,110,050**	7,000,000	16,695,035
Short-term		**-**	1,700,112	3,428,880
Repayments of borrowings:	14			
Long-term		**(6,181,143)**	(6,025,143)	(13,613,525)
Short-term		**-**	(6,917,068)	(432,070)
Payments of dividends to stockholders:	17			
Common		**(11,017,356)**	(9,952,702)	(8,876,764)
Preferred		**(553,210)**	(26,457)	(56,983)
Issuance of non-voting preferred stock	17	**-**	9,938,571	-
Exercise of stock options		**3,261**	33,723	44,653
Interest paid		**(2,767,879)**	(2,693,173)	(2,665,459)
Net cash used in financing activities		**(8,406,277)**	(6,942,137)	(5,476,233)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,014,159)**	9,296,915	388,732
NET FOREIGN EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS		**71,630**	39,258	272,248
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**16,756,908**	7,420,735	6,759,755
CASH AND CASH EQUIVALENTSAT THE END OF YEAR	16, 28.10, 30	**₱11,814,379**	₱16,756,908	₱ 7,420,735

See accompanying Notes to Consolidated Financial Statements.

1 Corporate Information

Globe Telecom, Inc. (hereafter referred to as "Globe Telecom") is a stock corporation organized under the laws of the Philippines on January 16, 1935, and enfranchised under Republic Act (RA) No. 7229 and its related laws to render any and all types of domestic and international telecommunications services. Globe Telecom is one of the leading providers of digital wireless communications services in the Philippines under the Globe Postpaid and Prepaid, Touch Mobile (TM) and Tattoo brands using a fully digital network. It also offers domestic and international long distance communication services or carrier services. Globe Telecom's head office is located at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig, Metropolitan Manila, Philippines. Globe Telecom is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since September 17, 2001. Major stockholders of Globe Telecom include Ayala Corporation (AC), Singapore Telecom International Pte Ltd. (Singtel) and Asiacom Philippines, Inc. None of these companies exercise control over Globe Telecom.

Globe Telecom owns 100% of Innove Communications, Inc. (Innove). Innove is a stock corporation organized under the laws of the Philippines and enfranchised under RA No. 7372 and its related laws to render any and all types of domestic and international telecommunications services. Innove holds a license to provide digital wireless communication services in the Philippines. Innove also offers a broad range of broadband internet and wireline voice and data communication services, as well as domestic and international long distance communication services or carrier services. Innove also has a license to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services. On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal Data Center, Inc. (TechGlobal), a joint venture company formed for the purpose of operating and managing all kinds of data centers, and providing information technology-enabled, knowledge-based and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. As of December 31, 2015, TechGlobal has not started commercial operations.

Globe Telecom owns 100% of G-Xchange, Inc. (GXI). GXI is a stock corporation organized under the laws of the Philippines and formed for the purpose of developing, designing, administering, managing and operating software applications and systems, including systems designed for the operations of bill payment and money remittance, payment facilities through various telecommunications systems operated by telecommunications carriers in the Philippines and throughout the world and to supply software and hardware facilities for such purposes. GXI is registered with the Bangko Sentral ng Pilipinas (BSP) as a remittance agent and electronic money issuer. GXI handles the mobile payment and remittance service using Globe Telecom's network as transport channel under the GCash brand. The service, which is integrated into the cellular services of Globe Telecom and Innove, enables easy and convenient person-to-person fund transfers via short messaging services (SMS) and allows Globe Telecom and Innove subscribers to easily and conveniently put cash into and get cash out of the GCash system.

Globe Telecom owns 100% of GTI Business Holdings, Inc. (GTI). GTI was incorporated and registered under the laws of the Philippines, on November 25, 2008, as a holding company. In July 2009, GTI incorporated its wholly owned subsidiary, GTI Corporation (GTIC), a company organized under the General Corporation Law of the United States of America, State of Delaware, for the purpose of engaging in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law. GTIC started commercial operations on April 1, 2011. In December 2011, GTI incorporated another wholly owned subsidiary, Globe Telecom HK Limited (GTHK), a limited company organized under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). GTHK started commercial operations on August 1, 2012. On May 10, 2013, GTI incorporated its wholly owned subsidiary, Globetel European Limited (GTEU) and the latter's wholly owned subsidiary, UK Globetel Limited (UKGT). GTEU was incorporated to act as holding company for the operating companies of Globe Telecom, which proposed to establish operations in Europe, marketing and selling mobile telecommunications services, as a mobile network operator, or through any other appropriate vehicle, to Filipino individuals and businesses located within, and to Filipino visitors, initially, in the United Kingdom, Spain and Italy. These entities are private limited companies under the Companies Act of 2006, wherein the registered addresses are in England and Wales. GTEU started commercial operations on the same date of incorporation while UKGT's commercial operations commenced on July 22, 2013.

On July 22, 2013 and October 4, 2013, respectively, GTEU incorporated additional two European wholly owned subsidiaries which are Globe Mobilé Italy S.r.l. (GMI), a limited liability company, with registered address in Milan, Italy and Globetel Internacional European España, S.L. (GIEE), with registered address in Barcelona, Spain. GMI and GIEE commenced commercial operations on November 24, 2013 and August 7, 2014, respectively. GMI and GIEE were organized to operate similar to UKGT.

On November 12, 2014, GTI incorporated Globetel Singapore Pte. Ltd. (GTSG), a wholly owned subsidiary, to provide international cable services that will help strengthen connectivity between Singapore and the Philippines, and for the purpose of offering full range of international data services in Singapore.

On March 28, 2012, Globe Telecom incorporated Kickstart Ventures, Inc. (Kickstart or KVI), a stock corporation organized under the laws of the Philippines and formed for the purpose of investing in individual, corporate, or start-up businesses, and to do research, technology development and commercializing of new business ventures. Kickstart started commercial operations on March 29, 2012. In February 2014, Kickstart acquired 40% equity interest in Flipside Publishing Services, Inc. (FPSI) which was accounted for as a subsidiary based on Kickstart's assessment of relevant facts and circumstances. In January 2015, FPSI is engaged primarily to acquire publishing rights, produce, publish, market, and sell printed and electronic books (e-books) and other electronic documents and content for international and domestic sales. FPSI was consolidated starting February 2014.

On June 3, 2014, Globe Telecom signed an agreement with Azalea Technology, Inc. and SCS Computer Systems, Pte. Ltd. acquiring 100% ownership stake in Asticom Technology, Inc. (Asticom). It is engaged in trading, marketing, installing and servicing of computer equipment, peripherals, manpower, software and other data processing devices. Asticom was consolidated starting June 2014.

Globe Telecom previously owned 100% of Yondu, Inc. (formerly known as Entertainment Gateway Group Corp. [EGGC]) and EGGstreme (Hong Kong) Limited (EHL) (collectively referred here as "EGG Group"). Yondu is engaged in the development and creation of wireless products and services accessible through mobile devices or other forms of communication devices. It also provides internet and mobile value added services, information technology and technical services including software development and related services. EGGC is registered with the Department of Transportation and Communication (DOTC) as a content provider. On February 1, 2013, EHL was liquidated and the cost of investment amounting to ₱11.48 million was derecognized in the consolidated statements of financial position. On May 15, 2014, EGGC changed its corporate name from Entertainment Gateway Group Corp. to Yondu, Inc. (Yondu). On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of P670 million and has ceased to consolidate the latter's net assets and liabilities as of that date in its consolidated financial statements. Following this transaction and Yondu's issuance of additional shares to a third party, Globe Telecom's ownership in Yondu was reduced from 100% to 49% and Globe started to account for such investment using the equity method starting September 15, 2015, as disclosed in Note 10.2.

Globe Telecom owns 100% of Globe Capital Venture Holdings Inc. (herein referred to as "GCVHI"). GCVHI was incorporated on June 29, 2015. On July 8 and October 13, 2015, GCVHI incorporated its wholly owned subsidiaries, Globe Fintech Innovations, Inc. (GFI) and Adspark Holdings, Inc. (AHI), respectively (collectively referred here as "GCVHI Group"). GCVHI, GFI and AHI were incorporated to act as holding companies for Globe Telecom's non-core businesses. GCVHI was consolidated starting July 2015. On December 28, 2015, AHI incorporated its wholly-owned subsidiary, Adspark Inc. (AI), to operate as an advertising company.

On September 1, 2015, Yondu Inc. ("Yondu") and GCVHI entered into a Deed of Assignment to assign the former's 50% interest in Global Telehealth, Inc. ("GTHI") to GCVHI for a total consideration of P15 million.

On July 2, 2015, the National Telecommunications Commission (NTC) approved the conversion of Bayan Telecommunication Inc.'s ("BTI") Tranche A convertible portion of the debt to equity, and resulted to Globe Telecom's gaining a controlling interest in BTI with increased ownership from 38% to at least 57% of BTI's outstanding shares. On July 20, 2015, Globe Telecom acquired additional voting shares of BTI, which increased its controlling interest to approximately 99% in exchange for cash amounting to ₱1,829.84 million, as disclosed in Note 9. BTI was a subsidiary of Bayan Telecommunications Holdings Corporation (BTHC), a holding company also incorporated in the Philippines. BTHC was 52.48% owned by Lopez Holdings Corporation (Lopez Holdings) and 29.52% owned by Lopez Inc. BTI is a facilities-based provider of data services and fixed-line telecommunications. BTI was consolidated starting July 2015.

BTI's subsidiaries are: Radio Communications of the Philippines, Inc. (RCPI), Alarmnet, Inc. (Alarmnet), Telecoms Infrastructure Corp. of the Philippines (Telicphil), Sky Internet, Incorporated (Sky Internet), BTI Global Communications Japan, Inc. (BTI - Japan), BTI Global Communications Ltd. (BTI - UK), and NDTN Land, Inc. (NLI), (herein collectively referred to "BTI Group").

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

The accompanying consolidated financial statements of Globe Telecom, Inc. and its subsidiaries, collectively referred to as the "Globe Group", have been prepared under the historical cost convention method, except for derivative financial instruments and available-for-sale (AFS) investments that are measured at fair value, certain financial instruments carried at amortized cost, inventories which are carried at net realizable value, and accrued pension, which is measured as the excess of the present value of the defined benefit obligation over the fair value of the plan assets.

The consolidated financial statements of the Globe Group are presented in Philippine Peso (₱), Globe Telecom's functional currency, and rounded to the nearest thousands, except when otherwise indicated.

On February 5, 2016, the Board of Directors (BOD) approved and authorized the release of the consolidated financial statements of Globe Telecom, Inc. and its subsidiaries as of December 31, 2015 and 2014 and for each of the three years ended December 31, 2015, 2014 and 2013.

2.2 Statement of Compliance

The consolidated financial statements of the Globe Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and the Board of Accountancy, and adopted by the SEC.

2.3 Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Globe Telecom and the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Principal Activity	Percentage of Ownership 2015	2014
Innove	Philippines	Wireless and wireline voice and data communication services	**100%**	100%
GXI	Philippines	Software development for telecommunications applications and money remittance services	**100%**	100%
GTI	Philippines	Investment and holding company	**100%**	100%
GTIC	United States	Wireless and data communication services	**100%**	100%
GTHK	Hong Kong	Marketing and selling of products and services under distributorship agreement	**100%**	100%
GTSG	Singapore	Wireless and data communication services	**100%**	100%
GTEU	United Kingdom	Investment and holding company	**100%**	100%
UKGT	United Kingdom	Wireless and data communication services	**100%**	100%
GMI	Italy	Wireless and data communication services	**100%**	100%
GIEE	Spain	Wireless and data communication services	**100%**	100%
KVI	Philippines	Investment, research, technology development and commercializing for business ventures	**100%**	100%
FPSI	Philippines	E-book solutions	**40%**	40%
Yondu*	Philippines	Mobile content and application development services	**-**	100%
Asticom	Philippines	Trading, marketing and installation of computer equipment and other data devices	**100%**	100%
GCVH	Philippines	Investment and Holding Company	**100%**	-
GFI	Philippines	Holding Company	**100%**	-
AHI	Philippines	Holding Company	**100%**	-
AI	Philippines	Advertising Company	**100%**	-
BTI	Philippines	Telecommunication services	**99%**	-
RCPI	Philippines	Telecommunication services	**91%**	-
Alarmnet	Philippines	Sale, maintenance and installation of intruder and other alarm equipment	**100%**	-
Telicphil	Philippines	Design, planning, technical administration, and maintenance	**58%**	-
Sky Internet	Philippines	Communication and information networking services.	**100%**	-
BTI - Japan	Japan	Call center and telemarketing services, international private leased circuits and internet services	**100%**	-
BTI – UK	United Kingdom	Prepaid international phone services	**100%**	-
NLI	Philippines	Acquire and lease land for the use and benefit of NLI's shareholders	**65%**	-

**Yondu was deconsolidated in 2015 and is being accounted for as an associate (Note 10.2)*

The assets, liabilities, income and expense of subsidiaries are consolidated from the date on which control is transferred to the Globe Group and ceases to be consolidated from the date on which control is transferred out of the Globe Group.

Control is achieved when the Globe Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Globe Group controls an investee if and only if the Globe Group has: (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the Globe Group has less than a majority of the voting or similar rights of an investee, the Globe Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the Globe Group's voting rights and potential voting rights.

The Globe Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Globe Group. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the equity attributable to the Parent.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Globe Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent.

If the Globe Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting year as Globe Telecom accounting policies for like transactions and other events in similar circumstances. On February 2, 2015, SEC approved the change in accounting period of Asticom from fiscal year, April 1 - March 31, to calendar year, January 1 - December 31, and approved by BIR on January 15, 2016. All significant intercompany balances and transactions, including intercompany profits and losses, were eliminated in full during consolidation in accordance with the accounting policy on consolidation.

2.4 Adoption of New Standards, Amendments to Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Globe Group's consolidated financial statements as of and for the year ended December 31, 2014, except for the adoption of following new standards and amendment to standards and interpretations effective on January 1, 2015.

The nature and impact of each new standard and amendment is described below:

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments have no impact to the Globe Group since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRS (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to Globe Group. They include:

- PFRS 2, *Share-based Payment -Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement,* (or PFRS 9, *Financial Instruments*, if early adopted). The Globe Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- *Annual Improvements to PFRSs (2011-2013 cycle)*

  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to Globe Group. They include:

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

    Joint arrangements, not just joint ventures, are outside the scope of PFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*

    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

- PAS 40, *Investment Property*

  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Several other new standards and amendments apply for the first time in 2015. However, they do not significantly impact the consolidated financial statements of the Globe Group.

2.5 Future Adoption of New Standards and Amendments to Standards

The Globe Group will adopt the following new standards and amendment to standards enumerated below when these become effective. Except as otherwise indicated, the Globe Group does not expect the adoption of these new standards and amendment to standards to have significant impact on the consolidated financial statements.

Effective January 1, 2016

- PAS 16, *Property, Plant and Amortization (Amendments)*

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to Globe Group given that it has not used a revenue-based method to depreciate its non-current assets.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact to the Globe Group's financial statements.

- PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact to Globe Group.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to Globe Group.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Globe Group is an existing PFRS preparer, this standard would not apply.

- *Annual Improvements to PFRSs (2012-2014 cycle)*

  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to Globe Group. They include:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

- *Disclosure Initiative (Amendments to PAS 1)*

  The amendments to PAS 1 addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity's share on OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28)* clarifies that:

  - A subsidiary that provides investment–related services should not be consolidated if the subsidiary itself is an investment entity.
  - The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.

- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016.

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*

  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Globe Group's financial assets but will have no impact on the classification and measurement of the Globe Group's financial liabilities. The adoption will also have an effect on the Globe Group's application of hedge accounting. The Globe Group is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments (2014 or final version)*

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Globe Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Globe Group's financial liabilities. The adoption will also have an effect on the Globe Group's application of hedge accounting. The Globe Group is currently assessing the impact of adopting this standard. The Globe Group is currently assessing the impact of adopting this standard.

Standards issued by International Accounting Standards Board not yet adopted in the Philippines

Effective January 1, 2018

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Globe Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

  IFRS 16 Leases was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.

  IFRS 16 standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17. The Globe Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

2.6 Significant Accounting Policies

2.6.1 *Revenue Recognition*

The Globe Group provides mobile and wireline voice, data communication and broadband internet services which are both provided under postpaid and prepaid arrangements.

The Globe Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent (see Note 3.1.5).

Revenue is recognized when the delivery of the products or services has occurred and collectability is reasonably assured.

Revenue is stated at amounts invoiced and accrued to customers, taking into consideration the bill cycle cut-off (for postpaid subscribers), the amount charged against preloaded airtime value (for prepaid subscribers), switch-monitored traffic (for carriers and content providers) and excludes value-added tax (VAT) and overseas communication tax. Inbound and outbound traffic charges, net of discounts, are accrued based on actual volume of traffic monitored by Globe Group's network and in the traffic settlement system.

2.6.1.1 *Service Revenue*

2.6.1.1.1 Subscribers

Revenues from subscribers principally consist of: (1) fixed monthly service fees for postpaid wireless, wireline voice, broadband internet, data subscribers and wireless prepaid and postpaid subscription fees for promotional offers; (2) subscription to promotional offers, usage of airtime and toll fees for local, domestic and international long distance calls in excess of consumable fixed monthly service fees and subscription fees for the promotional offer over the validity period and, less (a) bonus airtime and short messaging services (SMS) on free Subscribers' Identification Module (SIM), and (b) prepaid reload discounts, (3) revenues from value-added services (VAS) such as SMS in excess of consumable fixed monthly service fees (for postpaid) and free SMS allocations (for prepaid), multimedia messaging services (MMS), content and infotext services, net of payout to content providers; (4) mobile data services, (5) inbound revenues from other carriers which terminate their calls to the Globe Group's network less discounts; (6) revenues from international roaming services for Voice, SMS and Data on top of the subscription promo offers, net of payout to roaming partners; (7) usage of broadband and internet services in excess of fixed monthly service fees; and (8) one-time service connection fees (for wireline voice and data subscribers).

Postpaid service arrangements include fixed monthly service fees, which are recognized over the subscription period on a pro-rata basis. Monthly service fees billed in advance are initially deferred and recognized as revenues during the period when earned. Telecommunications services provided to postpaid subscribers are billed throughout the month according to the bill cycles of subscribers. As a result of bill cycle cut-off, monthly service revenues earned but not yet billed at the end of the month are accrued.

Proceeds from over-the-air reloading channels and the sale of prepaid cards are deferred and shown as "Unearned revenues" in the consolidated statements of financial position. Revenue is recognized upon actual usage of airtime value net of free prepaid cards proportionately allocated across all services. Revenue on subscription based services are recorded over the validity period. Unused load value is recognized as revenue upon expiration based on the load denomination. The Globe Group offers loyalty programs which allow its subscribers to accumulate points when they purchase services from the Globe Group. The points can then be redeemed for free services, discounts, subject to a minimum number of points being obtained. The consideration received or receivable is allocated between the sale of services and award credits. The portion of the consideration allocated to the award credits is accounted for as unearned revenues. This will be recognized as revenue upon the award redemption.

2.6.1.1.2 Traffic

Inbound revenues refer to traffic originating from other telecommunications providers terminating to the Globe Group's network, while outbound charges represent traffic sent out or using agreed termination rates and/or revenue sharing with other foreign and local carriers. Adjustments are made to the accrued amount for discrepancies between the traffic volume per Globe Group's records and per records of the other carriers as these are determined and/or mutually agreed upon by the parties. Outstanding inbound revenues are shown as traffic settlements receivable under the "Receivables" account, while unpaid outbound charges are shown as traffic settlements payable under the "Accounts payable and accrued expenses" account in the consolidated statements of financial position unless a legal right of offset exists in which case the net amount is shown either under "Receivables" or "Accounts payable and accrued expenses" account.

2.6.1.1.3 GCash

Service revenues of GXI consist of SMS revenue arising from GCash transactions passing through the telecom networks of Globe Telecom. Service revenue also includes transaction fees and discounts earned from arrangements with partners and from remittances made through GCash partners using the Globe Group's facilities. The Globe Group earns service revenue from one-time connection fee received from new partners. Depending on the arrangement with partners and when the fee is nonconsumable, outright service revenue is recognized upon cash receipt.

2.6.1.2 *Nonservice Revenues*

Proceeds from sale of handsets, nomadic broadband sticks (Tattoos), modems, other mobile devices & accessories, SIM packs, call cards and others are recognized as revenue upon delivery of the items and the related cost or net realizable value are presented as "Cost of sales" in the consolidated statements of comprehensive income.

2.6.1.3 *Others*

Interest income is recognized as it accrues using the effective interest rate method.

Lease income from operating lease is recognized on a straight-line basis over the lease term.

Dividend income is recognized when the Globe Group's right to receive payment is established.

2.6.2 *Subscriber Acquisition and Retention Costs*

The related costs incurred in connection with the acquisition of wireless and wireline voice subscribers are charged against current operations, while the related acquisition costs of data communication and broadband internet subscribers are capitalized. Subscriber acquisition costs primarily include commissions, handset, phonekit, modems, mobile internet kit subsidies, device subsidies and selling expenses. Subsidies represent the difference between the cost of handsets, nomadic broadband sticks (Tattoos), modems, other mobile devices and accessories, SIM packs, call cards and others (included in the "Cost of sales" and "Impairment losses and others" account), and the price offered to the subscribers (included in the "Nonservice revenues" account). The data communication and broadband internet costs represent the acquisition cost of modems (included in the "Property and Equipment" account) which are depreciated over a period of two years or contract term whichever is shorter (included in the "depreciation and amortization" account). Retention costs for existing postpaid subscribers are in the form of free handsets, devices and bill credits. Retention costs are charged against current operations and included under the "General, selling and administrative expenses" account in the consolidated statement of comprehensive income upon delivery or when there is a contractual obligation to deliver. Bill credits are deducted from service revenues upon application against qualifying subscriber bills.

2.6.3 *Cash and Cash Equivalents*

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placement and that are subject to an insignificant risk of change in value.

2.6.4 *Financial Instruments*

2.6.4.1 *General*

2.6.4.1.1 Initial Recognition and Measurement

Financial instruments are recognized in the Globe Group's consolidated statements of financial position when the Globe Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized (regular way trades) on the trade date, i.e., the date that the Globe Group commits to purchase or sell the asset.

Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes directly attributable transaction costs.

The Globe Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Globe Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation every reporting date.

2.6.4.1.2 Financial Assets or Financial Liabilities at FVPL

This category consists of financial assets or financial liabilities that are held for trading or designated by management as FVPL on initial recognition. Financial assets or financial liabilities are classified as held for sale if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments as defined by PAS 39.

Financial assets or financial liabilities at FVPL are recorded in the consolidated statements of financial position at fair value, with changes in fair value being recorded in the consolidated profit or loss. Interest earned or incurred is recorded as "Interest income or expense", respectively, while dividend income is recorded when the right to receive payment has been established. Both are recorded in the consolidated profit or loss.

Financial assets or financial liabilities are classified in this category as designated by management on initial recognition when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Globe Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Globe Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Globe Group may elect to reclassify these financial assets. The reclassification to loans and receivables, AFS or HTM depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation because these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.6.4.1.3 HTM Investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Globe Group's management has the positive intention and ability to hold to maturity. Where the Globe Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. After initial measurement, HTM investments are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process. The amortization is included in "Interest income" in the consolidated statement of comprehensive income. The effects of restatement of foreign currency-denominated HTM investments are recognized in the consolidated statements of comprehensive income.

There are no outstanding HTM investments as of December 31, 2015 and 2014.

2.6.4.1.4 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated at FVPL.

This accounting policy relates to the consolidated statement of financial position caption "Receivables", which arise primarily from subscriber and traffic revenues and other types of receivables, "Short-term investments", which arise primarily from unquoted debt securities, and other nontrade receivables included under "Prepayments and other current assets" and loans receivables included under "Other noncurrent assets".

Receivables are recognized initially at fair value. After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Penalties, termination fees and surcharges on past due accounts of postpaid subscribers are recognized as revenues upon collection. The losses arising from impairment of receivables are recognized in the "Impairment losses and others" account in the consolidated statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on 2.6.4.2 Impairment of Financial Assets).

Other nontrade receivables and loans receivable are recognized initially at fair value, which normally pertains to the consideration paid. Similar to receivables, subsequent to initial recognition, other nontrade receivables and loans receivables are measured at amortized cost using the effective interest rate method, less any allowance for impairment losses.

2.6.4.1.5 AFS Investments

AFS investments are those investments which are designated as such or do not qualify to be classified or designated as at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments.

After initial measurement, AFS investments are subsequently measured at fair value. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. The unrealized gains and losses arising from the fair value changes of AFS investments are included in other comprehensive income and are reported as "Other reserves" (net of tax where applicable) in the equity section of the consolidated statement of financial position. When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the consolidated profit or loss.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. Dividends earned on holding AFS investments are recognized in the consolidated profit or loss when the right to receive payment has been established.

The losses arising from impairment of such investments are recognized as "Impairment losses and others" in the consolidated statements of comprehensive income.

2.6.4.1.6 Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Globe Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated profit or loss.

This accounting policy applies primarily to the Globe Group's debt, accounts payable and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

2.6.4.1.7 Derivative Instruments

2.6.4.1.7.1 *General*

The Globe Group enters into short-term deliverable and nondeliverable currency forward contracts to manage its currency exchange exposure related to short-term foreign currency-denominated monetary assets and liabilities and foreign currency linked revenues.

The Globe Group also enters into long-term currency and interest rate swap contracts to manage its foreign currency and interest rate exposures arising from its long-term loan. Such swap contracts are sometimes entered into in combination with options.

2.6.4.1.7.2 *Recognition and Measurement*

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment. The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated profit or loss. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment (both prospective and retrospective bases) and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

Upon inception of the hedge, the Globe Group documents the relationship between the hedging instrument and the hedged item, its risk management objective and strategy for undertaking various hedge transactions, and the details of the hedging instrument and the hedged item. The Globe Group also documents its hedge effectiveness assessment methodology, both at the hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is likewise measured, with any ineffectiveness being reported immediately in the consolidated profit or loss.

2.6.4.1.7.3 *Types of Hedges*

The Globe Group designates derivatives which qualify as accounting hedges as either: (a) a hedge of the fair value of a recognized fixed rate asset, liability or unrecognized firm commitment (fair value hedge); or (b) a hedge of the cash flow variability of recognized floating rate asset and liability or forecasted sales transaction (cash flow hedge).

Fair Value Hedges

Fair value hedges are hedges of the exposure to variability in the fair value of recognized assets, liabilities or unrecognized firm commitments. The gain or loss on a derivative instrument designated and qualifying as a fair value hedge, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in the consolidated profit or loss in the same accounting period. Hedge effectiveness is determined based on the hedge ratio of the fair value changes of the hedging instrument and the underlying hedged item. When the hedge ceases to be highly effective, hedge accounting is discontinued.

As of December 31, 2015 and 2014, there were no derivatives designated and accounted for as fair value hedges.

Cash Flow Hedges

The Globe Group designates as cash flow hedges the following derivatives:

(a) cross currency swaps as cash flow hedge of foreign exchange and interest rate risk of United States Dollar (USD) loans (b) principal only swaps as cash flow hedge of foreign exchange risk of USD loans (c) interest rate swaps as cash flow hedge of the interest rate risk of a floating rate obligation, and (d) certain foreign exchange forward contracts as cash flow hedge of expected USD revenues.

A cash flow hedge is a hedge of the exposure to variability in future cash flows related to a recognized asset, liability or a forecasted sales transaction. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in "Other reserves," which is a component of equity. Any hedge ineffectiveness is immediately recognized in the consolidated profit or loss.

If the hedged cash flow results in the recognition of a nonfinancial asset or liability, gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from equity to consolidated profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affect earnings.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been recognized in OCI is retained in "Other reserves" until the hedged transaction impacts consolidated profit or loss. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously recognized in "Other reserves" is immediately recycled in the consolidated profit or loss.

For cash flow hedges of USD revenues, the effective portion of the hedge transaction coming from the fair value changes of the currency forwards are subsequently recycled from equity to consolidated profit or loss and is presented as part of the US dollar-based revenues upon consummation of the transaction or when the hedge become ineffective.

2.6.4.1.7.4 *Other Derivative Instruments Not Accounted for as Accounting Hedges*

Certain freestanding derivative instruments that provide economic hedges under the Globe Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated profit or loss. For bifurcated embedded derivatives in financial and nonfinancial contracts that are not designated or do not qualify as hedges, changes in the fair values of such transactions are recognized in the consolidated profit or loss.

2.6.4.1.7.5 *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; thus, the related assets and liabilities are presented gross in the consolidated statements of financial position.

2.6.4.2 *Impairment of Financial Assets*

The Globe Group assesses at end of the reporting date whether a financial asset or group of financial assets is impaired.

2.6.4.2.1 Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is to be recognized in the consolidated profit or loss.

The Globe Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated profit or loss to the extent that the carrying value of the asset does not exceed what should have been its amortized cost at the reversal date.

With respect to receivables, the Globe Group performs a regular review of the risk profile of accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Globe Group.

2.6.4.2.1.1 Subscribers

Management regularly reviews its portfolio and assesses if there are accounts requiring specific provisioning based on objective evidence of high default probability. Observable data indicating high impairment probability could be deterioration in payment status, declaration of bankruptcy or national/local economic indicators that might affect payment capacity of accounts.

Full allowance for impairment losses, net of average recoveries, is provided for receivables from permanently disconnected wireless, wireline and broadband subscribers. Permanent disconnections are made after a series of collection steps following nonpayment by postpaid subscribers. Such permanent disconnections generally occur within a predetermined period from due date.
Impairment losses are applied to active wireless, wireline and broadband accounts specifically identified to be doubtful of collection where there is information on financial incapacity after considering the other contractual obligations between Globe Group and the subscriber. Allowance is applied regardless of age bucket of identified accounts.

Application of impairment losses to receivables, net of receivables with applied specific loss, is also determined based on the results of net flow to permanent disconnection methodology.

For wireless, net flow tables are derived from account-level monitoring of subscriber accounts between different age brackets depending on the defined permanent disconnection timeline, from current to 150 days past due and up. The net flow to permanent disconnection methodology relies on the historical data of net flow tables to establish a percentage ("net flow rate") of subscriber receivables that are current or in any state of delinquency as of reporting date that will eventually result to permanent disconnection. The allowance for impairment losses is then computed based on the outstanding balances of the receivables at the end of reporting date and the net flow rates determined for the current and each delinquency bucket. Full allowance net of recoveries is provided for receivables of active consumer accounts in the 150 days past due and up bucket.

For active wireline voice and broadband subscribers, the allowance for impairment loss is also determined based on the results of net flow rate to permanent disconnection computed from account-level monitoring of accounts from current to 90 days past due and up age bucket except for consumer where impairment rate applied at 90 days past due and up bucket is full allowance net of average recoveries prior to permanent disconnection.

2.6.4.2.1.2 Traffic

As per PAS 39, impairment provision is recognized in the light of actual losses incurred by the Globe Group as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of assets that can be reliably estimated.

For traffic receivables, impairment losses are provided on specific or per carrier basis observing objective evidence of impairment. Objective evidence of impairment includes the following: a) financial difficulty of interconnect carriers; b) default or delinquency; c) high probability of bankruptcy or financial re-organization; and d) historical pattern of collections that amounts due will not be collected. For receivable balances that appear doubtful of collection, allowance is provided after review of the status of settlement with each carrier and roaming partner, taking into consideration normal payment cycles, recovery experience and credit history of the counterparties.

2.6.4.2.1.3 Other receivables

Other receivables from dealers, credit card companies and other parties are provided with allowance for impairment losses if specifically identified to be doubtful of collection regardless of the age of the account.

2.6.4.2.2 AFS Investments Carried at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The carrying amount of the asset is reduced through the use of an allowance account.

2.6.4.2.3 AFS Investments Carried at Fair Value

If an AFS investment carried at fair value is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognized in the consolidated profit or loss. Reversals of impairment losses on debt instruments are made through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated profit or loss.

2.6.4.3 *Derecognition of Financial Instruments*

2.6.4.3.1 Financial Asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Globe Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Globe Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Globe Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Globe Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, which is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Globe Group could be required to pay.

2.6.4.3.2 Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated profit or loss.

2.6.5 *Fair Value Measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Globe Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Globe Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Globe Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6.6 *Inventories and Supplies*

Inventories and supplies are initially measured at cost. Subsequently, stated at the lower of cost and net realizable value (NRV). NRV for handsets, modems, devices and accessories is the selling price in the ordinary course of business less direct costs to sell, while NRV for SIM packs, call cards, spare parts and supplies consists of the related replacement costs. In determining the NRV, the Company considers any adjustment necessary for obsolescence, which is generally provided at 80% for non-moving items after a certain period. Cost is determined using the moving average method.

When inventories and supplies are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

2.6.7 *Noncurrent Assets Held for Sale*

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Non-current assets (and the related liabilities) are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is considered as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

Items of property and equipment and intangible assets once classified as held for sale are not depreciated/amortized.

Assets that cease to be classified as held for sale are measured at the lower of its carrying value before the assets were classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale, and its recoverable amount at the date of the changes to the plan of sale. Adjustment is recognized in profit or loss.

2.6.8 *Prepayments*

Prepayments, included under "Other current assets" account in the consolidated statement of financial position, are expenses paid in advance and recorded as asset before they are utilized.

This account comprises of advance payment to suppliers and contractors, prepaid rentals and insurance premiums and other prepaid items and creditable withholding taxes. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Creditable withholding taxes are deducted from income tax payable. Prepayments that are expected to be realized for no more than 12 months after the balance sheet date are classified as current assets; otherwise, these are classified as other noncurrent assets.

2.6.9 *Value Added Tax (VAT)*

Input VAT is recognized when the Globe Group purchases goods or services from a VAT registered supplier or vendor. This account is offset against any output VAT previously recognized. Input VAT on capital goods exceeding ₱1 million and input VAT from purchases of goods and services which remain unpaid at each reporting date are recognized as "Deferred input VAT."

2.6.10 *Property and Equipment*

Property and equipment, except land, are carried at cost less accumulated depreciation, amortization and impairment losses. Land is stated at cost less any impairment losses.

The initial cost of an item of property and equipment includes its purchase price and any cost attributable to bringing the property and equipment to its intended location and working condition. Cost also includes: (a) interest and other financing charges on borrowed funds specifically used to finance the acquisition of property and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligations (ARO) specifically on property and equipment installed/constructed on leased properties.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Globe Group and the cost of the item can be measured reliably.

Assets under construction (AUC) are carried at cost and transferred to the related property and equipment account when the construction or installation and the related activities necessary to prepare the property and equipment for their intended use are complete, and the property and equipment are ready for service.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line method over the estimated useful lives (EUL) of the property and equipment.

Leasehold improvements are amortized over the shorter of their EUL or the corresponding lease terms.

The EUL of property and equipment are reviewed annually based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior to ensure that the period of depreciation and amortization is consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and impairment losses are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

2.6.11 *ARO*

The Globe Group is contractually required under various contracts to restore leased property to its original condition and to bear the cost of dismantling and deinstallation at the end of the contract period. The Globe Group recognizes the present value of these obligations and capitalizes these costs as part of the carrying value of the related property and equipment accounts, and are depreciated on a straight-line basis over the useful life of the related property and equipment or the contract period, whichever is shorter.

The amount of ARO is recognized at present value and the related accretion is recognized as interest expense.

2.6.12 *Intangible Assets*

Intangible assets consist of: (1) telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment; (2) intangible assets identified to exist during the acquisition of Yondu for its existing customer contracts (3) exclusive dealership right in Taodharma, Inc and (4) intangible assets identified to exist during the acquisition of BTI for its customer contracts, franchise and frequency. Costs directly associated with the development of identifiable software that generate expected future benefits to the Globe Group are recognized as intangible assets. All other costs of developing and maintaining software programs are recognized as expense when incurred.

Intangible assets are initially measured at cost. Subsequently, intangible assets are measured at cost less accumulated amortization and any impairment losses. The EUL of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives. The periods and method of amortization for intangible assets with finite useful lives are reviewed annually or more frequently when an indicator of impairment exists.

Intangible assets are derecognized on disposal, or when no future economic benefits are expected from use or disposal. A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statements of comprehensive income when the asset is derecognized.

As a result of Globe Telecom's sale of its controlling stake in Yondu, the related intangible assets were derecognized starting September 15, 2015 (Note 8).

2.6.13 *Business Combinations and Goodwill*

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Globe Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses in the consolidated profit or loss.

When the Globe Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Globe Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

The Globe Group and acquiree may have a relationship that existed before they contemplated the business combination, referred to here as a 'pre-existing relationship'. A pre-existing relationship between the acquirer and acquiree may be contractual or non-contractual.

If the business combination in effect settles a pre-existing relationship, the acquirer recognizes a gain or loss, measured as follows:

(a) for a pre-existing non-contractual relationship (such as a lawsuit), fair value.

(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the contract is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items. (An unfavourable contract is a contract that is unfavourable in terms of current market terms. It is not necessarily an onerous contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.)

(ii) the amount of any stated settlement provisions in the contract available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of the business combination accounting. The amount of gain or loss recognized may depend in part on whether the acquirer had previously recognized a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

2.6.14 *Investments in Associate and Joint Ventures*

An associate is an entity over which the Globe Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture (JV) is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associate or joint venture are measured initially at cost. Subsequent to initial recognition, Globe Group's investments in its associate and JV are accounted for using the equity method. Under the equity method, the investments in an associate and JV are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Globe Group's share in net assets of the associate and JV, less any allowance for impairment losses. The profit or loss includes Globe Group's share in the results of operations of its associate or JV. Any change in OCI of those investees is presented as part of the Globe Group's OCI. In addition, where there has been a change recognized directly in the equity of the associate or JV, the Globe Group recognizes its share of any changes and discloses this, when applicable, in OCI.

When the share of losses recognized under the equity method has reduced the investment to zero, the Globe Group shall discontinue recognizing its share of further losses and apply it to other interests that, in substance, form part of Globe Group's net investment in the associate or JV. If the associate or JV subsequently reports profits, the Globe Group will resume recognizing its share of those profits only after its share of the profits equal the share in losses not recognized.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Globe Group.

Upon loss of significant influence over the associate or joint control over the joint venture, the Globe Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated profit or loss.

2.6.15 *Related Party Transactions*

A related party transaction is a transfer of resources, services or obligations between the Parent Company and a related party, regardless of whether a price is charged. Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Globe Group and the key management personnel of the Globe Group are also considered to be related parties.

2.6.16 *Impairment of Nonfinancial Assets*

For nonfinancial assets, excluding goodwill, an assessment is made at the end of the reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset or CGU to which the asset belongs is written down to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs. For impairment loss on specific assets or investments, the recoverable amount represents the fair value less cost to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property and equipment and intangible assets) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

After application of the equity method, the Globe Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Globe Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Globe Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as "Equity in net losses of associates and joint ventures" account in the consolidated profit or loss.

For assessing impairment of goodwill, a test for impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.6.17 *Unearned Revenues*

Unearned revenues are recognized when proceeds are collected from wireless subscribers under prepaid arrangements. These also represent advance payments for leased lines, installation fees and monthly service fees and points expected to be redeemed under its Loyalty programmes.

2.6.18 *Income Tax*

2.6.18.1 *Current Income Tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting date.

2.6.18.2 *Deferred Income Tax*

Deferred income tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be used.

Deferred income tax is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred income tax liabilities/assets are not recognized for taxable/deductible temporary differences associated with investments in foreign subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax relating to items recognized directly in equity or OCI is included in the related equity or OCI account and not in profit or loss.

The carrying amounts of deferred income tax assets are reviewed every end of reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities are settled based on tax rates (and tax laws) that have been enacted or substantively enacted as at the end of the reporting date.

Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

2.6.19 *Provisions*

Provisions are recognized when: (a) the Globe Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed every end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense under "Financing costs" in consolidated statement of comprehensive income.

2.6.20 *Share-based Payment Transactions*

Certain employees (including directors) of the Globe Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions") (see Note 18).

The cost of equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will vest.

The cost of equity-settled transactions is recognized in the consolidated profit or loss, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the management of the Globe Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest. Costs of exercised awards plus the corresponding strike amount are reclassified to the capital accounts.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (EPS) (see Note 27).

2.6.21 *Capital Stock*

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as part of that transaction and are deducted from additional paid-in capital, net of related income tax benefits.

2.6.22 *Additional Paid-in Capital*

Additional paid-in capital includes any premium received in excess of par value on the issuance of capital stock.

2.6.23 *Treasury Stock*

Treasury stock is recorded at cost and is presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

2.6.24 *Other Comprehensive Income*

OCI are items of income and expense that are not recognized in the consolidated profit or loss for the year in accordance with PFRS.

2.6.25 *Retained Earnings*

Retained earnings represent accumulated profit attributable to equity holders of the Parent Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

2.6.26 *Pension Cost*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Globe Group, nor can they be paid directly to the Globe Group. Fair value of plan assets is based on market price information. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

2.6.27 *Borrowing Costs*

Borrowing costs are capitalized if these are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities for the asset's intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. These costs are amortized using the straight-line method over the EUL of the related property and equipment. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other related financing charges incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs. Premiums on long-term debt are included under the "Long-term debt" account in the consolidated statement of financial position and are amortized using the effective interest rate method.

Other borrowing costs are recognized as expense in the period in which these are incurred.

2.6.28 *Leases*

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for any of the scenarios above, and at the date of renewal or extension period for the second scenario.

2.6.28.1 *Globe Group as Lessee*

Finance leases, which transfer to the Globe Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in the "Property and equipment" account with the corresponding liability to the lessor included in the "Other long-term liabilities" account in the consolidated statements of financial position. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly as "Interest expense" in the consolidated statements of comprehensive income.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated profit or loss on a straight-line basis over the lease term.

2.6.28.2 *Globe Group as Lessor*

Leases where the Globe Group does not transfer substantially all the risk and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.6.29 *General, Selling and Administrative Expenses*

General, selling and administrative expenses, except for rent, are charged against current operations as incurred.

2.6.30 *Foreign Currency Transactions*

The functional and presentation currency of the Globe Group is the Philippine Peso, except for GTIC US and GTHK whose functional currency is the USD, GMI and GIEE whose functional currency is Euro, GTSG whose functional currency is the Singapore Dollar (SGD), BTI – UK, GTEU and UKGT whose functional currency is GBP, and BTI – Japan whose functional currency is JPY. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of reporting period.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other OCI.

As at the reporting date, the assets and liabilities of GTIC and GTHK, GTEU, UKGT, GMI, GIEE, GTSG, BTI – UK, and BTI - Japan are translated into the presentation currency of the Globe Group at the rate of exchange prevailing at the end of reporting period and its profit or loss is translated at the monthly weighted average exchange rates during the year. The exchange differences arising on the translation are taken directly to a separate component of equity under "Other reserves" account. Upon disposal of GTIC, GTHK, GTEU, UKGT, GMI, GIEE, GTSG, BTI – UK, and BTI - Japan the cumulative translation adjustments shall be recognized in the consolidated profit or loss.

2.6.31 *EPS*

Basic EPS is computed by dividing net income attributable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted, would decrease the basic EPS, then such convertible preferred shares would be deemed dilutive. Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

2.6.32 *Operating Segment*

The Globe Group's major operating business units are the basis upon which the Globe Group reports its primary segment information. The Globe Group's business segments consist of: (1) mobile communication services; and (2) wireline communication services. The Globe Group generally accounts for intersegment revenues and expenses at agreed transfer prices.

2.6.33 *Contingencies*

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

2.6.34 *Events after the Reporting Period*

Any post period-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Globe Group's position at the end of reporting period (adjusting event) is reflected in the consolidated financial statements. Any post period-end event that is not an adjusting event is disclosed in the consolidated financial statements when material.

3 Management's Significant Accounting Judgments and Use of Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such judgments, estimates and assumptions.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Judgments

3.1.1 *Leases*

3.1.1.1 *Operating Lease Commitments as Lessor*

The Globe Group has entered into lease agreements as a lessor. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Globe Group has determined that it retains all the significant risks and rewards of ownership of the properties and so accounts for the agreement as an operating leases (see Note 25.1.1).

3.1.1.2 *Operating Lease Commitments as Lessee*

The Globe Group has entered into various lease agreements as a lessee where it has determined that the lessors retain all the significant risks and rewards of ownership of the properties and, as such, accounts for the agreements as operating lease (see Note 25.1.1).

3.1.1.3 *Finance Lease*

The Globe Group has entered into finance lease agreements related to hardware infrastructure and information technology equipment. Management has determined based on the evaluation of the terms and conditions of the arrangements, that the Globe Group bear substantially all the risks and rewards incidental to ownership of the said machineries and equipment and so account for the contracts as finance leases (see Note 25.1.2).

3.1.2 *Fair Value of Financial Instruments*

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.1.3 *Financial Assets not Quoted in an Active Market*

The Globe Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

3.1.4 *Allocation of Goodwill to Cash-Generating Units*

The Globe Group allocated the carrying amount of goodwill on the Yondu acquisition to the mobile content and application development services business, while the goodwill arising from BTI's existing acquisition has not yet been allocated to a specific CGU until provisional status expires. The Globe Group believes that CGUs represent the lowest level within the Globe Group at which the goodwill is monitored for internal management reporting purposes; and not larger than an operating segment determined in accordance with PFRS 8.

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognized.

The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgment and estimates. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognized as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognized in the income statement.

The fair values of BTI's net assets at the time of acquisition amounted to P2,277.02 million and was estimated using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar assets for which market observable prices exist and other relevant valuation models.

3.1.5 *Determination of Whether the Globe Group is Acting as a Principal or an Agent*

The Globe Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Globe Group has primary responsibility for providing the goods and services;
- whether the Globe Group has inventory risk;
- whether the Globe Group has discretion in establishing prices; and
- whether the Globe Group bears the credit risk.

If the Globe Group has determined it is acting as a principal, the Globe Group recognizes revenue on a gross basis, with the amount remitted to the other party being accounted for as part of costs and expenses.

If the Globe Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Globe Group assessed its revenue arrangements and concluded that it is acting as a principal in some arrangements and as an agent in other arrangements.

3.1.6 *Provisions and Contingencies*

Globe Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsel handling Globe Group's defense in these matters and is based upon an analysis of potential results. Globe Group currently does not believe that these proceedings will have a material adverse effect on the consolidated statements of financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Notes 13 and 26).

3.1.7 *Classification of Non-current Assets Held for Sale*

The Globe Group classified certain non-current assets as held-for-sale in 2010. PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, requires that the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, with certain exceptions. Globe Group has determined that circumstances have occurred which will qualify as exception to the timing of the recognition of the sale in previous years.

In 2013, the Globe Group ceased to classify these assets as held for sale due to the substantial delay in the completion of the transaction. The Globe Group recognized a catch up depreciation amounting to P397.00 million for the year ended December 31, 2013 (see Note 25.4).

3.1.8 *Assessment of Investment in Automated Fare Payments Inc. (formerly Automated Fare Collection Services (AFCS))*

On January 10, 2014, the Department of Transportation and Communication awarded to AF Payments Inc., composed of BPI Card Finance Corporation, AC Infrastructure Holdings Corp., Smart Communications, Inc., Meralco Financial Services Corporation, Metro Pacific Investments Corporation and Globe Telecom the rights to design, build and operate the P1.72 billion automated fare collection system.

Critical judgment was exercised to assess the facts and circumstances indicating the elements of control or level of influence of Globe Telecom over AFCS. Globe Telecom has determined that it has significant influence, but no control, over the financial and operating policy decisions of AFCS. The total capital contribution of P460.00 million equivalent to 20% ownership is recognized as investment in an associate and is accounted for using the equity method.

3.1.9 *Consolidation of FPSI*

As of December 31, 2015, Globe Group holds less than 50% of the voting rights on the investment in FPSI. The Globe Group has a contractual arrangement to purchase additional equity interest in FPSI to bring the Globe Group's total ownership in FPSI to 65% and has rights arising from this agreement. As such Globe Group has assessed that it holds control over the financial and operating policies of FPSI.

3.1.10 *Assessment of Investment in Yondu*

Note 10.2 describes that Yondu is an associate of the Globe Group although the Globe Group only owns a 49% ownership interest in Yondu.

Critical judgment was exercised to assess the facts and circumstances indicating the elements of control or level of influence of Globe Telecom over Yondu. Globe Telecom has determined that it has significant influence, but no control, over the financial and operating policy decisions of Yondu.

3.1.11 *Assessment of Investment in GTHI*

The Group has an immaterial joint operation arrangement on GTHI, as disclosed in Note 10.6. There is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the net assets of the joint arrangement. Accordingly, based on the assessment made by the Management, Globe Group has classified its joint arrangement as joint operation because of its rights over the assets and obligations for the liabilities of GTHI.

3.1.12 *Assessment of Investment in TechGlobal*

The Group has an immaterial joint operation arrangement on TechGlobal, as disclosed in Note 10.7. There is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the net assets of the joint arrangement. Accordingly, based on the assessment made by the Management, Globe Group has classified its joint arrangement as joint operation because of its rights over the assets and obligations for the liabilities of TechGlobal.

3.2 Estimates

3.2.1 *Revenue Recognition*

The Globe Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

The Globe Group estimates the fair value of points awarded under its Loyalty programmes, which are within the scope of Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, by applying estimation procedures using historical data and trends. The points expected to be redeemed is estimated based on the remaining points, the run-rate redemption by the subscribers and the points to peso conversion. As of December 31, 2015 and 2014, the estimated liability for unredeemed points included in "Unearned revenues" amounted to P133.92 million and P265.50 million, respectively.

3.2.2 *Allowance for Impairment Losses on Receivables*

The Globe Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Globe Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Globe Group. The amount and timing of recorded expenses for any period would differ if the Globe Group made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

Impairment losses on receivables for the years ended December 31, 2015, 2014 and 2013 amounted to P2,693.57 million, P3,035.24 million and P2,046.52 million, respectively (see Note 23). Receivables, net of allowance for impairment losses, amounted to P21,935.78 million and P17,860.75 million as of December 31, 2015 and 2014, respectively (see Note 4).

The carrying value of loans receivable presented under prepayments and other current assets and other noncurrent assets as of December 31, 2015 and 2014 amounted to P1,126.62 million and P5,570.58 million, respectively (see Note 6 and 11).

3.2.3. *Obsolescence and Market Decline*

The Globe Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally provided at 80% for nonmoving items after a certain period. The Globe Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect market decline in the value of the recorded inventories. The Globe Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market. Provisions are generally made based on expected recoveries, which is 80% of the cost.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in allowance for obsolescence and market decline would increase recorded cost of sales and impairment losses, and decrease current assets.

Inventory obsolescence and market decline for the years ended December 31, 2015, 2014 and 2013 amounted to P384.14 million, P437.51 million and P321.46 million, respectively (see Note 23).

Inventories and supplies, net of allowances, amounted to P4,489.18 million and P3,186.42 million as of December 31, 2015 and 2014, respectively (see Note 5).

3.2.4 *ARO*

The Globe Group is legally required under various contracts to restore leased property to its original condition and to bear the costs of dismantling and deinstallation at the end of the contract period. These costs are accrued based on an in-house estimate, which incorporates estimates of asset retirement costs and interest rates. The Globe Group recognizes the present value of these obligations and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are being depreciated and amortized on a straight-line basis over the EUL of the related asset or the lease term, whichever is shorter.

The present value of dismantling costs is computed based on an average credit-adjusted risk-free rate of 6.97% and 6.64% for the years ended December 31, 2015 and 2014, respectively. Assumptions used to compute ARO are reviewed and updated annually.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in ARO would increase recorded operating expenses and increase noncurrent liabilities.

The Globe Group updated its assumptions on timing of settlement and estimated cash outflows arising from ARO on its leased premises. As a result of the changes in estimates, the Globe Group adjusted downward its ARO liability (included under "Other long-term liabilities" account) by P42.02 million and P2.71 million for the years ended December 31, 2015 and 2014, respectively, against the book value of the assets on leased premises (see Note 15).

As of December 31, 2015 and 2014, ARO amounted to P2,055.69 million and P1,868.01 million, respectively (see Note 15).

3.2.5 *EUL of Property and Equipment, Investment Properties and Intangible Assets*

The useful life of each of the Globe Group's property and equipment, investment properties and intangible assets with finite useful lives is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The Globe Group reviews annually the EUL of these assets based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

A reduction in the EUL of property and equipment and intangible assets would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

The EUL of property and equipment are as follows:

	Years
Telecommunications equipment:	
Tower	20
Switch	7-10
Outside plant, cellsite structures and improvements	10-20
Distribution dropwires and other wireline assets	2-10
Cellular equipment and others	3-10
Buildings	20
Investments in cable systems	15
Office equipment	3-5
Transportation equipment	3-5
Leasehold improvements	5 years or lease term, whichever is shorter

Intangible assets comprising of licenses and application software are amortized over the EUL of the related hardware or equipment ranging from three (3) to ten (10) years or life of the telecommunications equipment where it is assigned while exclusive dealership rights are amortized over the life of the dealership agreement.

In 2012, the Globe Group changed the EUL of certain wireless and wireline telecommunications equipment and licenses resulting from new information affecting the expected utilization of these assets. The net effect of the change in EUL resulted in higher depreciation of P1,623.17 million and P9,065.97 million in 2014 and 2013, respectively. By the end of 2014, these assets are fully depreciated and carried at estimated residual value.

As of December 31, 2015 and 2014, the aggregate carrying value of property and equipment and intangible assets (excluding goodwill) amounted to P140,942.42 million and P122,573.68 million, respectively (see Notes 7 and 8).

3.2.6 *Estimation of Residual Value*

The Globe Group estimates a residual value (RV) for assets subjected to accelerated depreciation caused by network transformation. The Globe Group adjusted the RV based on the progress of disposal of decommissioned assets as of December 31, 2015 and 2014.

The Globe Group regularly assesses the need to adjust the RV on a periodic basis.

3.2.7 *Asset Impairment*

3.2.7.1 *Impairment of Nonfinancial Assets Other Than Goodwill*

The Globe Group assesses impairment of assets (property and equipment, intangible assets and investments in associates and joint ventures) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Globe Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for the overall business; and,
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset or investment exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

For impairment loss on specific assets or investments, the recoverable amount represents the fair value less cost to sell.

For the Globe Group, the CGU is the combined mobile and wireline asset groups of Globe Telecom, Innove and BTI. This asset grouping is predicated upon the requirement contained in Executive Order (EO) No.109 and Republic Act (RA) No.7925 requiring licensees of Cellular Mobile Telephone System (CMTS) and International Digital Gateway Facility (IGF) services to provide 400,000 and 300,000 Local Exchange Carrier lines, respectively, as a condition for the grant of such licenses. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets or holding of an investment, the Globe Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The aggregate carrying value of property and equipment, intangible assets, goodwill and investments and advances amounted to P143,595.01 million and P123,351.51 million as of December 31, 2015 and 2014, respectively (see Notes 7, 8 and 9).

3.2.7.2 *Impairment of Goodwill*

The Globe Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the business plan for the next five years and do not include restructuring activities that the Globe Group is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. As of December 31, 2015 and 2014, the carrying value of goodwill amounted to P1,154.03 million and P327.13 million, respectively (see Note 8).

The recoverable amount of the CGU, which exceeds the carrying amount of the related goodwill by ₱5,656.02 million and ₱3,899.79 million as of December 31, 2015 and 2014, respectively, has been determined based on value in use calculations using cash flow projections from business plans covering a five-year period. The pre-tax discount rate applied to cash flow projections was 14% in 2015 and 9.40% in 2014 and cash flows beyond the five-year period are extrapolated using a 2% and 3% long-term growth rate in 2015 and 2014, respectively.

3.2.8 *Deferred Income Tax Assets*

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized (see Note 24).

As of December 31, 2015, the combined net deferred tax assets of Globe Telecom, Innove, GXI, BTI and Asticom amounted to ₱1,324.08 million. As of December 31, 2014, the combined net deferred tax assets of Globe Telecom, Innove, GXI and Yondu amounted to ₱1,904.30 million (Note 24).

As of December 31, 2015, the combined net deferred income tax liabilities of KVI, and GTI amounted to ₱2.21 million. As of December 31, 2014, GTI has net deferred income tax liabilities amounting to ₱0.40 million (Note 24).

3.2.9 *Financial Assets and Financial Liabilities*

The Globe Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates), the amount of changes in fair value would differ if the Globe Group utilized different valuation methodologies. Any changes in fair value of these financial assets and liabilities would affect the consolidated statement of comprehensive income and consolidated statement of changes in equity.

Financial assets comprising AFS investments and derivative assets carried at fair values as of December 31, 2015 and 2014 amounted to ₱1,659.86 million and ₱853.33 million, respectively, and financial liabilities comprising derivative liabilities carried at fair values as of December 31, 2015 and 2014 amounted to ₱111.28 million and ₱94.81 million (see Note 28.12).

3.2.10 *Estimation of Losses*

The Globe Group assesses the extent of losses arising from natural calamities. Certain methodology and reasonable estimates are exercised considering all factors including insurance coverage, type of losses sustained. The Globe Group determines the recoverability of losses from insured assets.

A provision for impairment of assets was recognized in 2013 amounting to ₱139.00 million, out of which ₱90.9 million and ₱6.9 million were written off in 2014 and 2015, respectively.

3.2.11 *Pension and Other Employee Benefits*

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rates for males and females and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The net pension liability as at December 31, 2015 and 2014 amounted to P3,217.78 million and P2,321.20 million, respectively. Further details are provided in Note 18.

The Globe Group also determines the cost of equity-settled transactions using assumptions on the appropriate pricing model. Significant assumptions for the cost of share-based payments include, among others, share price, exercise price, option life, expected dividend and expected volatility rate.

Cost of share-based payments in 2015, 2014 and 2013 amounted to P153.99 million, P31.84 million and P50.00 million, respectively (see Notes 16.6 and 18.1).

The Globe Group also estimates other employee benefit obligations and expenses, including cost of paid leaves based on historical leave availments of employees, subject to the Globe Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

The accrued balance of other employee benefits (included in the "Accounts payable and accrued expenses" account and in the "Other long-term liabilities" account in the consolidated statements of financial position) as of December 31, 2015 and 2014 amounted P651.57 million and P614.23 million, respectively (see Notes 12 and 15).

While the Globe Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

3.2.12 *Provision for Restructuring Costs*

Prior to consolidation, BTI recognized provisions for restructuring costs for the expected termination benefits, related to the restructuring of BTI's business. Globe Telecom and BTI regularly reviews these provisions against the latest restructuring plans. In determining the value of the provisions, assumptions and estimates are made in relation to the expected timing of those costs. Provisions recognized on the consolidated profit and loss from the date of acquisition amounted to P59.00 million (Note 13).

4 Receivables - net

This account consists of receivables from:

	Notes	2015	2014
		(In Thousand Pesos)	
Subscribers	16, 28.2.2	P27,059,482	P19,361,384
Traffic settlements - net	12, 16, 28.2.2	1,727,324	2,045,919
Dealers	28.2.2	1,617,289	1,655,366
Others	28.2.2	493,937	479,963
		30,898,032	23,542,632
Less: Allowance for impairment losses:			
Subscribers	28.2.2	8,332,540	5,372,535
Traffic settlements and others	28.2.2	629,717	309,347
		8,962,257	5,681,882
		P21,935,775	P17,860,750

Receivables are noninterest-bearing and are generally collectible in the short-term.

Subscriber receivables arise from wireless and wireline voice, data communications and broadband internet services provided under postpaid arrangements. As of December 31, 2015, the account includes acquired receivables and allowance for impairment from BTI related to subscribers amounting to P2,056.07 million and P1,826.81 million, respectively.

Traffic settlement receivables are presented net of traffic settlement payables from the same carrier amounting to P1,817.48 million and P1,611.47 million as of December 31, 2015 and 2014, respectively.

Amounts collected from wireless subscribers under prepaid arrangements are reported under "Unearned revenues" in the consolidated statements of financial position and recognized as revenues upon actual usage of airtime value, application of subscription fees or upon expiration of the unused load value prepaid credit. The unearned revenues from these subscribers amounted to P2,615.75 million and P2,617.05 million as of December 31, 2015 and 2014, respectively.

Advance monthly service fee which is also reported under "Unearned revenue" account in the statements of financial position amounted to P2,188.56 million and P1,727.42 million as of December 31, 2015 and 2014, respectively.

5 Inventories and Supplies - net

This account consists of:

	2015	2014
	(In Thousand Pesos)	
At cost:		
Call cards and others	P12,206	P9,474
SIM cards and SIM packs	6,784	8,877
Spare parts and supplies	3,161	6,933
Handsets, devices and accessories	563	-
Modem and accessories	415	1,327
	23,129	26,611
At NRV:		
Handsets, devices and accessories	3,535,249	2,122,255
Spare parts and supplies	307,144	288,403
Nomadic broadband device	274,259	588,712
Modem and accessories	179,870	35,661
SIM cards and SIM packs	152,020	121,801
Call cards and others	17,511	2,972
	4,466,053	3,159,804
	P4,489,182	P3,186,415

Inventories recognized as expense during the year amounting to P14,049.25 million, P11,098.47 million and P10,274.57 million in 2015, 2014 and 2013, respectively, are included as part of "Cost of sales" and "Impairment losses and others" accounts (see Note 23) in the consolidated statements of comprehensive income. An insignificant amount is included under "General, selling and administrative expenses" as part of "Utilities, supplies and other administrative expenses" account (see Note 21). Inventories written off in 2015 and 2014 amounted to P48.74 million and P67.17 million, respectively.

Cost of sales incurred consists of:

	2015	2014	2013
	(In Thousand Pesos)		
Inventories:			
Handsets, devices and accessories	P10,800,718	P 7,734,702	P8,028,405
Nomadic broadband device	2,186,284	2,370,154	1,314,176
SIM cards and SIM packs	566,100	498,986	349,558
Call cards and others	104,640	48,318	251,692
Spare parts and supplies	7,001	8,386	8,014
Modems and accessories	364	414	1,261
Services	96	384	-
	P13,665,203	P10,661,344	P9,953,106

There are no unusual purchase commitments and accrued net losses as of December 31, 2015.

6 Prepayments and Other Current Assets

This account consists of:

	Notes	2015	2014
		(In Thousand Pesos)	
Advance payments to suppliers and contractors	25.3	**₱4,522,775**	₱5,731,121
Prepayments	25.1	**1,107,577**	792,820
Creditable withholding tax		**804,519**	532,966
Deferred input VAT	11	**630,573**	504,213
Miscellaneous receivable - net	16	**345,107**	225,827
Dividend receivable	16.4	**244,485**	-
Input VAT - net		**65,623**	321,368
Current portion of loan receivable from BTI		**-**	424,761
Other current assets	25.11	**511,769**	396,595
		₱8,232,428	₱8,929,671

The "Prepayments" account includes prepaid insurance, rent, maintenance, and licenses fee among others.

Other current assets include advances to employees amounting to ₱66.54 million and ₱200.21 million as of December 31, 2015 and 2014, respectively.

Deferred input VAT pertains to various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities, pursuant to the existing VAT rules and regulations. However, these can be applied on future output VAT liabilities.

As of December 31, 2015, Globe Telecom, BTI, Innove, GTI, KVI, GCVH and Asticom reported net input VAT amounting to ₱65.62 million, net of output VAT of ₱1,044.27 million. As of December 31, 2014, Innove, GTI and Asticom reported net input VAT amounting to ₱321.37 million, net of output VAT of ₱781.65 million.

7 Property and Equipment - net

The rollforward analysis of this account follows:

2015

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
				(In Thousand Pesos)				
Cost								
At January 1	₱213,848,704	₱38,910,997	₱19,782,452	₱10,649,751	₱2,433,137	₱1,610,062	₱15,921,265	₱303,156,368
Additions	11,347,186	214,584	243,504	111,872	281,936	-	18,021,938	30,221,020
Acquired on acquisition of a subsidiary	28,756,144	1,418,051	-	1,424,897	137,999	1,535,061	346,891	33,619,043
Retirements/disposals	(20,635,610)	(61,468)	(106,799)	(404,814)	(247,163)	-	(7)	(21,455,861)
Reclassifications/adjustments	6,204,657	2,327,106	2,758,585	1,878,646	92,567	-	(20,656,247)	(7,396,686)
At December 31	239,521,081	42,909,270	22,677,742	13,660,352	2,698,476	3,145,123	13,631,840	338,143,884
Accumulated Depreciation and Amortization								
At January 1	₱47,360,362	17,849,452	9,887,715	8,507,997	1,714,754	-	-	185,320,280
Depreciation and amortization	13,505,338	2,022,553	1,255,444	1,384,710	282,782	-	-	18,750,832
Acquired on acquisition of a subsidiary	21,748,508	1,239,572	-	1,361,339	144,291	-	-	24,493,710
Retirements/disposals	(20,552,078)	(40,832)	(73,379)	(382,682)	(234,281)	-	-	(21,283,252)
Reclassifications/adjustments	(690,663)	(454,220)	1,596,462	(455,433)	(43,594)	-	-	(47,448)
At December 31	161,671,467	20,616,530	12,666,242	10,415,931	1,863,952	-	-	207,234,122
Impairment Losses								
At January 1	151,577	-	-	-	9,860	-	445,493	606,930
Additions(Note 23)	-	-	-	-	-	-	72,751	72,751
Acquired on acquisition of a subsidiary	1,554,612	23,252	-	-	-	-	-	1,577,864
Write-off/adjustments	(387,305)	-	-	-	-	-	-	(387,305)
At December 31	1,318,884	23,252	-	-	9,860	-	518,244	1,870,240
Carrying amount at December 31	₱76,530,730	₱22,269,488	₱10,011,500	₱3,244,421	₱824,664	₱3,145,123	₱13,113,596	₱129,039,522

2014

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
				(In Thousand Pesos)				
Cost								
At January 1	₱199,195,469	₱34,805,499	₱18,979,908	₱9,223,985	₱2,338,024	₱1,600,413	₱20,318,463	₱286,461,761
Additions	9,775,049	851,755	159,749	276,089	353,632	-	15,452,572	26,868,846
Retirements/disposals	(6,355,088)	(7,560)	-	(45,184)	(279,754)	-	(13,712)	(6,701,298)
Reclassifications/adjustments	11,233,274	3,261,303	642,795	1,194,861	21,235	9,649	(19,836,058)	(3,472,941)
At December 31	213,848,704	38,910,997	19,782,452	10,649,751	2,433,137	1,610,062	15,921,265	303,156,368
Accumulated Depreciation and Amortization								
At January 1	141,480,546	16,003,575	8,689,260	7,544,300	1,709,206	-	-	175,417,887
Depreciation and amortization								
Incremental effect of network modernization	1,347,141	2,423	-	12,157	-	-	-	1,361,721
Others	10,738,834	1,835,548	1,198,452	987,195	265,802	-	-	15,025,831
Retirements/disposals	(6,189,854)	(2,444)	-	(41,339)	(262,212)	-	-	(6,495,849)
Reclassifications/adjustments	(16,305)	10,350	3	5,684	12,958	-	-	12,690
At December 31	147,360,362	17,849,452	9,887,715	8,507,997	1,714,754	-	-	185,320,280
Impairment Losses								
At January 1	243,822	-	-	3,182	-	-	372,798	619,802
Additions (Note 23)	-	-	-	-	-	-	110,238	110,238
Write-off/adjustments	(92,245)	-	-	(3,182)	9,860	-	(37,543)	(123,110)
At December 31	151,577	-	-	-	9,860	-	445,493	606,930
Carrying amount at December 31	₱66,336,765	₱21,061,545	₱9,894,737	₱2,141,754	₱708,523	₱1,610,062	₱15,475,772	₱117,229,158

In the last quarter of 2011, the Globe Group announced to undertake a network and IT transformation program for an estimated investment of USD790.00 million over the next two or three years. External partners were engaged in 2011 to help manage the modernization effort. In the first quarter of 2012, the estimated useful life (EUL) of certain wireless and wireline telecommunications equipment were changed as a result of continuing upgrade and migration to a modernized network. The EUL of these assets were being reviewed periodically based on expected remaining economic benefits that can be derived from these assets. The net effect of the change in EUL resulted in higher depreciation expense of ₱1,361.72 million and ₱7,829.72 million for the years ended December 31, 2014 and 2013, respectively. By the end of 2014, these assets are fully depreciated and carried at estimated residual value.

Assets under construction include intangible components of a network system which are to be reclassified to depreciable intangible assets only when assets become available for use (see Note 8).

Investments in cable systems include the cost of the Globe Group's ownership share in the capacity of certain cable systems under a joint venture or a consortium or private cable set-up and indefeasible rights of use (IRUs) of circuits in various cable systems. It also includes the cost of cable landing station and transmission facilities where the Globe Group is the landing party.

The costs of fully depreciated property and equipment that are still being used as of December 31, 2015 and 2014 amounted to ₱115,118.04 million and ₱119,393.98 million, respectively.

The Globe Group uses its borrowed funds to finance the acquisition of property and equipment and bring it to its intended location and working condition. Borrowing costs incurred relating to these acquisitions were included in the cost of property and equipment using 0.46% , 3.05% and 2.83% capitalization rates in 2015, 2014 and 2013, respectively. The Globe Group's total capitalized borrowing costs amounted to ₱147.51 million, ₱647.98 million and ₱823.90 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The carrying value of the hardware infrastructure and information equipment held under finance lease included under "Office and Equipment", "Asset under Construction" and "Intangible assets" amounted to ₱584.23 million, ₱18.70 million and nil, respectively, as of December 31, 2015 and ₱318.85 million, ₱300.68 million, ₱77.98 million, respectively, as of December 31, 2014 (see Note 25.1.2).

Included under asset retirement and disposals for the year ended December 31, 2014 are network assets damaged by a typhoon amounting to ₱73.71 million which is covered under existing insurance contracts. Partial recoveries from insurance company, which is presented under "Gain on disposals of property and equipment - net" in the consolidated statements of comprehensive income, amounted to ₱47.25 million and ₱125.47 million for the years ended December 31, 2015 and 2014, respectively, and the remaining recoveries presented under "Other income - net" in the consolidated statements of comprehensive income amounted to ₱51.16 million for the year ended December 31, 2015.

As of July 2, 2015, the carrying value of the property and equipment arising from the acquisition of controlling interest in BTI amounted to ₱6,602.45 million, as discussed in Note 9.1. These include: Indefeasible Right of Use (IRU) agreements on its network capacity which are accounted for as a finance lease as the significant risks and rewards of ownership are transferred to the buyer; and capitalized Asset Retirement Obligation (ARO) amounting to ₱39.16 million to include in the cost of the assets its future dismantling costs. From the date of acquisition, BTI did not derecognize any assets related to IRU transactions and there were reversals and adjustments due to changes in estimates on the capitalized ARO amounting to ₱24.08 million.

Pursuant to the Amended Rehabilitation Plan (ARP) and Master Restructuring Agreement (MRA), the remaining outstanding restructured debt of BTI to creditors other than Globe Telecom amounting to USD4.47 million will be secured by a real estate mortgage on identified real property assets (see Note 14.1). The processing of the real properties to be mortgaged is still ongoing as at December 31, 2015.

8 Intangible Assets and Goodwill - net

The rollforward analysis of this account follows:

2015

	Licenses and Application Software	Customer Contracts	Exclusive Dealership Right	Other Intangible Assets and Goodwill	Total Intangible Assets and Goodwill
Cost					
At January 1	P17,170,998	P28,381	P139,960	P327,125	P17,666,464
Additions	174,698	-	-	-	174,698
Acquired on acquisition of a subsidiary	721,731	571,760	-	1,644,864	2,938,355
Retirements/disposals	(2,519,474)	(28,381)	-	(327,125)	(2,874,980)
Reclassifications/ adjustments (Note 7)	7,376,725	-	1,059	-	7,377,784
At December 31	22,924,678	571,760	141,019	1,644,864	25,282,321
Accumulated Amortization					
At January 1	11,940,399	28,381	26,040	-	11,994,820
Amortization	2,264,893	71,470	20,961	24,542	2,381,866
Retirements/disposals	(2,516,549)	(28,381)	-	-	(2,544,930)
Reclassifications/adjustments	393,640	-	-	-	393,640
At December 31	12,082,383	71,470	47,001	24,542	12,225,396
Carrying Amount at December 31	P10,842,295	P500,290	P94,018	P1,620,322	P13,056,925

2014

	Licenses and Application Software	Customer Contracts	Exclusive Dealership Right	Other Intangible Assets and Goodwill*	Total Intangible Assets and Goodwill
Cost					
At January 1	P13,681,879	P28,381	P67,552	P327,125	P14,104,937
Additions	114,913	-	-	-	114,913
Retirements/disposals	-	-	-	-	-
Reclassifications/ adjustments (Note 3)	3,374,206	-	72,408	-	3,446,614
At December 31	17,170,998	28,381	139,960	327,125	17,666,464
Accumulated Amortization					
At January 1	P10,232,761	P28,381	P3,135	P-	P10,264,277
Amortization					
Affected by network modernization	261,451	-	-	-	261,451
Others	1,453,616	-	22,905	-	1,476,521
Retirements/disposals	-	-	-	-	-
Reclassifications/adjustments	(7,429)	-	-	-	(7,429)
At December 31	11,940,399	28,381	26,040	-	11,994,820
Carrying Amount at December 31	P5,230,599	P-	P113,920	P327,125	P5,671,644

**Pertains solely to goodwill related to Yondu acquisition.*

No impairment loss on intangible assets was recognized in 2015, 2014 and 2013.

Licenses and Application Software with carrying amount of ₱10,843.35 million and ₱5,230.60 million as of December 31, 2015 and 2014, respectively, has average remaining amortization period of 3.89 years and 1.61 years in 2015 and 2014, respectively.

In the first quarter of 2012, the EUL of certain wireless licenses were changed as a result of continuing upgrade and migration to a modernized network. The net effect of the change in EUL resulted in higher amortization expense of nil, ₱261.45 million and ₱1,236.24 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Intangible assets pertain to (1) telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment; (2) intangible assets identified to exist during the acquisition of Yondu for its existing customer contracts (3) exclusive dealership right in Taodharma, Inc and (4) intangible assets identified to exist during the acquisition of BTI for its customer contracts, franchise and license.

As a result of Globe Telecom's sale of its controlling stake in Yondu, the related intangible assets with carrying amount of ₱2.92 million were derecognized starting September 15, 2015 (Note 10.2).

9 Business Combinations

9.1 Investment in BTI

On July 2, 2015, the National Telecommunications Commission (NTC) approved the conversion of BTI's Tranche A convertible portion of the debt to equity, and resulted in Globe Telecom's gaining a controlling interest in BTI with increased ownership from 38% to at least 54% of BTI's outstanding shares.

On July 20, 2015, Globe Telecom acquired additional voting shares of BTI, which increased its controlling interest to approximately 99% in exchange for cash amounting to ₱1,829.84 million. The transaction was accounted for as an acquisition of a subsidiary.

Globe Telecom's acquisition of BTI is intended to augment its current wireline data and voice businesses using BTI's existing platform. The consolidated financial statements include the results of BTI for the six-month period from acquisition date.

The initial accounting for the acquisition of BTI has only been provisionally determined pending the finalization of necessary market valuations and determined based on management's best estimate of the likely values. As allowed under the relevant standard, Globe Telecom will recognize any adjustment to those provisional values as an adjustment to goodwill upon determining the final fair values of identifiable assets and liabilities within 12 months from the acquisition date.

	Amount recognized on acquisition
	(In Thousand Pesos)
ASSETS	
Current assets	P2,638,360
Property and equipment	6,602,451
Other non-current assets	894,418
	10,135,229
LIABILITIES	
Current Liabilities	5,732,124
Long-term debt*	4,738,264
Other long term liabilities	452,392
	10,922,780
Total net liabilities at fair value	(787,551)
Intangible assets arising on acquisition	1,784,324
Property and equipment appraisal increase	945,018
Deferred tax liabilities	(818,803)
Net assets acquired and liabilities assumed	(P1,122,988)
Purchase consideration transferred	P1,829,843
Net assets acquired and liabilities assumed	(1,122,988)
Non-controlling interest measured at fair value	16,059
Share in previously held equity interest	431,115
Goodwill arising on acquisition	P1,154,029

**As a result of the acquisition and consolidation of BTI, the long-term debt amounting to P4.5 million was effectively settled against Globe Telecom's loans receivable as disclosed in Note 11.*

The fair value of the trade receivables included in the current assets amounted to P1,157.77 million. The gross amount of trade receivables is P3,638.71 million.

The goodwill comprises the fair value of expected synergies arising from the acquisition and presented under Goodwill and other intangible assets in the statements of the financial position, as disclosed in Note 8. None of the goodwill recognized is expected to be deductible for income tax purposes.

For the valuation of identifiable intangible assets, the "multi-period-excess-earnings method" was used. The respective future excess cash flows were identified and adjusted in order to eliminate all elements not associated with these assets. Future cash flows were measured on the basis of the expected sales by deducting variable and sales-related imputed costs for the use of the contributory assets. Subsequently, the outcome was discounted using the appropriate discount rate and adding a tax amortization benefit.

The fair value of the properties is based on valuations performed by an independent appraiser using acceptable valuation techniques within the industry. However, these techniques make use of inputs which are not based on observable market data. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates. As a result of fair value remeasurement of BTI's net assets at the date of business combination, a gain on previously held equity interest amounting to P431.11 million was recognized in the consolidated profit or loss for the period ended December 31, 2015.

As of December 31, 2015, any reasonable possible changes to the key assumptions applied are not likely to cause the recoverable amounts to be lower than the carrying amounts.

From the date of acquisition, BTI has contributed ₱3,059.28 million in revenues and income before tax of ₱31.04 million. If the combination had taken place at the beginning of the year, BTI's contribution to revenue would have been ₱6,056.71 million and income before tax would have been ₱144.30 million.

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total purchase consideration	₱1,829,843
Cash and cash equivalents acquired from BTI	(511,154)
Net cash outflow on acquisition	₱1,318,689

Acquisition related costs of ₱26.50 million were expensed and are included within "general, selling and administrative" line item in the consolidated statements of comprehensive income.

The Globe Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's net assets acquired and liabilities assumed.

9.2 Investment in FPSI

On December 19, 2013, Kickstart entered into a Memorandum of Agreement with FPSI and FPSI's stockholders to subscribe the 5.07 million common shares of FPSI for a total subscription price of ₱18.88 million.

FPSI is engaged in acquiring publishing rights to produce, publish, market and sell printed and electronic books and other electronic documents and content for international and domestic sales.

On February 4, 2014, Kickstart entered into a subscription agreement with FPSI for the acquisition of 2.08 million common shares for a total subscription price of ₱8.22 million which constitutes 40% ownership as of reporting period. The remaining balance will be paid upon completion of certain conditions. The transaction was accounted for as an acquisition of a subsidiary.

The Globe Group's acquisition of Flipside Publishing Services, Inc. (FPSI) aims to provide an additional platform for digital content in the book publishing business.

The share in the fair values of the identifiable assets and liabilities of FPSI as at the date of acquisition is equal to the purchase price consideration.

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total cash paid on acquisition	₱8,216
Cash and cash equivalents acquired from FPSI	(198)
Net cash outflow on acquisition	₱8,018

From the date of acquisition, FPSI has contributed ₱5.16 million and ₱1.13 million of revenue in 2015 and 2014, respectively, and loss before income tax of ₱10.21 million and ₱2.83 million in 2015 and 2014, respectively. If the combination had taken place at the beginning of the year, revenue from FPSI would have been ₱1.27 million in 2014 and loss before tax would have been ₱2.99 million in 2014.

9.3 Investment in Asticom

On June 3, 2014, Globe Telecom signed an agreement with Azalea Technology, Inc. and SCS Computer Systems, Pte. Ltd. acquiring 100% ownership of Asticom, for a total consideration of P12.54 million. The transaction was accounted for as an acquisition of a subsidiary.

Formerly known as Ayala Systems Technology, Inc., Asticom provides enterprise resource planning, customer relationship management systems, manpower, other systems integration and information technology services to domestic and international markets. Asticom was 49% owned by Azalea, a 100%-owned subsidiary of Ayala Corporation and 51% owned by SCS Computer Systems, a subsidiary of Singapore Telecom.

Globe Telecom's acquisition of Asticom is in line with its strategy to expand its business operations in the information technology space. The acquisition has been accounted for using the acquisition method.

The share in the fair values of the identifiable assets and liabilities of Asticom as at the date of acquisition is equal to the purchase price consideration.

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total cash paid on acquisition	P12,454
Cash and cash equivalents acquired from Asticom	(8,221)
Net cash outflow on acquisition	P4,233

From the date of acquisition, Asticom has contributed P84.30 million and P27.56 million of revenue in 2015 and 2014, respectively, and income before income tax of P81.39 million and loss before income tax of P2.04 million in 2015 and 2014, respectively. If the combination had taken place at the beginning of the year, revenue from Asticom would have been P39.01 million in 2014 and income before tax would have been P9.66 million in 2014.

10 Investments and Advances

This account consists of the following as of December 31:

	2015	2014
	(In Thousand Pesos)	
Investments at equity	**P1,498,565**	P307,150
Advances - net of share in equity in net losses of JV	-	143,567
	P1,498,565	P450,717

Details of the Globe Group's investments in associates and joint ventures and the related percentages of ownership are shown below:

	Country of Incorporation	Principal Activities	2015	2014
Associates				
BTI*	Philippines	Telecommunication services	-	38%
Yondu Inc.**	Philippines	Mobile content and application development services	49%	-
Automated Fare Payments Inc. (AFPI)	Philippines	Construction and establishment of systems, infrastructure	20%	20%
Joint Ventures				
BPI Globe BanKO Inc., A Savings Bank (BPI Globe BanKO)	Philippines	Micro-finance enterprises banking services	40%	40%
Bridge Mobile Pte. Ltd. (BMPL)	Singapore	Mobile technology infrastructure and common service	10%	10%
TechGlobal Data Center, Inc.	Philippines	Installation and management of data centers	49%	-

**Globe Telecom acquired 99% of the shares in 2015 and accordingly reclassified to investment in subsidiaries (Note 2).*
***Yondu was deconsolidated in 2015 and is being accounted for as an associate (Note 2.3)*

The movement in investments in associates and joint ventures are as follows:

	2015	2014
	(In Thousand Pesos)	
Acquisition Costs		
At January 1	P648,676	P411,620
Acquisition during the year	332,500	300,000
Advances reclassed to investment	143,573	-
Fair value adjustment arising from sale of controlling interest in Yondu	864,706	-
Return of capital during the year	-	(62,944)
At December 31	1,989,455	648,676
Accumulated Equity in Net Losses:		
At January 1	(358,438)	(238,614)
Equity in net losses	(153,512)	(119,824)
At December 31	(511,950)	(358,438)
Other Comprehensive Income		
At January 1	16,912	(10,252)
Net foreign exchange difference	2,034	965
Others	2,114	26,199
At December 31	21,060	16,912
Carrying Value at December 31	P1,498,565	P307,150

Investment in Associates

10.1 Investment in BTI

On October 1, 2013, Globe Telecom acquired 38% interest in BTI following the conversion of its unsustainable debt (Tranche B) into 45 million common shares based on the confirmation of the Court dated August 27, 2013 on the Amended Rehabilitation Plan.

In July 2015, as a result of conversion of additional debt to equity and acquisition of voting shares, Globe Telecom gained a controlling interest in BTI, as discussed in Note 9. The assets and liabilities of BTI are included in the statements of consolidated financial position of Globe Telecom starting July 2015 (Note 9).

The following is the share in net losses and other comprehensive loss of BTI as of December 31, 2014 which is not considered material to the Globe Group:

	2014
	(In Thousand Pesos)
Share in net loss	(₱830,679)
Share in other comprehensive loss	(32,362)
Share in total comprehensive loss - unrecognized	(₱863,041)

10.2 Investment in Yondu

Globe Telecom previously owned 100% interest in Yondu and consolidated its net assets in the consolidated statement of financial position as of December 31, 2014. On September 1, 2015, Yondu and GCVHI entered into a Deed of Assignment to assign the former's interest in Global Telehealth, Inc. ("GTHI") to GCVHI for a total consideration of P15 million.

On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of P670 million. On the same date, Yondu issued additional 5,000 common shares from its unissued authorized capital stock to a third party which further diluted Globe Telecom's ownership interest to 49%. Gain on disposal of controlling interest in subsidiary and gain on fair value of retained interest was recognized in the consolidated statements of comprehensive income amounting to P449.15 million and P745.83 million, respectively, for the period ended December 31, 2015.

The fair value of retained interest in Yondu is based on the most recent market transaction.

Total assets and liabilities of Yondu as of the date of disposal of controlling interest amounted to ₱740.70 million and ₱728.10 million, respectively, including cash and cash equivalents of ₱75.51 million. The fair value of the Yondu shares held by Globe Telecom amounted to ₱864.71 million as of September 15, 2015.

The share in total comprehensive income from this investment amounted to ₱22.28 million for the period ended December 31, 2015.

The following table presents the summarized financial information of Yondu as at December 31, 2015 and for the period September 16, 2015 to December 31, 2015.

	December 31, 2015
Statements of Financial Position:	
Current assets, including cash and cash equivalents	₱851,259
Noncurrent assets	59,716
Current liabilities	627,757
Equity	283,218

	2015
Statements of Comprehensive Income:	
Revenue	925,719
Cost of sales and services	(626,879)
Gross income	298,840
Other expense	(1,093)
Income before tax	297,747
Provision for income tax	96,227
Total comprehensive income/Net income for the period	₱201,520
Globe Group's share in net income for the period	₱22,280

The Globe Group has no share of any contingent liabilities of any associates as of December 31, 2015.

10.3 Investment in AF Payments Inc. (formerly AFCS)

On January 30, 2014, following a competitive bidding process, the Department of Transportation and Communication awarded to AF Consortium, composed of AC Infrastructure Holdings Corp., BPI Card Finance Corp., Globe Telecom, Inc., Meralco Financial Services, Inc., Metro Pacific Investments Corp., and Smart Communications, Inc. the rights to design, build and operate the ₱1.72 billion automated fare collection system. This is a public-private partnership project intended to upgrade and consolidate the fare collection systems of the three urban rail transit systems which presently serve Metro Manila.

On February 10, 2014, AF Consortium incorporated AFCS, a special purpose company, which will assume the rights and obligations of the concessionaire. These rights and obligations include the construction and establishment of systems, infrastructure including implementation, test, acceptance and maintenance plans, and operate the urban transit system for a period of 10 years.

In February 2015, Globe Telecom made an additional capital contribution of ₱160.00 million.

On March 11, 2015, AFCS changed its name from Automated Fare Collection Services, Inc. to AF Payments Inc. (AFPI).

As of December 31, 2015 and 2014, Globe Telecom has invested a total of ₱460.00 million, and ₱300.00 million, respectively, in the consortium with 20% equivalent equity interest. This is accounted for as investment in associate with carrying value as of December 31, 2015 and 2014, amounting to ₱371.19 million and ₱288.68 million, respectively.

The following table presents the summarized financial information of the AFPI as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014.

	December 31, 2015	December 31, 2014
	(In Thousand Pesos)	
Statements of Financial Position:		
Current assets, including cash and cash equivalents	P618,119	P831,671
Noncurrent assets	1,974,411	671,975
Current liabilities	439,410	73,925
Equity	1,835,062	1,429,721

	2015	2014
Statements of Comprehensive Loss:		
Revenue	23,262	8,511
Cost and expenses	409,171	65,098
Loss before tax	(385,909)	(56,587)
Provision for income tax	-	-
Net loss for the year	(385,909)	(56,587)
Other comprehensive loss	(1,575)	-
Total comprehensive loss	(P387,484)	(P56,587)
Globe Group's share in net loss for the year	(P77,497)	(P11,318)

Investment in Joint Ventures

10.4 Investment in BPI Globe BanKO

On July 17, 2009, Globe Telecom acquired a 40% stake in BPI Globe BanKO for P141.33 million, pursuant to a Shareholder Agreement with Bank of the Philippine Islands (BPI), Ayala Corporation and PS Bank, and a Deed of Absolute Sale with BPI. BPI Globe BanKO provides financial services to micro-finance institutions and retail clients through mobile and related technology.

On May 10, 2011, the BOD of Globe Telecom approved the additional investment of P100.00 million as share for BPI Globe BanKO's increase in capitalization to cover its expansion plan for the next three years. Globe Telecom made the initial capital infusion of P79.01 million in 2011 and P20.99 million in 2012. Globe infused additional capital recorded under "Investments and advances" account amounting to P248.00 million and P59.00 million in 2014 and 2013, respectively.

On August 27, 2015, Globe Telecom, AC and BPI Globe BanKO entered into an agreement to turn over full ownership of BPI Globe BanKO to BPI, one of the majority owners of the joint venture. As of December 31, 2015, completion of regulatory and business requirements is still on going.

As of December 31, 2015 and 2014, the carrying value of the investment and advances amounted to P53.16 million and P143.57 million, respectively, representing 40% interest.

The following table presents the summarized financial information of the BPI Globe BanKO as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014.

	December 31, 2015	December 31, 2014
	(In Thousand Pesos)	
Statement of Financial Position:		
Current assets, including cash and cash equivalents	**₱402,079**	₱1,097,312
Noncurrent assets	**267,985**	222,343
Current liabilities	**537,155**	1,291,002
Equity	**132,909**	28,652
	2015	2014
Statement of Comprehensive Loss:		
Revenue	**97,997**	85,534
Cost and expenses	**333,728**	670,824
Loss before tax	**(235,731)**	(585,290)
Income tax benefit	**(11,284)**	(25,912)
Total comprehensive loss /Net loss for the year	**(₱224,447)**	(₱559,378)
Globe Group's share in net loss for the year	**(₱89,779)**	(₱219,006)

10.5 Investment in BMPL

Globe Telecom and other leading Asia Pacific mobile operators (JV partners) signed an Agreement in 2004 (JV Agreement) to form a regional mobile alliance, which will operate through a Singapore-incorporated company, BMPL. The JV Company is a commercial vehicle for the JV partners to build and establish a regional mobile infrastructure and common service platform and deliver different regional mobile services to their subscribers.

Globe Group has a ten percent (10%) stake in BMPL. The other joint venture partners each with equal stake in the alliance include SK Telecom, Co. Ltd., Advanced Info Service Public Company Limited, Bharti Airtel Limited, Maxis Communications Berhad, Optus Mobile Pty. Limited, Singapore Telecom Mobile Pte, Ltd., Taiwan Mobile Co. Ltd., PT Telekomunikasi Selular and CSL Ltd. Under the JV Agreement, each partner shall contribute USD4.00 million based on an agreed schedule of contribution. Globe Telecom may be called upon to contribute on dates to be determined by the JV. On November 25, 2014, Globe Telecom received a return of capital amounting to USD1.40 million.

As of December 31, 2015 and 2014, the carrying value of the investment in BMPL amounted to ₱29.80 million and ₱21.21 million, respectively.

The following table presents the summarized financial information of the BMPL as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014.

	2015	2014
	(In Thousand Pesos)	
Statement of Financial Position:		
Current assets, including cash and cash equivalents	**₱357,616**	₱323,583
Noncurrent assets	**28,403**	28,097
Current liabilities	**91,630**	142,769
Equity	**294,389**	208,911
Statement of Comprehensive Income:		
Revenue	**223,156**	208,122
Cost and expenses	**155,768**	156,370
Total comprehensive income/ Net income for the year	**₱67,388**	₱51,752
Globe Group's share in net income for the year	**₱6,550**	₱6,066

10.6 Investment in Global Telehealth, Inc. (GTHI)

On October 23, 2014, Yondu and Salud Interactiva (SI) signed a shareholder's agreement for the purpose of entering into a joint venture through a Philippine corporation. The Joint Venture (JV) Company was registered with the Securities and Exchange Commission on June 3, 2015 under the name Global Telehealth, Inc. (GTHI) as a stock corporation with 50% foreign equity formed to establish, operate, manage and provide a health hotline facility, including ancillary Information Technology services with intent to operate as a domestic market enterprise. GTHI started commercial operations in July 2015.

On September 1, 2015, Yondu assigned its interest to GCVHI. This is accounted for using the equity method.

As of December 31, 2015, total investment and carrying value of investment in GTHI amounted to ₱50.00 million and ₱34.93 million, respectively. The share in total comprehensive loss from this investment amounted to ₱15.07 million for the period ended December 31, 2015.

The following table presents the summarized financial information of the GTHI as at December 31, 2015 and for the period ended December 31, 2015.

	2015
	(In Thousand Pesos)
Statement of Financial Position:	
Current assets, including cash and cash equivalents	₱80,415
Noncurrent assets	6,123
Current liabilities	16,671
Equity	69,867
Statement of Comprehensive Loss:	
Revenue	81
Cost and expenses	4,958
Total comprehensive loss/ Net loss for the year	(₱4,877)
Globe Group's share in net loss for the year	(₱4,877)

10.7 Investment in TechGlobal Data Center, Inc. (TechGlobal)

On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal Data Center, Inc., a Joint Venture Company, formed to install, own, operate, maintain and manage all kinds of data centers and to provide information technology-enabled services and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. As of December 31, 2015, TechGlobal has not started commercial operations.

As of December 31, 2015, total investments in TechGlobal amounted to ₱122.50 million.

The Globe Group has no share of any contingent liabilities of the joint ventures as of December 31, 2015.

11 Other Noncurrent Assets

This account consists of:

	Notes	2015	2014
		(In Thousand Pesos)	
Loan receivables from:			
BTI - net of current portion		₱ -	₱4,019,195
GGRP	16.3, 18.2	968,000	968,000
BHI	16.3	158,620	158,620
Miscellaneous deposits - net	25.1	934,656	750,010
AFS investment in equity securities	28.12	577,580	264,785
Deferred input VAT	6	464,426	740,927
Others - net		103,331	27,311
		₱3,206,613	₱6,928,848

Loan Receivable from BTI

On November 5, 2012, Globe Telecom obtained internal approvals to commence offers to purchase up to 100% of the financial obligations of BTI and Radio Communications of the Philippines, Inc. (RCPI), a subsidiary of BTI, collectively referred to as "BTI loans", to their respective financial creditors.

On December 21, 2012, Globe Telecom settled its tender offers for:

i. 93.66% of the aggregate remaining principal amount of the USD-denominated notes originally due in 2006;

ii. 98.26% of the aggregate remaining principal amount of peso and USD-denominated BTI loans; and

iii. 100% of the aggregate remaining principal amount of peso and USD-denominated RCPI loans.

The total consideration for the tender offers is USD/P310.00 per USD/P1,000.00 face amount, for a total payment of P5,354.76 million, composed of US Dollar and Philippine peso-denominated loans amounting to USD110.55 million and P818.74 million, respectively.

The acquired loans were part of the original debt covered in a rehabilitation plan approved on June 28, 2004. The plan was reviewed and evaluated by a court appointed receiver who was tasked to monitor and oversee the implementation of the Plan. The implementing term sheet submitted by the receiver was approved on March 15, 2005.

The restructured loan is divided into sustainable (Tranche A) and unsustainable debt (Tranche B) and is denominated in existing currencies with an option for any of the creditors of Tranche B to convert their USD-denominated restructured debt into PHP at an agreed exchange rate on the date of implementation.

Tranche A is repayable semi-annually on a pari passu basis up to December 31, 2023 based on a table of debt reduction computed at certain percentages of the principal. Tranche B is a non-interest bearing convertible debt and to be repaid only if there are sufficient future cash flows and upon full repayment of Tranche A. At the conclusion of the rehabilitation period, other than as the result of an event of default, Tranche B to the extent not previously converted is to be converted into new BTI shares considering no conversion had been previously made. The conversion rights in relation to Tranche B are up to a maximum of 40% of the authorized share capital as at the effective date. The loans were initially accounted for at fair value, and the entire acquisition price was allocated to Tranche A.

On May 30, 2013, Globe Telecom and BTI jointly filed a motion with the court having jurisdiction over BTI's debt to significantly restructure the financial debt in order to prevent the recurrence of default and ensure BTI's continued viability. The joint motion is intended to achieve a successful rehabilitation at the earliest possible date. The restructuring, including the debt to equity conversion feature would apply to all of BTI's creditors equally upon receipt of certain regulatory approvals, including the confirmation of the court.

On July 1, 2013, Globe Telecom purchased additional BTI bonds with face value of USD2.80 million bringing total aggregate principal amount of the USD-denominated notes originally due in 2006 from 93.66% to 95.10%.

On August 27, 2013, the joint motion to amend BTI's current debt restructuring plan was granted by the Court. Accordingly, a new Master Restructuring Agreement (MRA) for all BTI creditors will be implemented. This principally involves a conversion of up to 56.60% of its capital stock, cancellation of all of the old loan documents and the issuance of new promissory notes. Globe Telecom and BTI were directed to provide separate reports on the implementation procedures of the Amended Rehabilitation Plan and its accompanying MRA within a certain period as mandated by the Court. Likewise, Globe Telecom and BTI were directed by the Court to ensure that the details of the mechanics for converting debt positions are clear and properly communicated to the creditors involved.

Pursuant to the resolution of the Court dated August 27, 2013 confirming the Amended Rehabilitation Plan jointly filed by Globe Telecom and BTI, BTI issued common shares certificate to Globe Telecom on October 1, 2013 for the conversion of its unsustainable debt (Tranche B) into 38% equity (Note 10.2). Globe Telecom intends to further convert portion of Tranche A debt, which together with the converted Tranche B debt would represent more than 50% of BTI's outstanding shares upon certain regulatory approvals.

On October 29, 2013, Globe filed a report with the court covering the mechanics for converting debt positions as provided for under MRA.

On October 9, 2014, the Court of Appeals issued a 60-day temporary restraining order (TRO) on the petition of Philippine Long Distance Company (PLDT), preventing the NTC from acting on Globe and BTI's joint application for the acquisition by Globe of a majority stake in BTI.

In a Joint Rejoinder filed by Globe and BTI on October 30, 2014, both asked the CA to correspondingly lift the TRO issued against NTC. The TRO automatically ended last December 19, 2014 as the Court of Appeals did not extend it.

On July 3, 2015, as a result of substantial modification, the original loans receivable from BTI were extinguished and new loans receivable were booked based on the new terms. Those loans were eliminated in consolidation, as discussed in Note 9.

Pursuant to the ARP and the MRA, BTI filed its Final Report with Motion for Termination of Rehabilitation Proceedings on August 14, 2015 and was approved by the Court in a Resolution on November 11, 2015.

Prior to consolidation, interest income for the period ended December 31, 2015 and 2014 related to loans receivable from BTI amounted to P269.95 million and P376.09 million, respectively.

As of December 31, 2015 and 2014, loans receivable from BTI amounted to nil and P4,444.00 million, respectively, comprising of principal and interest due until 2023, with quarterly interest payments and semi-annual principal payments. Noncurrent portion of the loans receivable amounted to nil and P4,019.2 million as of December 31, 2015 and 2014, respectively.

12 Accounts Payable and Accrued Expenses

This account consists of:

	Notes	2015	2014
		(In Thousand Pesos)	
Accrued project costs	25.3	**₱20,862,122**	₱22,015,721
Accounts payable	16	**13,050,017**	12,458,225
Accrued expenses	16		
Services		**3,695,142**	1,907,438
Repairs and maintenance		**2,605,407**	1,590,523
Manpower		**1,945,611**	2,031,114
General, selling and administrative		**1,931,195**	2,093,660
Advertising		**1,768,127**	1,877,680
Lease		**1,635,900**	876,285
Utilities		**1,045,435**	809,122
Interest		**385,672**	392,632
Traffic settlements – net	4	**444,211**	1,182,691
Output VAT - net		**198,433**	31,438
Dividends payable	17.3	**260,030**	260,030
		₱49,827,302	₱47,526,559

General, selling and administrative accrued expenses include travel, professional fees, supplies, commissions and miscellaneous, which are individually immaterial.

Traffic settlements payable are presented net of traffic settlements receivable from the same carrier amounting to ₱1,143.42 million and ₱1,425.25 million as of December 31, 2015 and 2014, respectively.

As of December 31, 2015, Globe Telecom, GXI, Innove, Asticom and KVI reported net output VAT amounting to ₱198.43 million, net of input VAT of ₱1,044.75 million. As of December 31, 2014, Globe Telecom, GXI, Yondu and KVI reported net output VAT amounting to ₱31.44 million, net of input VAT of ₱782.00 million.

13 Provisions

The rollforward analysis of this account follows:

	Notes	2015	2014
		(In Thousand Pesos)	
At beginning of year		**₱401,288**	₱294,700
Assumed provisions from a business combination	10.1	**891,954**	-
Provisions for claims	23	**257,587**	137,185
Payments/reversals		**(390,711)**	(30,597)
At end of year		**₱1,160,118**	₱401,288

Provisions relate to various pending unresolved claims over the Globe Group's businesses such as provision for taxes, employee benefits, onerous contracts and various labor cases. Included under employee benefits is the restructuring cost of BTI amounting to ₱416.86 million which is expected to be settled in 2016. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of these on-going claims and assessments. As of February 5, 2016, the remaining pending claims are still being resolved.

14 Notes Payable and Long-term Debt

Notes payable consist of short-term unsecured US dollar and peso-denominated promissory notes from local banks for working capital requirements. There are no short-term notes payables outstanding as of December 31, 2015.

Long-term debt consists of:

	2015	2014
	(In Thousand Pesos)	
Term Loans:		
Peso	₱35,683,362	₱31,834,026
Dollar	17,560,999	14,464,146
Corporate notes	2,067,024	2,086,067
Retail bonds	16,917,473	16,891,564
	72,228,858	65,275,803
Less current portion	(7,973,594)	(6,129,663)
	₱64,255,264	₱59,146,140

The maturities of long-term debt at nominal values as of December 31, 2015 follow (in thousands):

Due in:	
2016	₱8,006,167
2017	10,473,330
2018	7,768,855
2019	11,109,666
2020 and thereafter	35,176,418
	₱72,534,436

Unamortized debt issuance costs included in the above long-term debt as of December 31, 2015 and 2014 amounted to ₱305.58 million and ₱328.60 million, respectively (see Note 28.2.3).

Total interest expense recognized related to long-term debt, excluding the capitalized interest, amounted to ₱2,504.10 million, ₱2,067.34 million and ₱1,850.02 million in 2015, 2014 and 2013, respectively (see Notes 7 and 22).

The interest rates and maturities of the above debt are as follows:

	Maturities	Interest Rates
Term Loans:		
Peso	2016-2025	2.02% to 6.00% in 2015
	2015-2022	1.02% to 6.00% in 2014
Dollar	2016-2023	1.12% to 5.00% in 2015
	2015-2022	1.25% to 1.75% in 2014
Corporate notes	2016	8.43% in 2015
	2015-2016	1.65% to 8.43% in 2014
Retail bonds	2017-2023	4.89% to 6.00% in 2015
	2017-2023	4.89% to 6.00% in 2014

14.1 Term Loans and Corporate Notes

Globe Group's unsecured bank loans and corporate notes, which consist of fixed and floating rate notes and dollar and peso-denominated bank loans, bear interest at stipulated and prevailing market rates. Globe Group also has secured debt amounting to USD4.47 million as of December 31, 2015 arising from its acquisition of BTI (see Note 7).

On March 6, 2013, Globe Telecom signed a USD75 million 3-year term loan with floating interest rate with Bank of Tokyo - Mitsubishi UFJ, Ltd., Singapore Branch as lender. The purpose of the loan is to fund Globe Telecom's capital expenditures.

On March 22, 2013, Globe Telecom signed a USD120 million 7-year term loan with floating interest rate with Metrobank as lender to finance Globe Telecom's capital expenditure.

On July 29, 2013, Globe Telecom signed a USD40 million 3-year term loan with floating interest rate with Mizuho Bank Ltd. as lender to prepay and refinance certain debts.

On December 4, 2013, Globe Telecom signed a ₱7,000 million 7-year term loan credit facility with fixed interest rate with Land Bank of the Philippines as lender. The proceeds of the loan were used to partially finance Globe Telecom's general financing and corporate requirements for capital expenditures. The total loan amount was drawdown in 2014.

On March 9, 2015, Globe Telecom signed a ₱7,000.00 million 7-year term loan with fixed interest rate with Philippine National Bank. The proceeds of the loan were used to partially finance the capital expenditures and general corporate requirements.

On October 1, 2015, Globe Telecom signed a USD45 million 7-year term loan with floating interest rate and a ₱5,000.00 million 10-year term loan with fixed interest rate with Metrobank. The proceeds of the loan were used to finance the capital expenditures and/or reimburse capital expenditures.

The loan agreements with banks and other financial institutions provide for certain restrictions and requirements with respect to, among others, maintenance of financial ratios and percentage of ownership of specific shareholders, incurrence of additional long-term indebtedness or guarantees and creation of property encumbrances.

The financial tests under Globe Group's loan agreements include compliance with the following ratios:

- Total debt* to equity not exceeding 2:1;
- Total debt* to EBITDA not exceeding 3:1;
- Debt service coverage exceeding 1.3 times; and
- Secured debt ratio not exceeding 0.2 times.

**Composed of notes payable, long term debt and net derivative liabilities.*

As of December 31, 2015, the Globe Group is not in breach of any loan covenants.

14.2 Retail Bonds

On June 1, 2012, Globe Telecom issued ₱10,000.00 million fixed rate bonds. The amount comprises ₱4,500.00 million and ₱5,500.00 million fixed rate bonds due in 2017 and 2019, with interest rate of 5.75% and 6.00%, respectively. The net proceeds of the issue were used to partially finance the Globe Telecom's capital expenditure requirements in 2012.

The five-year and seven-year retail bonds may be redeemed in whole, but not in part only, starting two years before maturity date and on the anniversary thereafter at a price equal to 101.00% and 100.50%, respectively, of the principal amount of the bonds and all accrued interest to the date of the redemption.

On July 17, 2013, the Globe Telecom issued ₱7,000.00 million fixed rate bond. The amount comprises ₱4,000.00 million and ₱3,000.00 million bonds due in 2020 and 2023, with interest rate of 4.8875% and 5.2792%, respectively. The net proceeds of the issue were used to partially finance the Globe Telecom's capital expenditure requirements in 2013.

The seven-year and ten-year retail bonds may be redeemed in whole, but not in part only, starting two years for the seven-year bonds and three years for the ten-year bonds before the maturity date and on the anniversary thereafter at a price ranging from 101.0% to 100.5% and 102.0% to 100.5%, respectively, of the principal amount of the bonds and all accrued interest depending on the year of redemption.

The prepayment feature is assessed as clearly and closely related to the host debt instrument, and hence need not be separately accounted for at FVPL.

The Globe Group has to meet certain bond covenants including a maximum debt-to-equity ratio of 2 to 1. As of December 31, 2015, the Globe Group is not in breach of any bond covenants.

15 Other Long-term Liabilities

This account consists of:

	Notes	2015	2014
		(In Thousand Pesos)	
Accrued pension	16.2, 18.2	₱3,217,784	₱2,321,195
ARO	7	2,055,690	1,868,006
Accrued lease obligations and others	25.1.2	1,220,856	1,283,832
		₱6,494,330	₱5,473,033

The rollforward analysis of the Globe Group's ARO follows:

	Notes	2015	2014
		(In Thousand Pesos)	
At beginning of year		₱1,868,006	₱1,724,304
Accretion expense during the year	22	152,829	141,358
Capitalized to property and equipment during the year	30	39,269	9,495
Assumed ARO from a business combination		39,158	-
Reversals		(3,865)	(4,442)
Adjustments due to changes in estimates	3.2.4	(40,427)	(2,707)
At end of year		₱2,055,690	₱1,868,006

16 Related Party Transactions

Parties are considered to be related to Globe Group if it has the ability, directly or indirectly, to control the Globe Group or exercise significant influence over the Globe Group in making financial and operating decisions, or vice versa, or where the Globe Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are under the significant influence of related parties of the Globe Group where those parties are individuals, and post-employment benefit plan which are for the benefit of employees of the Globe Group or of any entity that is a related party of the Globe Group.

The Globe Group, in their regular conduct of business, enter into transactions with their major stockholders, AC and Singtel, associates, joint ventures and certain related parties.

16.1 Entities with Joint Control over Globe Group – AC and Singtel

- Globe Telecom has interconnection agreements with Singtel. The related net traffic settlements receivable (included in "Receivables" account in the consolidated statements of financial position) and the interconnection revenues earned (included in "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

	2015	2014	2013
		(In Thousand Pesos)	
Traffic settlements receivable – net	**₱22,824**	₱ 79,191	₱201,216
Interconnection revenues	**725,635**	784,965	921,540
Interconnection costs	**50,346**	112,976	116,477

- Globe Telecom and Singtel have a technical assistance agreement whereby Singtel will provide consultancy and advisory services, including those with respect to the construction and operation of Globe Telecom's networks and communication services, equipment procurement and personnel services. In addition, Globe Telecom has software development, supply, license and support arrangements, lease of cable facilities, maintenance and restoration costs and other transactions with Singtel.

  The details of fees (included in repairs and maintenance under the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) incurred under these agreements are as follows:

	2015	2014	2013
		(In Thousand Pesos)	
Technical assistance fee	**₱67,907**	₱160,534	₱163,004
Software development, supply, license and support	**7,069**	19,642	16,681
Maintenance and restoration costs and other transactions	**57,551**	63,695	61,841

The outstanding balances due to Singtel (included in the "Accounts payable and accrued expenses" account in the consolidated statements of financial position) arising from these transactions are as follows:

	2015	2014	2013
	(In Thousand Pesos)		
Technical assistance fee	**₱57,967**	₱135,877	₱35,775
Software development, supply, license and support	**-**	-	4,014
Maintenance and restoration costs and other transactions	**8,985**	10,882	20,695

- Globe Telecom and BTI earns subscriber revenues from AC. The outstanding subscribers receivable from AC (included in "Receivables" account in the consolidated statements of financial position) and the amount earned as service revenue (included in the "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

	2015	2014	2013
	(In Thousand Pesos)		
Subscriber receivables	**₱12,215**	₱9,662	₱14,761
Service revenues	**19,338**	18,990	14,107

- Globe Telecom reimburses AC for certain operating expenses. The net outstanding liabilities to (included in "Accounts payable and accrued expenses" account in the consolidated statements of financial position) and the amount of expenses incurred (included in the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) are as follows:

	2015	2014	2013
	(In Thousand Pesos)		
General, selling and administrative expenses	**₱48,743**	₱37,135	₱7,768
Accounts payable and accrued expenses	**50**	755	-

16.2 Joint Ventures in which the Globe Group is a venturer (see Note 10)

- Globe Telecom has preferred roaming service contract with BMPL. Under this contract, Globe Telecom will pay BMPL for services rendered by the latter which include, among others, coordination and facilitation of preferred roaming arrangement among JV partners, and procurement and maintenance of telecommunications equipment necessary for delivery of seamless roaming experience to customers. Globe Telecom also earns or incurs commission from BMPL for regional top-up service provided by the JV partners. The net outstanding liabilities to BMPL related to these transactions amounted to ₱3.11 million and ₱2.37 million as of December 31, 2015 and 2014, respectively. Balances related to these transactions (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounted to ₱18.68 million, ₱23.76 million and ₱3.76 million, as of December 31, 2015, 2014 and 2013, respectively.

- In October 2009, the Globe Group entered into an agreement with BPI Globe BanKO for the pursuit of services that will expand the usage of GCash technology. As a result, the Globe Group recognized revenue amounting to ₱8.96 million, ₱6.13 million and ₱0.54 million in 2015, 2014 and 2013, respectively. The related receivables amounted to ₱7.47 million and ₱14.86 million as of December 31, 2015 and 2014, respectively.

16.3 Transactions with the Globe Group Retirement Plan (GGRP) (see Note 11)

- In 2007, Globe Telecom, Innove and GXI pooled its plan assets for single administration by the GGRP, which was created for the management of the retirement fund. The decisions of the GGRP are made through collective decision of the Board of Trustees.

  The plan is funded by contributions as recommended by the independent actuary on the basis of reasonable actuarial assumptions. These assumptions and the funded status of the pension plan are disclosed in Note 18.2.

  The funded status for the pension plan of Globe Group as of December 31, 2015 and 2014 amounted to ₱3,063.12 million and ₱2,321.20 million, respectively (see Note 18.2).

  The fair value of plan assets by each class held by the retirement fund, on a pooled basis follows:

	2015	2014
	(In Thousand Pesos)	
Cash and cash equivalents	₱192,982	₱143,746
Loans and receivables	968,782	968,000
Investment in fixed income securities		
Government	829,539	796,424
Corporate	341,576	200,488
Loans	5,038	4,945
Others	23,611	128,035
Investment in equity securities	1,755,411	1,636,204
Liabilities	(968,782)	(968,000)
Balance at end of year	₱3,148,157	₱2,909,842

  All equity and debt instruments held, except for investment in preferred shares of HALO Group, debt securities issued by private corporations and long-term negotiable certificates of deposit, have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

  Loans and receivables consist of interest and dividend receivables, receivable on securities sold to brokers and loan granted by the plan to BHI.

  Liabilities pertain to interest and trust fee payables, accrued professional fees and loan granted to the plan by Globe Telecom.

- As of December 31, 2015 and 2014, the pension plan assets of the retirement plan include shares of stock of Globe Telecom with total fair value of ₱31.20 million and ₱26.32 million, and shares of stock of other related parties with total fair value of ₱144.07 million and ₱111.55 million, respectively. Gains arising from these investments amounted to ₱11.75 million, ₱12.91 million and ₱8.34 million in 2015, 2014 and 2013, respectively.

- In 2008, the Globe Group granted a short-term loan to the GGRP amounting to P800.00 million with interest at 6.20%. Upon maturity in 2009, the loan was rolled over until September 2014 with interest at 7.75%. Further, in 2009, the Globe Group granted an additional loan to the retirement fund amounting to P168.00 million which bears interest at 7.75% and is due also in September 2014.

  On September 16, 2014, the maturity of the outstanding balance of loan receivable from GGRP amounting to P968.00 million was extended to September 11, 2017 and the interest rate was reduced to 5% per annum effective on September 11, 2014. Interest income amounted to P49.07 million, P68.02 million and P76.26 million in 2015, 2014 and 2013, respectively (see Note 19).

  The retirement plan utilized the loan to fund its investments in BHI, a domestic corporation organized to invest in media ventures. BHI has controlling interest in Altimax Broadcasting Co., Inc. (Altimax) and Broadcast Enterprises and Affiliated Media Inc. (BEAM), respectively.

- On August 13 and December 21, 2009, the Globe Group granted five-year loans amounting to P250.00 million and P45.00 million, respectively, to BHI at 8.275% interest. The P250.00 million loan is covered by a pledge agreement whereby in the event of default, the Globe Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Globe Group. The P45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between Globe Group and BEAM (see Note 25.5). Interest income amounted to P8.04 million, P11.30 million and P13.72 million in 2015, 2014 and 2013, respectively (see Note 19).

  On August 13, 2014, the maturity of the outstanding balance of loan receivable from BHI amounting to P158.62 million was extended to August 13, 2017 and the interest rate was reduced to 5% per annum effective August 14, 2014 (see Note 11).

- On February 1, 2009, the Globe Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast service to Globe subscribers using the mobile TV service. As a result, the Globe Group recognized an expense (included in "Professional and other contracted services") amounting to P190.00 million in 2015 and P155.00 million in 2014 and 2013. Effective January 1, 2015, BEAM charged an increased service fee rate to Globe Group as a result of an amendment to the MOA.

- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. As a result, the Globe Group recognized an expense (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounting to P24.85 million in 2015 and P40.88 million in 2014 and 2013.

16.4 Transactions with Yondu

As a result of Globe Telecom's sale of its controlling stake in Yondu, transactions are recognized in the consolidated statements of financial position starting September 16, 2015.

The Globe Group has a VAS sharing agreement with Yondu. Under the agreement, Yondu is entitled to a 30% share on revenue (included in the "Service revenues" account of the Parent Company statements of comprehensive income) for providing mobile contents to Globe and TM subscribers. The Globe Group's payout to Yondu on mobile content transactions for the period September 16, 2015 to December 31, 2015 amounted to P78.85 million.

Yondu also provides various enterprise solutions-based services to the Globe Group for network, platform and applications development under its Business Process Outsourcing Unit (BPO) and mobile content. The Globe Group's related expenses for the period September 16, 2015 to December 31, 2015 amounted to ₱39.32 million, out of which ₱1.49 million were capitalized under "Intangible Assets and Goodwill".

The outstanding balances of receivable and payables resulting from transactions with Yondu amounted to ₱74.23 million and ₱373.54 million, respectively, as of December 31, 2015. Dividends receivable amounting to ₱266.49 million was recognized in the consolidated statements financial position as of December 31, 2015.

16.5 Transactions with other related parties

Globe Telecom has money market placements and bank balances, and subscriber receivables (included in "Cash and cash equivalents" and "Receivables" accounts in the consolidated statements of financial position, respectively) and earns service revenues (included in the "Service revenues" account in the consolidated statements of comprehensive income) from its other related parties namely, Ayala Land Inc., Ayala Property Management Corporation, Bank of the Philippine Islands, Manila Water Company, Inc., Integrated Microelectronics, Inc., Stream Global Services, Inc., HR Mall Inc., Honda Cars, Inc., Isuzu Automotive Dealership, Inc., Accendo Commercial Corp., Affinity Express Philippines, Inc., Alveo Land Corp., Asian I-Office Properties,Inc., Avida Land Corp., Avida Sales Corporation, Ayala Hotels, Inc., Ayala Plans, Inc., Ayala Systems Technology, Inc., Cebu Holdings, Inc., Makati Development Corp., myAyala.com, Inc., North Triangle Depot Commercial Corp., PSI Technologies, Inc., Roxas Land Corp, Serendra, Inc., Station Square East Commercial Corp., Ten Knots Development, KHI ALI Manila, Inc., Lagoon Development Corp., Subic Bay Town Center, Inc., Ayala Aviation Corporation, Laguna AAA Water Corp., Liveit Solution, Inc., Liveit Investments, Ltd., Integreon, Inc., Arvo Commercial Corp., Amaia Land Corp., Michigan Power, Philippine Intergrated Energy Solutions, Inc., Southcrest Hotel Ventures, Inc., Bonifacio Hotels and Crestview E-Office.

The balances with other related parties are recorded under the following accounts:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Cash and cash equivalents	30	**₱1,621,045**	₱1,385,635	₱166,074
Subscriber receivables (included in "Receivables" account)	4	**204,226**	218,837	212,391
Property and equipment	7	**59,417**	64,300	60,437
Accounts payable and accrued expenses	12	**23,527**	15,454	72,440
Service revenues	29	**509,715**	479,923	439,702
General, selling and administrative expenses	21	**208,351**	171,873	346,280

The balances under "General, selling and administrative expenses" and "Property and equipment" accounts consist of expenses incurred on rent, utilities, customer contract services, other miscellaneous services and purchase of vehicles, respectively.

These related parties are either controlled or significantly influenced by AC.

16.6 Transactions with key management personnel of the Globe Group

The Globe Group's compensation of key management personnel by benefit type are as follows:

	Notes	2015	2014
		(In Thousand Pesos)	
Short-term employee benefits	21	₱185,000	₱237,100
Share-based payments	18.1	31,282	9,649
Post-employment benefits	18.2	52,960	30,466
		₱269,242	₱277,2155

There are no agreements between the Globe Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Globe Group's retirement plans.

The Globe Group has no non-interest bearing short-term loans to its key management personnel in 2015 and 2014.

The summary of balances arising from related party transactions for the relevant financial year follows (in thousands):

2015

	Amount/Volume		Outstanding Balance					
	Revenue	Costs and Expenses	Property and Equipment (Note 7)	Cash and Cash Equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over the Company								
AC	₱19,338	₱48,743	₱ -	₱ -	₱12,215	₱50	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	675,289	132,527	-	-	22,824	66,952	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BMPL	-	18,681	-	-	-	3,113	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BanKO	8,965	-	-	-	7,468	-	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
Yondu	40,961	39,317	-	-	318,711	373,538	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	49,071	-	-	-	968,000	-	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	8,041	-	-	-	158,620	-	3 years, 5%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BEAM	-	190,000	-	-	-	-	Interest-free, settlement in cash	-
Altimax	-	24,847	-	-	-	-	Interest-free, settlement in cash	-
Key management personnel	-	269,242	-	-	-	-		Unsecured, no impairment
Others	509,715	208,351	59,417	1,621,045	204,226	23,527	Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
	₱1,311,380	₱931,708	₱59,417	₱1,621,045	₱1,692,064	₱467,180		

2014

	Amount/Volume			Outstanding Balance				
	Revenue	Costs and Expenses	Property and Equipment (Note 7)	Cash and Cash equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over the Company								
AC	₱18,990	₱37,135	₱ -	₱-	₱9,662	₱ 755	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	671,989	243,871	-	-	79,191	146,759	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BMPL	-	23,765	-	-	-	2,367	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BanKO	6,812	-	-	-	7,160	-	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
BTI	504,671	5,000	-	-	4,443,956	80,334	Loan receivable - 20 years, 9.60% to 11.55%, lease capacity provisioning - interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	68,015	-	-	-	968,000	-	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	11,304	-	-	-	158,620	-	3 years, 5%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BEAM	-	155,000	-	-	-	-	Interest-free, settlement in cash	
Altimax	-	40,880	-	-	-	-	Interest-free, settlement in cash	
Key management personnel	-	277,215	-	-	-	-		Unsecured, no impairment
Others	479,923	171,873	64,300	1,385,635	218,837	15,454	Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
	₱1,761,704	₱954,739	₱64,300	₱1,385,635	₱5,885,426	₱245,669		

17 Equity and Other Comprehensive Income

Globe Telecom's authorized capital stock consists of:

	2015		2014	
	Shares	**Amount**	Shares	Amount
	(In Thousand Pesos and Number of Shares)			
Voting preferred stock - ₱5 per share	**160,000**	**₱800,000**	160,000	₱800,000
Non-voting preferred stock - ₱50 per share	**40,000**	**2,000,000**	40,000	2,000,000
Common stock ₱50 per share	**148,934**	**7,446,719**	148,934	7,446,719

Globe Telecom's issued, subscribed and fully paid capital stock consists of:

	2015		2014	
	Shares	**Amount**	Shares	Amount
	(In Thousand Pesos and Number of Shares)			
Voting preferred stock	**158,515**	**₱ 792,575**	158,515	₱ 792,575
Non-voting preferred stock	**20,000**	**1,000,000**	20,000	1,000,000
Common stock	**132,743**	**6,637,138**	132,733	6,636,654
Total capital stock		**₱8,429,713**		₱8,429,229

Below is the summary of the Globe Telecom's track record of registration of securities:

	Number of shares registered	Issue/offer price	Date of approval
	(In Thousands, Except for Issue/Offer price)		
Voting preferred stock	158,515	₱5.00	June 2001
Non-voting preferred stock	20,000	500.00	August 11, 2014
Common stock*	30,000	0.50	August 11, 1975

**Initial number of registered shares only*

17.1 Preferred Stock

Non-Voting Preferred Stock

On February 10, 2014, Globe Telecom's BOD approved the amendment of Articles of Incorporation (AOI) to reclassify 31 million of unissued common shares with par value of ₱50 per share and 90 million of unissued voting preferred shares with par value of ₱5 per share into a new class of 40 million non-voting preferred shares with par value of ₱50 per share.

On April 8, 2014, the stockholders approved the issuance, offer and listing of up to 20 million non-voting preferred shares, with an issue volume of up to ₱10 billion. The preferred shares shall be redeemable, non-convertible, non-voting, cumulative and may be issued in series.

On June 5, 2014, the Securities and Exchange Commission (SEC) approved the amendment of AOI to implement the foregoing reclassification of shares.

On August 8, 2014, the SEC approved the offer of non-voting preferred perpetual shares and on August 15, 2014, the 20 million non-voting preferred shares were fully subscribed and issued. Subsequently, the shares were listed at the Philippines Stock Exchange (PSE) on August 22, 2014.

The proceeds from the preferred shares issuance were used to partially finance capital expenditures.

Non-voting preferred stock has the following features:

a) Issued at ₱50 par;

b) Dividend rate to be determined by the BOD at the time of issue;

c) Redemption - at Globe Telecom's option at such times and price(s) as may be determined by the BOD at the time of issue, which price may not be less than the par value thereof plus accrued dividends;

d) Eligibility of investors - Any person, partnership, association or corporation regardless of nationality wherein at least 60% of the outstanding capital stock shall be owned by Filipino

e) No voting rights;

f) Cumulative and non-participating;

g) No pre-emptive rights over any sale or issuance of any share in Globe Telecom's capital stock; and

h) Shares shall rank ahead of the common shares and equally with the voting preferred shares in the event of liquidation.

Voting Preferred Stock

Voting preferred stock has the following features:

(a) Issued at ₱5 par;

(b) Dividend rate to be determined by the BOD at the time of issue;

(c) One preferred share is convertible to one common share starting at the end of the 10th year of the issue date at a price to be determined by Globe Telecom's BOD at the time of issue which shall not be less than the market price of the common share less the par value of the preferred share;

(d) Call option - Exercisable any time by Globe Telecom starting at the end of the 5th year from issue date at a price to be determined by the BOD at the time of issue;

(e) Eligibility of investors - Only Filipino citizens or corporations or partnerships wherein 60% of the voting stock or voting power is owned by Filipino;

(f) With voting rights;

(g) Cumulative and non-participating;

(h) Preference as to dividends and in the event of liquidation; and

(i) No preemptive right to any share issue of Globe Telecom, and subject to yield protection in case of change in tax laws.

The dividends for preferred shares are declared upon the sole discretion of the Globe Telecom's BOD.

17.2 Common Stock

The rollforward of outstanding common shares follows:

	2015		2014		2013	
	Shares	**Amount**	Shares	Amount	Shares	Amount
	(In Thousand Pesos and Number of Shares)					
At beginning of year	**132,733**	**₱6,636,654**	132,596	₱6,629,785	132,406	₱6,620,291
Exercise of stock options	**10**	**484**	137	6,869	190	9,494
At end of year	**132,743**	**₱6,637,138**	132,733	₱6,636,654	132,596	₱6,629,785

Fully paid common stock, which have a par value of P50, carry one vote per share and carry a right to dividends.

17.3 Cash Dividends

Information on the Globe Telecom's BOD declaration of cash dividends follows:

			Date	
	Per Share	Amount	Record	Payable
	(In Thousand Pesos, Except Per Share Figures)			
Voting Preferred stock dividends declared on:				
November 8, 2013	₱0.15	₱23,838	November 22, 2013	December 8, 2013
November 11, 2014	0.17	26,457	November 25, 2014	December 11, 2014
November 6, 2015	0.17	33,150	November 24, 2015	December 4, 2015
Non-voting Preferred stock dividends declared on:				
December 12, 2014	13.00	260,030	January 26, 2015	February 22, 2015
May 12, 2015	13.00	260,030	August 10, 2015	August 22, 2015
December 11, 2015	13.00	260,030	January 26, 2016	February 22, 2016
Common stock dividends declared on:				
February 5, 2013	33.50	4,435,828	February 19, 2013	March 12, 2013
August 6, 2013	33.50	4,440,936	August 22, 2013	September 13, 2013
February 10, 2014	37.50	4,975,351	February 26, 2014	March 20, 2014
August 5, 2014	18.75	2,488,624	August 19, 2014	September 4, 2014
November 11, 2014	18.75	2,488,727	November 25, 2014	December 11, 2014
February 4, 2015	20.75	2,754,224	February 18, 2015	March 4, 2015
May 12, 2015	20.75	2,754,346	May 26, 2015	June 11, 2015
August 3, 2015	20.75	2,754,373	August 17, 2015	September 2, 2015
November 6, 2015	20.75	2,754,412	November 24, 2015	December 4, 2015

17.4 Common Stock Dividend

The dividend policy of Globe Telecom as approved by the BOD is to declare cash dividends to its common stockholders on a regular basis as may be determined by the BOD. On November 8, 2011, the BOD approved the current dividend policy of Globe Telecom to distribute cash dividends at the rate of 75% to 90% of prior year's core net income. On August 6, 2013, the BOD further approved the change in distribution from semi-annual dividend payments to quarterly dividend distributions. However, on December 10, 2013, the BOD approved to defer the implementation of the quarterly dividend payout to the second semester of 2014.

The dividend distribution policy is reviewed annually and subsequently each quarter of the year, taking into account Globe Telecom's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

17.5 Retained Earnings Available for Dividend Declaration

The total unrestricted retained earnings available for dividend declaration amounted to ₱5,203.49 million as of December 31, 2015. This amount excludes the undistributed net earnings of consolidated subsidiaries, accumulated equity in net earnings of joint ventures accounted for under the equity method, and unrealized gains recognized on asset and liability currency translations and unrealized gains on fair value adjustments. The Globe Group is also subject to loan covenants that restrict its ability to pay dividends (see Note 14).

17.6 Other Comprehensive Income

Other Reserves

2015

	Cash flow hedges	AFS	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined benefit plan	Total
			(In Thousand Pesos)		
As of January 1	₱40,434	₱78,167	₱8,454	(₱1,104,908)	(₱977,853)
Fair value changes	299,772	24,267	-	-	324,039
Remeasurement losses on defined benefit plan	-	-	-	(379,091)	(379,091)
Transferred to profit or loss	(298,453)	-	-	-	(298,453)
Income tax effect to or transferred from equity	(396)	-	-	112,919	112,523
Exchange differences	-	-	7,322	-	7,322
As of December 31	₱41,357	₱102,434	₱15,776	(₱1,371,080)	(₱1,211,513)

2014

	Cash flow hedges	AFS	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined benefit plan	Total
			(In Thousand Pesos)		
As of January 1	₱35,027	₱57,775	(₱6,020)	(₱826,357)	(₱739,575)
Fair value changes	(207,522)	20,392	-	-	(187,130)
Remeasurement losses on defined benefit plan				(397,930)	(397,930)
Transferred to profit or loss	215,246	-	-	-	215,246
Income tax effect to or transferred from equity	(2,317)	-	-	119,379	117,062
Exchange differences	-	-	14,474	-	14,474
As of December 31	₱40,434	₱78,167	₱8,454	(₱1,104,908)	(₱977,853)

2013

	Cash flow hedges	AFS	Exchange differences arising from translations of foreign investments	Remeassurement losses on defined benefit plan	Total
			(In Thousand Pesos)		
As of January 1	(₱121,200)	₱80,275	(₱3,663)	(₱481,951)	(₱526,539)
Fair value changes	406,194	(22,500)	-	-	383,694
Remeasurement losses on defined benefit plan	-	-	-	(492,009)	(492,009)
Transferred to profit or loss	(183,012)	-	-	-	(183,012)
Income tax effect	(66,955)	-	-	147,603	80,648
Exchange differences	-	-	(2,357)	-	(2,357)
As of December 31	₱35,027	₱57,775	(₱6,020)	(₱826,357)	(₱739,575)

18 Employee Benefits

18.1 Stock Plans

The Globe Group has Executive Stock Option Plan (ESOP) and Long-Term Incentive Plan (LTIP). The number of shares allocated under these plans shall not exceed the aggregate equivalent of 6% of the authorized capital stock.

18.1.1 *Executive Stock Option Plan*

The following are the stock option grants to key executives and senior management personnel of the Globe Group under the ESOP and LTIP from 2003 to 2015:

The number of shares allocated under the above plans shall not exceed the aggregate equivalent of 6% of the authorized capital stock.

Date of Grant	Number of Options/ Grants	Exercise Price	Exercise Dates	Fair Value of Each Option/Grants	Fair Value Measurement
April 4, 2003	680,200	547.00 per share	50% of options exercisable from April 4, 2005 to April 14, 2013; the remaining 50% exercisable from April 4, 2006 to April 14, 2013	283.11	Black-Scholes option pricing model
July 1, 2004	803,800	840.75 per share	50% of options exercisable from July 1, 2006 to June 30, 2014; the remaining 50% from July 1, 2007 to June 30, 2014	357.94	Black-Scholes option pricing model
March 24, 2006	749,500	854.75 per share	50% of the options become exercisable from March 24, 2008 to March 23, 2016; the remaining 50% become exercisable from March 24, 2009 to March 23, 2016	292.12	Trinomial option pricing model
May 17, 2007	604,000	1,270.50 per share	50% of the options become exercisable from May 17, 2009 to May 16, 2017, the remaining 50% become exercisable from May 17, 2010 to May 16, 2017	375.89	Trinomial option pricing model
August 1, 2008	635,750	1,064.00 per share	50% of the options become exercisable from August 1, 2010 to July 31, 2018, the remaining 50% become exercisable from August 1, 2011 to July 31, 2018	305.03	Trinomial option pricing model
October 1, 2009	298,950	993.75 per share	50% of the options become exercisable from October 1, 2011 to September 30, 2019, the remaining 50% become exercisable from October 1, 2012 to September 30, 2019	346.79	Trinomial option pricing model

The exercise price is based on the average quoted market price for the last 20 trading days preceding the approval date of the stock option grant.

A summary of the Globe Group's ESOP activity and related information follows:

	2015		2014	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
	(In Thousand Number of Shares Except per Share Figures)			
Outstanding, at beginning of year	267	P1,068.56	574	P1,087.26
Exercised	(16)	1,111.62	(302)	1,109.96
Expired/forfeited	-	-	(5)	840.75
Outstanding and exercisable, at end of year	251	P1,084.20	267	P1,068.56

The average share prices at dates of exercise of the stock options in 2015, 2014 and 2013 amounted to P2,211.92, P1,697.34 and P1,586.10, respectively.

As of December 31, 2015 and 2014, the weighted average remaining contractual life of options outstanding is 2.87 years and 3.87 years, respectively.

The following assumptions were used to determine the fair value of the stock options at effective grant dates:

	October 1, 2009	August 1, 2008	May 17, 2007	March 24, 2006	July 1, 2004	April 4, 2003
Share price	P995.00	P1,130.00	P1,340.00	P930.00	P835.00	P580.00
Exercise price	P993.75	P1,064.00	P1270.5	P854.75	P840.75	P547.00
Expected volatility	48.49%	31.73%	38.14%	29.51%	39.50%	34.64%
Option life	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividends	6.43%	6.64%	4.93%	5.38%	4.31%	2.70%
Risk-free interest rate	8.08%	9.62%	7.04%	10.30%	12.91%	11.46%

The expected volatility measured at the standard deviation of expected share price returns was based on analysis of share prices for the past 365 days. Cost of share-based payments for the years ended December 31, 2015, 2014 and 2013 amounted to P153.99 million, P31.84 million and P50.00 million, respectively (Note 16.6).

18.1.2 *Long-Term Incentive Plan*

In November 2014, the Globe Group obtained approval from the Board to implement a Long-Term Incentive Plan (LTIP) also called a Performance Share Plan (PSP) covering key executives and senior management. Under the PSP, the grantees are awarded a specific number of shares at the start of the performance period which vest over a specified performance period and contingent upon the achievement of specified long-term goals.

The following are the stock grants to key executives and senior management personnel of the Globe Group under the LTIP:

Date of Grant	Number of Grants	Settlement Dates	Fair Value of Each Grants	Fair Value Measurement
January 1, 2014	106,293	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,630.35	Share price
January 1, 2015	114,392	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,738.30	Share price

18.2 Pension Plan

The Globe Group has a funded, noncontributory, defined benefit pension plans covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The Plan which covers Globe Telecom, Innove and GXI employees is managed and administered by a Board of Trustees (BOT) whose members are unanimously appointed by the Globe Group acting through its BOD, while the BTI Plan is managed and administered by a different retirement committee (BTRC). The BOT and BTRC are authorized to appoint one or more fund managers to hold, invest and reinvest the assets of the Plans and execute an Investment Agreement with the said fund managers. The Plans are held and invested by the fund managers, in accordance with the guidelines set by the BOT and BTRC.

Under the existing regulatory framework, Republic Act 7641 mandates that a retiring qualified private sector employee shall be entitled to receive retirement benefits under any collective bargaining agreement and other agreements, provided that an employee's retirement benefits under said agreements shall not be less than those provided under the same law. In the absence of a retirement plan or agreement providing for retirement benefits of employees in the entity, a qualified private sector employee may retire and shall be paid the retirement pay by the company in accordance with the minimum retirement pay set out in RA 7641.

The components of pension expense (included in staff costs under "General, selling and administrative expenses" account) in the consolidated statements of comprehensive income are as follows:

	2015	2014	2013
		(In Thousand Pesos)	
Current service cost	**₱543,248**	₱417,653	₱348,399

The accrued pension is as follows:

	2015	2014
	(In Thousand Pesos)	
Present value of benefit obligation	**₱6,481,297**	₱5,236,037
Fair value of plan assets	**(3,263,513)**	(2,914,842)
Liabilities recognized in the consolidated statements of financial position	**₱3,217,784**	₱2,321,195

The following tables present the changes in the present value of defined benefit obligation and fair value of plan assets:

Present value of defined benefit obligation

	2015	2014
	(In Thousand Pesos)	
Balance at beginning of year	**₱5,236,037**	₱4,262,206
Acquired on acquisition of a subsidiary	**726,121**	-
Derecognized upon sale of controlling interest in Yondu	**(12,279)**	-
Current service cost	**543,248**	417,653
Past service cost	**(518,736)**	-
Interest cost	**247,376**	208,358
Benefits paid from plan assets	**(84,284)**	(106,988)
Remeasurements in other comprehensive income:		
Changes in demographic assumptions	**14,390**	336,002
Experience adjustments	**329,424**	118,806
Balance at end of year	**₱6,481,297**	₱5,236,037

Fair value of plan assets

	2015	2014
	(In Thousand Pesos)	
Balance at beginning of year	**₱2,914,842**	₱2,654,907
Acquired on acquisition of a subsidiary	**209,793**	-
Derecognized upon sale of controlling interest in Yondu	**(5,001)**	-
Return on plan assets (excluding amount included in net interest)	**(25,889)**	56,877
Contributions	**217,484**	172,440
Benefits paid	**(84,284)**	(106,988)
Interest Income on plan assets	**136,079**	137,606
Settlements	**(98,288)**	-
Actuarial gain (losses)	**(1,223)**	-
Balance at end of year	**₱3,263,513**	₱2,914,842
Actual return on plan assets	**₱108,966**	₱194,483

The recommended contribution for the Globe Group retirement fund for the year 2016 amounted to ₱521.06 million. This amount is based on the Globe Group's actuarial valuation report as of December 31, 2015.

As of December 31, 2015 and 2014, the allocation of the fair value of the plan assets of the Globe Group follows:

	2015	2014
	(In Thousand Pesos)	
Cash and cash equivalents	**₱211,003**	₱148,746
Loans receivables	**969,321**	968,000
Investment in fixed income securities		
Government	**886,907**	796,424
Corporate	**341,576**	200,488
Loans	**5,038**	4,945
Others	**55,931**	128,035
Investment in equity shares		
Quoted		
Holding firm	**250,004**	164,202
Property	**153,471**	133,920
Industrial	**142,527**	123,543
Financials	**118,725**	88,342
Mining and oil	**11,821**	30,550
Others	**63,382**	95,647
Unquoted	**1,022,002**	1,000,000
Liabilities	**(968,195)**	(968,000)
	₱3,263,513	₱2,914,842

The assumptions used to determine pension benefits for the Globe Group are as follows:

	2015	2014
Discount rate	**3.16%-4.50%**	4.50%
Salary rate increase	**4.50%-5.00%**	4.50%

The assumptions regarding future mortality rates which are based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rate for males and females.

In 2015 and 2014, the Globe Group applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2015 and 2014, assuming all other assumptions were held constant (in thousand pesos):

December 31, 2015

	Increase (decrease) in basis points	**Impact on defined benefit obligation Increase (decrease)**
Discount rates	**+.50%**	**(410,410)**
	-.50%	**453,299**
Future salary increases	**+1%**	**941,362**
	-1%	**(787,204)**
Rate of return	**+10%**	**(1,243)**
	-10%	**1,243**

December 31, 2014

	Increase (decrease) in basis points	Impact on defined benefit obligation Increase (decrease)
Discount rates	+.50%	(335,974)
	-.50%	370,470
Future salary increases	+1%	772,823
	-1%	(646,860)
Rate of return	+10%	(1,044)
	-10%	1,044

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The objective of the plan's portfolio is capital preservation by earning higher than regular deposit rates over a long period given a small degree of risk on principal and interest. Asset purchases and sales are determined by the plan's investment managers, who have been given discretionary authority to manage the distribution of assets to achieve the plan's investment objectives. The compliance with target asset allocations and composition of the investment portfolio is monitored by the BOT on a regular basis.

The defined benefit retirement plan is funded by the participating companies, namely Globe Telecom, Innove, BTI and GXI. The plan contributions are based on the actuarial present value of accumulated plan benefits and fair value of plan assets are determined using an independent actuarial valuation.

The average duration of the defined benefit obligation at the end of the reporting period is 17.67 years in 2015 and 17.38 years in 2014.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2015 and 2014:

	2015	2014
	(In Thousand Pesos)	
Within 1 year	₱345,994	₱215,168
More than 1 year to 5 years	1,314,685	1,115,523
More than 5 years	2,630,750	2,148,394
	₱4,291,429	₱3,479,085

19 Interest Income

Interest income is earned from the following sources:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Short-term placements	30	₱181,787	₱91,044	₱79,813
Cash in banks	30	8,891	7,964	18,205
Loans receivable:				
BTI	11	269,945	504,671	475,822
GGRP	16.3	49,071	68,015	76,257
BHI	16.3	8,041	11,304	13,721
Others		802	-	24,431
		₱518,537	₱682,998	₱688,249

20 Other Income - net

This account consists of:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Gain on fair value of retained interest	10.2	₱745,831	₱-	₱-
Gain on disposal of controlling interest in subsidiary	10.2	449,148	-	-
Gain on previously held equity interest	9.1	431,115	-	-
Lease income	25.4, 25.1.1	173,695	172,499	172,499
Gain on derivative instruments	28	19,691	70,829	-
Foreign exchange gain – net	22, 28.2.1.2	-	884	-
Others		311,373	226,435	302,747
		₱2,130,853	₱470,647	₱475,246

The peso to US dollar exchange rates amounted to ₱47.118, ₱44.740 and ₱44.398 as of December 31, 2015, 2014 and 2013, respectively.

The Globe Group's net foreign currency-denominated liabilities amounted to USD556.86 million, USD312.43 million and USD357.85 million as of December 31, 2015, 2014 and 2013, respectively (see Note 28.2.1.2).

These combinations of net liability movements and peso rate depreciation/appreciation resulted in net foreign exchange loss in 2015 and 2013, and net foreign exchange gain in 2014 (see Note 22).

The "Others" account includes insurance claims and other items that are individually immaterial.

21 General, Selling and Administrative Expenses

This account consists of:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Staff costs	16.6, 18	**P9,761,471**	P8,665,757	P7,473,499
Selling, advertising and promotions		**9,594,482**	8,000,982	7,014,729
Professional and other contracted services	16	**8,878,085**	6,653,441	5,966,481
Rent	15, 25.1	**4,932,388**	4,116,372	3,534,975
Repairs and maintenance	16	**4,796,403**	4,099,986	3,656,671
Utilities, supplies and other administrative expenses	5	**4,785,452**	4,481,830	4,399,110
Taxes and licenses		**1,958,281**	1,787,694	2,055,909
Courier, delivery and miscellaneous expenses		**1,777,053**	1,486,356	1,320,112
Insurance and security services		**1,598,290**	1,439,942	1,383,294
Others		**685,057**	650,517	514,059
		P48,766,962	P41,382,877	P37,318,839

The "Others" account includes various other items that are individually immaterial.

22 Financing costs

This account consists of:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Interest expense - net*	7, 14	**P2,774,078**	P2,326,171	P2,091,915
Foreign exchange loss – net	20, 28.2.1.2	**457,295**	-	486,308
Swap and other financing costs	28.4	**141,551**	239,535	245,187
Loss on derivative instruments - net	20,28.4	**-**	-	88,375
		P3,372,924	P2,565,706	P2,911,785

**This account is net of the amount capitalized borrowing costs (see Note 7).*

In 2015, 2014 and 2013, gain on derivative instruments amounting to P19.69 million, P70.83 million and nil, respectively, and net foreign exchange gain amounting to nil, P0.88 million and nil, respectively, were presented as part of the "Other income" account in the consolidated statements of comprehensive income (see Note 20).

Interest expense - net is incurred on the following:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Long-term debt	14	**P2,396,605**	P1,958,594	P1,660,094
Accretion expense	15	**161,686**	171,493	193,815
Amortization of debt issuance cost	14	**107,490**	108,746	131,967
Short-term notes payable	14	**-**	-	57,954
Net interest cost on defined benefit obligation		**99,226**	70,752	43,111
Others		**9,071**	16,586	4,974
		P2,774,078	P2,326,171	P2,091,915

23 Impairment Losses and Others

This account consists of:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Impairment loss on:				
Receivables	4, 6, 28.2.2	**₱2,693,569**	₱3,035,235	₱2,046,523
Property and equipment and intangible assets	7, 8	**72,751**	110,238	26,312
Provisions for (reversal of):				
Inventory obsolescence and market decline	5	**384,143**	437,511	321,460
Other probable losses	13	**(40,943)**	137,185	88,333
		₱3,109,520	₱3,720,169	₱2,482,628

24 Income Tax

The significant components of the deferred income tax assets and liabilities of the Globe Group represent the deferred income tax effects of the following:

	2015					
			Movements in 2015			
	2015	2014	Acquired from a business combination	Profit or Loss	Other Comprehensive Income	Net
Deferred tax assets						
Allowance for impairment losses on receivables	P2,642,588	P1,725,002	P652,087	P265,499	P-	P917,586
Unearned revenues and advances already subjected to income tax	791,532	864,049	-	(72,517)	-	(72,517)
ARO	565,582	519,885	16,589	29,108	-	45,697
Accumulated impairment losses on property and equipment	187,589	179,121	-	8,468	-	8,468
Accrued rent expense under PAS 17	141,135	122,248	11,642	7,245	-	18,887
Inventory obsolescence and market decline	239,745	183,384	10,899	45,462	-	56,361
Accrued manpower cost	680,545	709,141	31,291	(59,887)	-	(28,596)
Accrued pension	1,090,748	826,097	250,813	(99,081)	112,919	264,651
Unrealized loss on derivative transactions	-	-	2,434	(2,434)	-	-
Provision for claims and assessment	96,047	64,858	-	31,189	-	31,189
Cost of share-based payments	79,787	71,115	-	8,672	-	8,672
NOLCO	13,759	561	-	13,198	-	13,198
Allowance for doubtful accounts for long-outstanding net advances	-	58,532	-	(58,532)	-	(58,532)
Unrealized foreign exchange losses	335,669	69,067	-	266,602	-	266,602
Others	89,838	43,958	3,953	41,927	-	45,880
	6,954,564	5,437,018	979,708	424,919	112,919	1,517,546
Deferred tax liabilities						
Excess of accumulated depreciation and amortization of Globe Telecom and Innove equipment for (a) tax reporting over (b) financial reporting	(4,707,930)	(2,004,385)	(818,803)	(1,884,742)	-	(2,703,545)
Undepreciated capitalized borrowing costs already claimed as deduction for tax reporting	(888,619)	(1,513,860)	-	625,241	-	625,241
Unrealized foreign exchange gain	(4,967)	(2,217)	(71,772)	69,022	-	(2,750)
Unamortized discount on noninterest bearing liability	(831)	(5,583)	-	4,752	-	4,752
Unrealized gain on derivative transaction	(13,911)	(6,970)	-	(6,545)	(396)	(6,941)
Others	(16,436)	(104)	(4,472)	(11,860)	-	(16,332)
	(5,632,694)	(3,533,119)	(895,047)	(1,204,132)	(396)	(2,099,575)
Deferred tax income (expense)			P84,661	(P779,213)	P112,523	(P582,029)
Net deferred tax assets	P1,321,870	P1,903,899				

[a] *Sum-of-the-years digit method*
[b] *Straight-line method*

	2014				
			Movements in 2014		
	2014	2013	Profit or Loss	Other Comprehensive Income	Net
Deferred tax assets					
Allowance for impairment losses on receivables	P1,725,002	P1,267,463	P457,539	P-	P457,539
Unearned revenues and advances already subjected to income tax	864,049	801,636	62,413	-	62,413
ARO	519,885	476,901	42,984	-	42,984
Accumulated impairment losses on property and equipment	179,121	185,941	(6,820)	-	(6,820)
Accrued rent expense under PAS 17	122,248	119,087	3,161	-	3,161
Inventory obsolescence and market decline	183,384	146,965	36,419	-	36,419
Accrued manpower cost	709,141	116,561	592,580	-	592,580
Accrued pension	826,097	643,823	62,895	119,379	182,274
Unrealized loss on derivative transactions	-	26,414	(24,692)	(1,722)	-26,414
Provision for claims and assessment	64,858	52,696	12,162	-	12,162
Cost of share-based payments	71,115	136,424	(65,309)	-	(65,309)
NOLCO	561	-	561	-	561
Allowance for doubtful accounts for long-outstanding net advances	58,532	40,497	18,035	-	18,035
Unrealized foreign exchange losses	69,067	128,713	(59,646)	-	(59,646)
Others	43,958	29,390	14,568	-	14,568
	5,437,018	4,172,511	1,146,850	117,657	1,264,507
Deferred tax liabilities					
Excess of accumulated depreciation and amortization of Globe Telecom and Innove equipment for (a) tax reporting over (b) financial reporting	(2,004,385)	(815,677)	(1,188,708)	-	(1,188,708)
Undepreciated capitalized borrowing costs already claimed as deduction for tax reporting	(1,513,860)	(1,432,724)	(81,136)	-	(81,136)
Unrealized foreign exchange gain	(2,217)	-	(2,217)	-	(2,217)
Unamortized discount on noninterest bearing liability	(5,583)	(850)	(4,733)	-	(4,733)
Unrealized gain on derivative transaction	(6,970)	-	(6,970)	-	(6,970)
Others	(104)	(6,382)	6,278	-	6,278
	(3,533,119)	(2,255,633)	(1,277,486)	-	(1,277,486)
Deferred tax income (expense)			(P130,636)	P117,657	(P12,979)
Net deferred tax assets	P1,903,899	P1,916,878			

(a) *Sum-of-the-years digit method*
(b) *Straight-line method*

Net deferred tax assets and liabilities presented in the consolidated statements of financial position on a net basis by entity are as follows:

	2015	2014
	(In Thousand Pesos)	
Net deferred tax assets*	**₱1,324,081**	₱1,904,298
Net deferred tax liabilities (GTI and KVI)	**2,211**	399

**2015 consist of Globe Telecom, Innove, GXI, BTI and Asticom*
**2014 consist of Globe Telecom, Innove, GXI, Yondu, KVI and Asticom*

The composition of deferred income tax assets follows:

	2015	2014
	(In Thousand Pesos)	
Deferred income tax recognized in profit or loss	**₱751,989**	₱1,447,696
Deferred income tax recognized in OCI	**569,881**	456,203
	₱1,321,870	₱1,903,899

The reconciliation of the provision for income tax at statutory tax rate and the actual current and deferred provision for income tax follows:

	2015	2014	2013
		(In Thousand Pesos)	
Provision at statutory income tax rate	**₱7,040,246**	₱5,814,812	₱2,059,432
Add (deduct) tax effects of:			
Equity in net losses of associates and joint ventures	**46,054**	67,277	23,988
Deferred tax on unexercised stock options and basis differences on deductible and reported stock compensation expense	**(14,393)**	3,252	(176,949)
Income subjected to lower tax rates	**(166,108)**	(64,633)	(16,861)
Others	**77,239**	189,806	14,918
Actual provision for income tax	**₱6,983,038**	₱6,010,514	₱1,904,528

The current provision for income tax includes the following:

	2015	2014	2013
		(In Thousand Pesos)	
RCIT or MCIT whichever is higher	**₱6,067,22**	₱5,830,006	₱4,949,057
Final tax	**136,60**	49,872	46,359
	₱6,203,82	₱5,879,878	₱4,995,416

Deferred tax assets of BTI on the following deductible temporary differences, NOLCO and carryforward benefits of excess MCIT were not recognized since management believes that it is not probable that sufficient future taxable income will be available against which these can be utilized.

	2015
	(In Thousand Pesos)
Deferred tax assets on:	
NOLCO	₱2,711,506
Difference in NBV of property and equipment for tax and accounting	1,195,082
Provision for probable loss	424,175
Allowance for impairment losses on receivables	211,113
Carryforward benefits of MCIT	91,868
Others	11,566
	₱4,645,310

BTI has available NOLCO incurred in 2015 and 2014 amounting to ₱1,729.70 million and ₱1,211.00 million, respectively, which can be carried over and applied against taxable income until December 31, 2017.

BTI has available MCIT which can be claimed as credit against future RCIT payable as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
		in thousands			
2013	2014 - 2016	₱1,659	₱-	₱-	₱1,659
2014	2015 - 2017	45,043	-	-	45,043
2015	2016 - 2018	52,345	-	-	52,345
		₱99,047	₱-	₱-	₱99,047

The corporate tax rate is 30% in 2015, 2014 and 2013.

Globe Telecom is entitled to certain tax and nontax incentives and have availed of incentives for tax and duty-free importation of capital equipment for the services under its franchise.

25 Agreements and Commitments

25.1 Lease Commitments

25.1.1 *Operating lease commitments*

a) Globe Group as lessee

The Globe Group leases certain premises for some of its telecommunication facilities and equipment and for most of its business centers and network sites. The operating lease agreements are for periods ranging from one (1) to ten (10) years from the date of the contracts and are renewable under certain terms and conditions. The agreements generally require certain amounts of deposit and advance rentals, which are shown as part of the "Prepayment and other current assets" and "Other noncurrent assets" accounts in the consolidated statements of financial position (see Notes 6 and 11). The Globe Group also has short-term renewable leases on transmission cables and equipment. The Globe Group's rentals incurred on these various leases (included in the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounted to ₱4,932.39 million, ₱4,116.37 million and ₱3,534.98 million, respectively, for the years ended December 31, 2015, 2014 and 2013, respectively.

The future minimum lease payments under these operating leases are as follows:

	2015	2014
	(In Thousand Pesos)	
Not later than one year	₱3,355,546	₱1,003,867
After one year but not more than five years	11,247,041	6,773,893
After five years	5,272,419	4,216,802
	₱19,875,006	₱11,994,562

b) Globe Group as lessor

Globe Group has certain lease agreements with C2C Pte. Ltd. (C2C) on equipment (see Note 25.4). Total lease income amounted to ₱173.70 million in 2015 and ₱172.50 million in 2014 and 2013 (included in "Other income" account in the consolidated statements of comprehensive income) (see Note 20).

The future minimum lease receivables under these operating leases are as follows:

	2015	2014
	(In Thousand Pesos)	
Within one year	₱39,921	₱159,686
After one year but not more than five years	-	39,921
	₱39,921	₱199,607

25.1.2 *Finance lease commitments*

Globe Group as lessee

Globe Telecom entered into an agreement with a vendor, for the upgrade of its billing and customer management system. The agreement covers the supply of hardware, application systems and software and software licenses including installation, as well as a managed services agreement that covers a seven (7) year period.

The agreement includes a lease component for hardware infrastructure and information equipment valued at ₱893.28 million. Total lease payments as of December 31, 2015 and 2014, which is equivalent to one year advance lease, amounted to ₱474.41 million and ₱306.90 million, respectively. The managed service engagement has terms of renewal and purchase options, among others.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2015		2014	
	(In Thousand Pesos)			
	Minimum Payments	Present Value of Payments	Minimum Payments	Present Value of Payments
Within one year	₱154,906	₱148,124	₱123,070	₱114,279
After one year but not more than five years	264,164	259,534	463,502	449,686
More than five years	-	-	-	-
Total minimum lease payments	419,070	407,658	586,572	563,965
Less amounts representing finance charges	(11,412)	-	(22,607)	-
Present value of minimum lease payments	₱407,658	₱407,658	₱563,965	₱563,965

In addition, total payments to service providers based on the seven-year agreement for the maintenance of servers, which includes application development and maintenance, service design, managed network services, office automation or end-user computing, service desk services and business supports systems amounted to ₱54.24 million and ₱131.31 million as of December 31, 2015 and 2014, respectively.

25.2 Agreements and Commitments with Other Carriers

Globe Telecom, Innove and BTI have existing international telecommunications service agreements with various foreign administrations and interconnection agreements with local telecommunications companies for their various services. Globe Telecom also has international roaming agreements with other foreign operators, which allow its subscribers access to foreign networks. The agreements provide for sharing of toll revenues derived from the mutual use of telecommunication networks.

25.3 Arrangements and Commitments with Suppliers

The Globe Group has entered into agreements with various suppliers for the development or construction, delivery and installation of property and equipment. Under the terms of these agreements, advance payments and downpayments are made to suppliers upon submission of required documentation. While the development or construction is in progress, project costs are accrued based on the project status. Billings are based on the progress of the development or construction and advance payments are being applied proportionately to the milestone billings. When development or construction and installation are completed and the property and equipment is ready for service, the value of undelivered goods or services from the related purchase orders is accrued.

The accrued project costs as of December 31, 2015 and 2014 included in the "Accounts payable and accrued expenses" account in the consolidated statements of financial position amounted to P20,862.12 million and P22,015.72 million, respectively (see Note 12). As of December 31, 2015 and 2014, the consolidated expected future billings on the unaccrued portion of purchase orders issued amounted to P44,786.69 million and P36,381.74 million, respectively. The settlement of these liabilities is dependent on the payment terms and project milestones agreed with the suppliers and contractors. As of December 31, 2015 and 2014, the unapplied advances made to suppliers and contractors relating to purchase orders issued amounted to P4,522.78 million and P5,731.12 million, respectively (see Note 6).

25.4 Agreements with C2C/Pacnet

In 2001, Globe Telecom signed a cable equipment supply agreement with C2C as the supplier. In March 2002, Globe Telecom as a lessor entered into an equipment lease agreement for the said equipment with GB21 Hong Kong Limited (GB21).

Subsequently, GB21, in consideration of C2C's agreement to assume all payment obligations pursuant to the lease agreement, assigned all its rights, obligations and interest in the equipment lease agreement to C2C. As a result of the said assignment of payables by GB21 to C2C, the Globe Telecom's liability arising from the cable equipment supply agreement with C2C was effectively converted into a noninterest bearing long-term obligation accounted for at net present value under PAS 39 starting 2005.

In January 2003, the Globe Telecom received advance lease payments from C2C for its use of a portion of the Globe Telecom's cable landing station facilities. Based on the amortization schedule, the Globe Telecom recognized lease income amounting to P6.39 million for the year ended December 31, 2015, and P12.26 million for the years ended December 31, 2014 and 2013.

On November 17, 2009, Globe Telecom and Pacnet Cable Ltd. (Pacnet), formerly C2C, signed a memorandum of agreement (MOA) to terminate and unwind their Landing Party Agreement dated August 15, 2000 (LPA). The MOA further requires Globe Telecom, being duly licensed and authorized by the NTC to land the C2C Cable Network in the Philippines and operate the C2C Cable Landing Station (CLS) in Nasugbu, Batangas, Philippines, to transfer to Pacnet's designated qualified partner, the license of the C2C CLS, the CLS, a portion of the property on which the CLS is situated, certain equipment and associated facilities thereof.

In return, Pacnet will compensate Globe Telecom in cash and by way of C2C cable capacities deliverable upon completion of certain closing conditions. The MOA also provided for novation of abovementioned equipment supply and lease agreements and reciprocal options for Globe Telecom to purchase future capacities from Pacnet and Pacnet to purchase backhaul and ducts from Globe Telecom at agreed prices.

In the second quarter of 2010, the specific equipment, portion of the property and facilities, and the liabilities associated with the transfer were identified, classified and shown separately in the consolidated statement of financial position as "Assets classified as held for sale" and "Liabilities directly associated with the assets classified as held for sale".

In 2013, the Globe Group ceased to classify its non-current assets as held for sale due to substantial delay in the completion of the transaction. Globe Group recognized a catch-up depreciation amounting to P397.0 million for the year ended December 31, 2013.

25.5 Construction Maintenance Agreement for South-East Asia Japan Cable System (SJC)

In April 2011, the global consortium of telecommunication companies formed to build and operate the South-East Asia Japan Cable (SJC) system officially started the construction of the project that will link Brunei, China Mainland, Hong Kong, Philippines, Japan, and Singapore with options to extend to Thailand. The SJC consortium is composed of the Globe Group and nine other international carriers. Globe Telecom's investment for this project amounts to USD63.91 million and total expenditures incurred was at 100% as of 2014 (see Note 7).

25.6 Network Sharing Arrangement with ABS-CBN Convergence Inc.

On May 27, 2013, Globe Telecom, Innove and ABS-CBN Convergence Inc. (ABS-C) entered into a network sharing arrangement in order to provide capacity and coverage for new mobile telephony, data and value-added services to be offered by ABS-C nationwide to its subscribers using shared network and interconnect assets of the parties.

This arrangement will enable Globe Telecom, Innove and ABS-C to improve public service by enhancing utility, capacity, inter-operability and quality of mobile and local exchange telephone and data services to the public and allow ABS-C to modernize its existing service and expand to a retail base on top of its existing subscriber base.

On May 31, 2013, NTC approved the network sharing agreement and co-use of the number blocks assigned to Globe Telecom.

25.7 Shareholders' and dealership agreement with Taodharma

In March 2013, Globe Telecom entered into a Shareholders Agreement with four other entities to incorporate Taodharma Inc. (Tao).

Globe Telecom subscribed to 25% preferred shares of Taodharma amounting to P55.00 million which has been fully paid up as of August 2013 (see Note 11). Tao shall carry on the business of establishing, operating and maintaining retail stores in strategic locations within the Philippines that will sell telecommunications or internet-related services, and devices, gadgets, accessories or embellishments in connection and in accordance with the terms and conditions of the Dealer Agreement executed among all of the entities.

In March 2013, Globe Telecom also entered into an exclusive dealership arrangement with Tao that included provisions to build and open retail outlet stores.

As of December 31, 2015 and 2014, Globe Group has recognized P141.02 million and P139.96 million representing share of costs classified under "Intangible assets and goodwill - net" in the consolidated statements of financial position (see Note 8).

25.8 Deed of Assignment of Certificate of Public Convenience and Necessity by WordwideCommunication Inc. (WWCI)

On July 5, 2013, the NTC approved the "Deed of Assignment" (DoA) dated February 13, 2013 executed by WWCI in favor of Globe Telecom. Through the DoA, WWCI assigned and transferred its entire interest including the operation of its Trunk Radio Network, the Certificate of

Public Convenience and Necessity granted by the NTC and the pertinent permits necessary to operate the trunk radio to Globe Telecom. The total consideration under the said original DoA was P30.00 million.

On April 1, 2014, Globe Telecom and WWCI signed the Supplemental Agreement to the DoA for final consideration of P150.00 million to be paid in tranches upon fulfillment of stated conditions.

Conditions include reassignment and reallocation of Radio Station Licenses and issuance of associated Frequency Assignment Sheets in the name of Globe Telecom. Pending compliance to the conditions, payments will be recorded as advances classified under "Prepayments and other current assets" in the consolidated statements of financial position.

On January 29, 2015, WWCI and Globe Telecom agreed to wind down the transaction as the conditions for closing can no longer be met. WWCI was not able to pay the advances made by Globe Telecom amounting to P45.00 million due on December 31, 2015. WWCI is negotiating settlement of advances by surrendering certain frequencies and assets. As of December 31, 2015, assessment of assets is still on going.

25.9 Southeast Asia – United States (SEA - US) Project

Globe Telecom has joined a consortium of seven international telecommunication companies for the construction of a new submarine cable system directly connecting Southeast Asia and the United States. Other members of the consortium include PT Telekomunikasi Indonesia International (Telin), Telkom USA, RAM Telecom International (RTI), Hawaiian Telcom, and Teleguam Holdings (GTA). The 15,000-kilometer cable system would link Manado in Indonesia, Davao in the Philippines, Piti in Guam, Oahu in Hawaii, and Los Angeles in California, providing superior latency delivering additional 20 terabits per second (Tbps), utilizing 100 gigabits per second (Gbps) transmission equipment. Globe Telecom and GTIC US is spending more than US$80 million for the SEA-US undersea cable system targeted to be completed by end of 2016.

On March 17, 2015, Globe Telecom provided a written guaranty to NEC Corporation (NEC) pursuant to the supply contract of the cable system between GTIC US and NEC. Globe Telecom unconditionally guarantees the full and punctual performance by GTIC US of its payment obligations up to an aggregate amount of US$46.23 million, less any payments made in accordance with the terms and conditions of the contract. A default by GTIC US to pay any guaranteed obligation under the contract is a condition that will render the guaranty exercisable. Total payments amounted to US$9.55 million for the period ended December 31, 2015.

25.10 Facilities-based Operations License granted to Globetel Singapore Pte. Ltd (GTSG)

On November 25, 2014, Globetel Singapore Pte. Ltd. (GTSG) applied for a facilities-based operations license (FBO) with Infocommunications Development Authority in Singapore (IDA) which was subsequently granted on January 7, 2015. Under this license, GTSG was required to provide IDA with the performance bond for the aggregate amount of USD75,400 to secure its obligation to fulfill the three performance milestones of installation of equipment required to support Southeast Asia Japan cable system and activation of its capacity between Singapore, Philippines and Hongkong. GTSG has fulfilled the first two milestones. On April 28, 2015, IDA returned the two bank guarantees pertaining to the first two milestones totaling to USD45,40. As of December 31, 2015, the third performance milestone has been completed while the remaining USD30,000 bond is due from IDA which is payable in 2016.

25.11 Services-based Operator License granted to Globe Telecom HK Limited (GTHK)

On March 17, 2015, Globe Telecom HK Limited (GTHK) applied for a services-based operator license (SBO) with the Office of the Communications Authority in Hong Kong (OFCA) which was subsequently approved on May 7, 2015. GTHK is licensed to provide a public telecommunications service and establish and maintain a telecommunications system.

25.12 Agreements with HOOQ Digital Pte. Ltd. (HOOQ)

On February 25, 2015, Globe Telecom entered into a 5 year service and content distribution contract with HOOQ.

Under the agreement, HOOQ will provide content to Globe Telecom, in the form of video, movies or other form of content, which Globe Telecom may sell to its subscribers. The service may be provided either on transaction or subscription basis. Globe Telecom shall pay a service fee for every active subscriber in each month, or a minimum net subscriber guaranty of ₱257.70 million for the first 3 contract years.

Globe Telecom also undertakes to provide advertising and promotions support at a minimum amount of $3 million, for the first three (3) contract years. For this purpose, HOOQ granted Globe Telecom a non-exclusive and royalty free right to use the HOOQ trade mark.

25.13 License agreements with Walt Disney Company (Southeast Asia) Pte. Limited ("Disney")

On July 1, 2015, Globe Telecom and Disney entered into several license agreements for a period of five (5) years. Under the agreements, Globe Telecom is granted the right to market, reproduce and distribute Disney's products to the public through its distribution channels. In consideration, Globe Telecom agreed to pay royalty of fifty percent (50%) of its net revenues, with minimum commitment guarantee amounting to US$48.41 million including a guaranteed non-returnable, non-refundable advance on a quarterly basis amounting to US$0.17 million. As of December 31, 2015, the total amount accrued under "general, selling and administrative" line item in the consolidated statement of comprehensive income amounted to US$0.62 million.

25.14 Agreements with Huawei International, Pte. Ltd.

In 2014, Globe Telecom and Innove engaged Huawei for a period of ten (10) years to perform the design, engineering, manufacture, assembly and delivery of certain equipment and all its ancillary equipment and related software and documentation, and to provide services, including subsequent training and technical support, in an end-to-end full-turn key outcome based technical solution. Globe Telecom is spending a total of ₱1,911.46 million for the services and US$92.32 million for the equipment.

25.15 Agreements with Spotify AB (Spotify)

On March 13, 2014, Globe Telecom entered into a 2 year service agreement with Spotify to provide ad-free desktop, portable music streaming and conditional download service. During the term, Globe Telecom shall spend USD2.25 million worth of advertising budget and at least USD400,000 in purchasing in-client advertising inventory from Spotify. For each month of the term, Globe Telecom shall pay an amount equal to the monthly fees which includes hard bundle fee, soft bundle fee and standalone subscription fee. In addition, Globe Telecom commits to pay a total minimum guarantee of USD1.75 million which shall be recouped against the actual fees paid and payable for the service subscriptions. Total payments net of revenue share amounted to P33.77 million and P65.28 million for the period ended December 31, 2015 and 2014, respectively.

26 Contingencies

a. On October 10, 2011, the NTC issued Memorandum Circular No. 02-10-2011 titled Interconnection Charge for Short Messaging Service requiring all public telecommunication entities to reduce their interconnection charge to each other from P0.35 to P0.15 per text, which Globe Telecom complied as early as November 2011. On December 11, 2011, the NTC One Stop Public Assistance Center (OSPAC) filed a complaint against Globe Telecom, Smart and Digitel alleging violation of the said MC No. 02-10-2011 and asking for the reduction of SMS off-net retail price from P1.00 to P0.80 per text. Globe Telecom filed its response maintaining the position that the reduction of the SMS interconnection charges does not automatically translate to a reduction in the SMS retail charge per text.

   On November 20, 2012, the NTC rendered a decision directing Globe Telecom to:

   1. Reduce its regular SMS retail rate from P1.00 to not more than P0.80;
   2. Refund/reimburse its subscribers the excess charge of P0.20; and
   3. Pay a fine of P200.00 per day from December 1, 2011 until date of compliance.

   On May 7, 2014, NTC denied the Motion for Reconsideration (MR) filed by Globe Telecom last December 5, 2012 in relation to the November 20, 2012 decision. Globe Telecom's assessment is that Globe Telecom is in compliance with the NTC Memorandum Circular No. 02-10-2011. On June 9, 2014, Globe Telecom filed petition for review of the NTC decision and resolution with the Court of Appeals (CA).

   The CA granted the petition in a resolution dated September 3, 2014 by issuing a 60-day temporary restraining order on the implementation of Memorandum Circular 02-10-2011 by the NTC. On October 15, 2014, Globe Telecom posted a surety bond to compensate for possible damages as directed by the CA.

b. On 22 May 2006, Innove received a copy of the Complaint of Subic Telecom Company (Subictel), Inc., a subsidiary of PLDT, seeking an injunction to stop the Subic Bay Metropolitan Authority and Innove from taking any actions to implement the Certificate of Public Convenience and Necessity granted by SBMA to Innove. Subictel claimed that the grant of a CPCN allowing Innove to offer certain telecommunications services within the Subic Bay Freeport Zone would violate the Joint Venture Agreement (JVA) between PLDT and SBMA.

   The Supreme Court ordered the reinstatement of the case and has forwarded it to the NTC Olongapo for trial. The case is now being tried before the Olongapo RTC.

c. PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City (BGC). In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order 100 preventing BCC from performing further acts to interfere with Innove's installations in the BGC.

In a case filed by PLDT against the NTC in Branch 96 of the Regional Trial Court (RTC) of Quezon City, where PLDT sought to obtain an injunction to prevent the NTC from hearing the case filed by Innove, the RTC denied the prayer for a preliminary injunction and the case has been set for further hearings. PLDT has filed a Motion for Reconsideration and Globe Telecom has intervened in this case. In a resolution dated October 28, 2008, the RTC QC denied BCC's motion for the issuance of a temporary restraining order (TRO). The case is still pending with the QC RTC.

In a case filed by BCC against FBDC, Globe Telecom and Innove, Bonifacio Communications Corp. before the Regional Trial Court of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a Temporary Restraining Order and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On 30 March 2012, the RTC of Pasig, as prayed for, dismissed the complaint on the aforesaid grounds. Dissatisfied with the decision of the RTC, BCC and PLDT elevated the case to the Court of Appeals. On 18 May 2012, The Court of Appeals dismissed the case. On July 6, 2012, BCC and PLDT filed a petition for review on certiorari with the Supreme Court on July 6, 2012. Innove filed its Comment thereon on 6 December 2012. The case is still pending resolution with the Supreme Court.

On 11 November 2008, Bonifacio Communications Corp. (BCC) filed a criminal complaint against the officers of Innove Communications Inc., the Fort Bonifacio Development Corporation (FBDC) and Innove contractor Avecs Corporation for malicious mischief and theft arising out of Innove's disconnection of BCC's duct at the Net Square buildings. The accused officers filed their counter affidavits and are currently pending before the Prosecutor's Office of Pasig. The case is still pending resolution with the Office of the City Prosecutor.

On 21 January 2011, BCC and PLDT filed with the Court of Appeals a Petition for Certiorari and Prohibition against NTC, et al. seeking to annul the Orders of the NTC dated 28 October 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and cease and desist from performing further acts that will prevent Innove from implementing and providing telecommunications services in the BGC pursuant to the authorization granted by the NTC. BCC and PLDT anchor their petition on the grounds that: 1) the NTC has no jurisdiction over BCC it being a non-telecommunications entity; 2) the NTC violated BCC and PLDT's right to due process; and 3) there was no urgency or emergency for the issuance of the cease and desist order. The case is pending with the court of appeals.

On April 25, 2011, Innove Communications, filed its comment on the case filed by PLDT that seeks to ban all Globe Telecom services from the BGC before the CA's Tenth Division. In its comment, Globe Telecom argued that Innove is duly authorised to provide services in the BGC, that BCC and PLDT have no right to maintain their monopolistic hold of the BGC telecommunications market; and it is in the public's best interest that open access and free competition among telecom operators be allowed at the Bonifacio Global City.

On August 16, 2011, the Ninth Division of the CA ruled that PLDT's case against Innove and the National Telecommunications Commission (NTC) lacked merit, and thus denied the petition and dismissed the case. PLDT and its co-petitioner, BCC file their motion for reconsideration. The same is still pending resolution.

d. On July 23, 2009, the NTC issued NTC Memorandum Circular (MC) No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the CMTS whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme.

On December 28, 2010, the Court of Appeals (CA) rendered its decision declaring null and void and reversing the decisions of the NTC in the rates applications cases for having been issued in violation of Globe Telecom and the other carrier's constitutional and statutory right to due process. However, while the decision is in Globe Telecom's favor, there is a provision in the decision that NTC did not violate the right of petitioners to due process when it declared via circular that the per pulse billing scheme shall be the default.

Last January 21, 2011, Globe Telecom and two other telecom carriers, filed their respective Motions for Partial Reconsideration (MR) on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The MR is pending resolution as of February 5, 2016.

The Globe Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the possibility of outflow of economic resources to settle the contingent liability is remote.

27 Earnings Per Share

The Globe Group's earnings per share amounts were computed as follows:

	2015	2014	2013
	(In Thousand Pesos and Number of Shares Except per Share Figures)		
Net income attributable to common shareholders	**₱16,496,644**	₱13,376,381	₱4,960,245
Less: Dividends on preferred shares			
Non-voting preferred shares	**(520,060)**	(260,030)	-
Convertible voting preferred shares	**(33,150)**	(26,457)	(23,838)
Net income attributable to common shareholders for basic earnings per share (a)	**15,943,434**	13,089,894	4,936,407
Add: Dividends on convertible voting preferred shares	**33,150**	26,457	23,838
Net income attributable to common shareholders for diluted earnings per share (b)	**15,976,584**	13,116,351	4,960,245
Common shares outstanding, beginning	**132,733**	132,596	132,406
Add exercise of stock options	6	107	109
Weighted average number of shares for basic earnings per share (c)	**132,739**	132,703	132,515
Dilutive shares arising from:			
Convertible preferred shares	**358**	467	535
Stock options	**128**	117	233
Adjusted weighted average number of common shares for diluted earnings per share (d)	**133,225**	133,287	133,283
Basic earnings per share (a/c)	**₱120.11**	₱98.64	₱37.25
Diluted earnings per share (b/d)	**₱119.92**	₱98.41	₱37.22

28 Capital and Risk Management and Financial Instruments

28.1 General

The Globe Group adopts an expanded corporate governance approach in managing its business risks. An Enterprise Risk Management Policy was developed to systematically view the risks and to provide a better understanding of the different risks that could threaten the achievement of the Globe Group's mission, vision, strategies, and goals, and to provide emphasis on how management and employees play a vital role in achieving the Globe Group's mission of transforming and enriching lives through communications.

The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. Globe Group risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The application of these policies is the responsibility of the BOD through the Chief Executive Officer. The Chief Financial Officer and concurrent Chief Risk Officer champions and oversees the entire risk management function. Risk owners have been identified for each risk and they are responsible for coordinating and continuously improving risk strategies, processes and measures on an enterprise-wide basis in accordance with established business objectives.

The risks are managed through the delegation of management and financial authority and individual accountability as documented in employment contracts, consultancy contracts, letters of authority, letters of appointment, performance planning and evaluation forms, key result areas, terms of reference and other policies that provide guidelines for managing specific risks arising from the Globe Group's business operations and environment.

The Globe Group continues to monitor and manage its financial risk exposures according to its BOD approved policies.

The succeeding discussion focuses on Globe Group's capital and financial risk management.

28.2 Capital and Financial Risk Management Objectives and Policies

Capital represents equity attributable to equity holders of the Parent.

The primary objective of the Globe Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Globe Group monitors its use of capital using leverage ratios, such as debt to total capitalization and makes adjustments to it in light of changes in economic conditions and its financial position. The ratio of debt to total capitalization for the years ended December 31, 2015 and 2014 was at 55% and 54% respectively.

The Globe Group is not subject to regulatory imposed capital requirements.

The main purpose of the Globe Group's financial risk management is to fund its operations and capital expenditures. The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Globe Group also enters into derivative transactions, the purpose of which is to manage the currency and interest rate risk arising from its financial instruments.

Globe Telecom's BOD reviews and approves the policies for managing each of these risks. The Globe Group monitors market price risk arising from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

The Globe Group's risk management policies are summarized below:

28.2.1 *Market Risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Globe Group is mainly exposed to two types of market risk: interest rate risk and currency risk.

Financial instruments affected by market risk include loans and borrowings, AFS investments, and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2015 and 2014. The analyses exclude the impact of movements in market variables on the carrying value of pension, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at December 31, 2015 and 2014 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges for the effects of the assumed changes in the underlying.

28.2.1.1 *Interest Rate Risk*

The Globe Group's exposure to market risk from changes in interest rates relates primarily to the Globe Group's long-term debt obligations. Please refer to table presented under 28.2.3 Liquidity Risk.

Globe Group's policy is to manage its interest cost using a mix of fixed and variable rate debt, targeting a ratio of between 31%-62% fixed rate USD debt to total USD debt, and between 44%-88% fixed rate PHP debt to total PHP debt. To manage this mix in a cost-efficient manner, Globe Group enters into interest rate swaps, in which Globe Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

After taking into account the effect of currency and interest rate swaps, 55% and 78% and 51% and 69% of the Globe Group's USD and PHP borrowings as of December 31, 2015 and 2014, respectively, are at a fixed rate of interest.

The following tables demonstrate the sensitivity of income before tax to a reasonably possible change in interest rates after the impact of hedge accounting, with all other variables held constant.

	Increase/ Decrease in basis Points	Effect on income before income tax Increase (Decrease)	Effect on equity Increase (Decrease)
		(In Thousand Pesos)	
2015			
USD	+50bps	(P31,163)	(P541)
	-50bps	31,163	541
PHP	+150bps	(23,996)	919
	-150bps	23,996	(6,351)
2014			
USD	+20bps	(P12,896)	(P40)
	-20bps	12,896	40
PHP	+150bps	(203,468)	2,367
	-150bps	203,435	(2,635)

28.2.1.2 *Foreign Exchange Risk*

The Globe Group's foreign exchange risk results primarily from movements of the PHP against the USD with respect to USD-denominated financial assets, USD-denominated financial liabilities and certain USD-denominated revenues. Majority of revenues are generated in PHP, while substantially all of capital expenditures are in USD. In addition, 24% and 22% of debt as of December 31, 2015 and 2014, respectively, are denominated in USD before taking into account any swap and hedges.

Information on the Globe Group's foreign currency-denominated monetary assets and liabilities and their PHP equivalents are as follows:

	2015		2014	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
		(In Thousand Pesos)		
Assets				
Cash and cash equivalents	$83,182	₱3,919,388	$70,244	₱3,142,696
Receivables	94,308	4,443,617	75,276	3,367,838
Long-term notes receivable	-	-	85,561	3,828,015
	177,490	8,363,005	231,081	10,338,549
Liabilities				
Accounts payable and accrued expenses	360,789	16,999,651	218,507	9,776,020
Long-term debt	373,565	17,601,636	325,000	14,540,500
	734,354	34,601,287	543,507	24,316,520
Net foreign currency - denominated liabilities	$556,864	₱26,238,282	$312,426	₱13,977,971

The following tables demonstrate the sensitivity to a reasonably possible change in the PHP to USD exchange rate, with all other variables held constant, of the Globe Group's income before tax (due to changes in the fair value of foreign currency-denominated assets and liabilities).

Increase/Decrease in Peso to US Dollar exchange rate	Effect on income before income tax Increase (Decrease)	Effect on equity Increase (Decrease)
	(In Thousand Pesos)	
2015		
+.40	(₱222,745)	₱98,411
-.40	222,745	(98,411)
2014		
+.60	(187,456)	101,520
-.60	187,456	(101,520)

The movement in equity arises from changes in the fair values of derivative financial instruments designated as cash flow hedges.

In addition, the consolidated expected future payments on foreign currency-denominated purchase orders related to capital projects amounted to USD805.26 million and USD685.20 million as of December 31, 2015 and 2014, respectively (see Note 25.3). The settlement of these liabilities is dependent on the achievement of project milestones and payment terms agreed with the suppliers and contractors. Foreign exchange exposure assuming a +/-40 centavos in 2015 and +/-60 centavos in 2014 movement in PHP to USD rate on commitments amounted to P322.11 million and P411.12 million gain or loss, respectively.

The Globe Group's foreign exchange risk management policy is to maintain a hedged financial position, after taking into account expected USD flows from operations and financing transactions. Globe Telecom enters into short-term foreign currency forwards and long-term foreign currency swap contracts in order to achieve this target.

28.2.2 *Credit Risk*

Applications for postpaid service are subjected to standard credit evaluation and verification procedures. The Credit and Billing Management of the Globe Group continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of postpaid subscribers are being monitored on a regular basis and appropriate credit treatments are applied at various stages of delinquency. Likewise, net receivable balances from carriers of traffic are also being monitored and subjected to appropriate actions to manage credit risk. The maximum credit exposure relates to receivables net of any allowances provided.

With respect to credit risk arising from other financial assets of the Globe Group, which comprise cash and cash equivalents, short-term investments, AFS financial investments and certain derivative instruments, the Globe Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Globe Group's investments comprise short-term bank deposits and government securities. Credit risk from these investments is managed on a Globe Group basis. For its investments with banks, the Globe Group has a counterparty risk management policy which allocates investment limits based on counterparty credit rating and credit risk profile.

The Globe Group makes a quarterly assessment of the credit standing of its investment counterparties, and allocates investment limits based on size, liquidity, profitability, and asset quality. For investments in government securities, these are denominated in local currency and are considered to be relatively risk-free. The usage of limits is regularly monitored. For its derivative counterparties, the Globe Group deals only with counterparty banks with investment grade ratings and large local banks. Credit ratings of derivative counterparties are reviewed quarterly.

Following are the Globe Group exposures with its investment counterparties for cash and cash equivalents as of December 31:

	2015	2014	2013
Local bank deposits	**51%**	60%	30%
Onshore foreign bank	**49%**	36%	70%
Offshore bank deposit	-	4%	-

The Globe Group has not executed any credit guarantees in favor of other parties. There is also minimal concentration of credit risk within the Globe Group. Credit exposures from subscribers and carrier partners continue to be managed closely for possible deterioration. When necessary, credit management measures are proactively implemented and identified collection risks are being provided for accordingly. Outstanding credit exposures from financial instruments are monitored daily and allowable exposures are reviewed quarterly.

The tables below show the aging analysis of the Globe Group's receivables as of December 31.

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Impaired Financial Assets	Total
		Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days		
				(In Thousand Pesos)			
2015							
Wireless receivables:							
Consumer	P1,160,766	P1,456,106	P934,133	P658,013	P4,878,851	P3,610,773	P12,698,642
Key corporate accounts	23,588	80,842	147,701	195,144	1,621,980	288,440	2,357,695
Other corporations and Small and Medium Enterprises (SME)	117,898	191,710	147,944	100,168	752,580	434,394	1,744,694
	1,302,252	1,728,658	1,229,778	953,325	7,253,411	4,333,607	16,801,031
Wireline receivables:							
Consumer	505,739	288,669	93,278	56,076	1,999,625	2,367,788	5,311,175
Key corporate accounts	339,476	408,804	208,351	438,261	2,432,971	462,242	4,290,105
Other corporations and SME	115,974	85,942	45,068	25,183	184,948	150,969	608,083
	961,189	783,415	346,697	519,520	4,617,544	2,980,998	10,209,363
Other trade receivables	20,041	15,501	1,360	712	11,474	-	49,088
Traffic receivables:							
Foreign	1,181,353					149,958	1,331,311
Local	114,305	3,368	1,664	3,890	1,104	271,682	396,013
	1,295,658	3,368	1,664	3,890	1,104	421,640	1,727,324
Other receivables	1,864,366					246,860	2,111,226
Total	P5,443,506	P2,530,942	P1,579,499	P1,477,447	P11,883,533	P7,983,105	P30,898,032
2014							
Wireless receivables:							
Consumer	P507,838	P1,079,923	P665,874	P397,132	P4,254,175	P2,591,260	P9,496,202
Key corporate accounts	4,192	50,451	131,579	140,953	1,927,858	216,371	2,451,384
Other corporations and Small and Medium Enterprises (SME)	54,833	124,263	109,210	82,004	923,175	349,927	1,543,412
	566,863	1,254,637	886,663	620,089	7,105,188	3,057,558	13,490,998
Wireline receivables:							
Consumer	267,675	309,490	127,917	90,188	89,515	1,553,436	2,538,221
Key corporate accounts	67,272	315,865	299,526	367,002	1,514,434	352,081	2,916,180
Other corporations and SME	31,745	62,577	30,167	16,719	37,518	118,679	297,405
	366,692	787,932	457,610	473,909	1,641,467	2,024,196	5,751,806
Other trade receivables	574	115,559	-	535	293	1,629	118,590
Traffic receivables:							
Foreign	20,435					154,231	174,666
Local	1,725,382	2,796	2,828	2,386	-	137,861	1,871,253
	1,745,817	2,796	2,828	2,386	-	292,092	2,045,919
Other receivables	2,119,971					15,358	2,135,329
Total	P4,799,917	P2,160,924	P1,347,301	P1,096,919	P8,746,948	P5,390,833	P23,542,632

Total allowance for impairment losses amounting to P8,962.26 million and P5,681.88 million includes allowance for impairment losses arising from specific and collective assessment of P647.59 million and P966.60 million as of December 31, 2015 and 2014, respectively (see Note 4).

The table below provides information regarding the credit risk exposure of the Globe Group by classifying assets according to the Globe Group's credit ratings of receivables as of December 31. The Globe Group's credit rating is based on individual borrower characteristics and their relationship to credit event experiences.

	Neither Past Due Nor Impaired			
	High Quality	Medium Quality	Low Quality	Total
	(In Thousand Pesos)			
2015				
Wireless receivables:				
Consumer	P593,565	P535,275	P31,926	P1,160,766
Key corporate accounts	8,025	15,311	252	23,588
Other corporations and SME	60,398	24,096	33,404	117,898
	661,988	574,682	65,582	1,302,252
Wireline receivables:				
Consumer	344,989	157,840	2,910	505,739
Key corporate accounts	151,494	187,975	7	339,476
Other corporations and SME	49,609	66,166	199	115,974
	546,092	411,981	3,116	961,189
Total	P1,208,080	P986,663	P68,698	P2,263,441
2014				
Wireless receivables:				
Consumer	P229,209	P263,607	P15,022	P507,838
Key corporate accounts	1,696	2,440	56	4,192
Other corporations and SME	25,525	12,427	16,881	54,833
	256,430	278,474	31,959	566,863
Wireline receivables:				
Consumer	232,864	34,773	38	267,675
Key corporate accounts	61,286	5,965	21	67,272
Other corporations and SME	28,308	3,284	153	31,745
	322,458	44,022	212	366,692
Total	P578,888	P322,496	P32,171	P933,555

High quality accounts are accounts considered to be high value and have consistently exhibited good paying habits. Medium quality accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts do not flow through to permanent disconnection status as they generally respond to credit actions and update their payments accordingly. Low quality accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. Impairment losses are also provided for these accounts based on net flow rate.

Traffic receivables that are neither past due nor impaired are considered to be high quality given the reciprocal nature of the Globe Group's interconnect and roaming partner agreements with the carriers and the Globe Group's historical collection experience.

Other receivables are considered high quality accounts as these are substantially from credit card companies and Globe Group dealers.

The following is a reconciliation of the changes in the allowance for impairment losses for receivables as of December 31 (see Notes 4 and 23):

	Subscribers					
	Consumer	Key Corporate Accounts	Other Corporations and SME	Traffic Settlements and Others	Non-trade	Total
	(In Thousand Pesos)					
2015						
At beginning of the year	P2,742,022	P540,525	P687,874	P219,624	P58,414	P4,248,459
Charges for the period	2,340,667	182,121	185,742	(14,961)	(10,719)	2,682,850
Reversals/write-offs/adjustments	2,040,964	93,723	(481,098)	425,054	18,958	2,097, 600
At end of year	P7,123,653	P816,369	P392,518	P629,717	P66,653	P9,028,910
2014						
At beginning of the year	P2,742,022	P540,525	P687,874	P219,624	P58,414	P4,248,459
Charges for the period	2,623,783	117,676	162,176	97,288	34,312	3,035,235
Reversals/write-offs/adjustments	(1,085,263)	57,017	(473,275)	(7,565)	(2,920)	(1,512,006)
At end of year	P4,280,542	P715,218	P376,775	P309,347	P89,806	P5,771,688

28.2.3 *Liquidity Risk*

The Globe Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Globe Group intends to use internally generated funds and available long-term and short-term credit facilities. As of December 31, 2015 and 2014, the Globe Group has available uncommitted short-term credit facilities of USD79.40 million and P12,345.00 million, USD79.40 million and P12,945.00 million, respectively. As of December 31, 2015 and 2014, the Globe Group has available committed short-term credit facilities of P3,000.00 million.

As of December 31, 2015 and 2014, the Globe Group has P2,000.00 million and P7,000.00 million, respectively, in committed long-term facilities.

As part of its liquidity risk management, the Globe Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans, export credit agency facilities and capital market issues.

The following tables show comparative information about the Globe Group's financial instruments as of December 31 that are exposed to liquidity risk and interest rate risk and presented by maturity profile including forecasted interest payments for the next five years from December 31 figures (in thousands).

Long-term Liabilities
2015

	2016	2017	2018	2019	2020 and thereafter	Total (in USD)	Total (in PHP)	Debt Issuance Costs	Carrying Value (in PHP)	Fair Value (in PHP)
Liabilities:										
Long-term debt										
Fixed Rate										
USD notes	$442	$446	$563	$589	$2,434	$4,465	P-	P11,557	P198,825	P242,683
Interest rate	5.00%	5.00%	5.00%	6.00%	6.00%					
Philippine peso	P2,397,600	P4,930,000	P430,000	P10,630,000	P24,545,000	$ -	P42,932,800	238,408	42,694,392	P46,370,633
	5.45%;4.19%;	4.87%;5.45%; 4.19%;5.75%;	4.87%;5.45%;	4.87%;5.45%; 6.00%;4.85%;	4.87%;5.45%; 4.89%;5.28%;					
Interest rate	4.85%;8.36%	4.85%	4.85%;4.19%	4.19%	6.00%;4.19%					
Floating rate										
USD notes	$117,100 Libor 6-mo. + 1% margin; Libor 3mo. + .90% margin; Libor 3mo. + 1.5% margin	$9,600 Libor 6-mo. + 1% margin; Libor 3mo. + 1.5% margin; Libor 3mo. + 0.8% margin	$9,600 Libor 6-mo. + 1% margin; Libor 3mo. + 1.5% margin; Libor 3mo. + 0.8% margin	$9,600 Libor 6-mo. + 1%margin; Libor 3mo. + 1.5%margin; Libor 3mo. + 0.8% margin	$223,200 Libor 6-mo. + 1% margin; Libor 3mo. + 1.5% margin; Libor 3mo. + 0.8% margin	$369,100	P-	29,079	17,362,174	17,594,855
Interest rate	1.5% margin									
Philippine peso	P70,000	P5,070,000 PDST-R2 3mo. +.50% margin;	P6,860,000	-	-	$ -	P12,030,000	26,534	11,973,466	11,973,466
Interest rate	PDST-R2 3mo. + .60% margin	PDST-R2 3mo. + .60% margin	PDST-R2 3mo. + .60% margin							
						$373,565	P54,932,800	P305,578	P72,228,858	P76,181,637
Interest payable*										
PHP debt	P2,669,549	P2,369,191	P1,934,694	P1,571,926	P3,189,856	$-	P11,735,316	P-	P-	P-
USD debt	$5,437	$4,885	$4,715	$4,575	$6,538	$26,150	P-	$-	$-	$-

**Used month-end USD LIBOR and Philippine Dealing and Exchange Corporation (PDEX) rates*

** Using P47.115 - USD exchange rate as of December 31, 2015.*

2014

	2015	2016	2017	2018	2019 and thereafter	Total (in USD)	Total (in PHP)	Debt Issuance Costs	Carrying Value (in PHP)	Fair Value (in PHP)
Liabilities:										
Long-term debt										
Fixed Rate										
Philippine peso	P71,100	P2,327,800	P4,830,000	P330,000	P25,480,000	$ -	P33,038,900	P205,045	P32,832,855	P36,813,735
Interest rate	4.85%;8.36%	5.24%;4.93%; 4.85%;8.36%;4.91 %	5.24%;4.93%; 5.75%;4.85%;4.91 %	5.24%,4.93%;4 .85%;4.91%	5.24%;4.93%;4 .89%;6.00%;4. 85%;4.91%,5.2 8%;6.00%					
Floating rate										
USD notes	$900	$117,100	$2,100	$2,100	$202,800	$325,000	P-	76,354	14,464,146	14,762,429
Interest rate	Libor 3mo. + 1.50% margin	Libor 6-mo. + 1.00% margin; Libor 3mo. + .90% margin; Libor 3mo + 1.00% margin, Libor 3mo. + 1.50% margin	Libor 6-mo. + 1.00% margin; Libor 3mo. + 1.50% margin	Libor 6-mo. + 1.00% margin; Libor 3mo. + 1.50% margin	Libor 6-mo. + 1.00% margin; Libor 3mo. + 1.50% margin					
Philippine peso	P6,025,000	P70,000	P5,070,000	P6,860,000	-	$ -	P18,025,000	46,198	17,978,802	18,653,802
Interest rate	PDSTF 3mo. + 0.75% margin; PDSTF 3mo. + 0.65% margin	PDSTF 3mo + 60% margin	PDSTF 3mo + .50% margin, PDSTF 3mo. + .60% margin	PDSTF 3mo + .60% margin						
						$325,000	P51,063,900	P328,597	P65,275,803	P70,229,966
Interest payable*										
PHP debt	P2,439,494	P2,201,279	P1,880,879	P1,448,319	P2,553,672	$-	P10,523,643	P-	P-	P-
USD debt	$4,785	$3,826	$3,168	$3,136	$7,662	$22,578	P-	$-	$-	$-

**Used month-end LIBOR and Philippine Dealing and Exchange Corporation (PDEX) rates.*

** Using P44.740 - USD exchange rate as of December 31, 2014.*

The following tables present the maturity profile of the Globe Group's other liabilities and derivative instruments (undiscounted cash flows including swap costs payments/receipts except for other long-term liabilities) as of December 31, 2015 and 2014.

2015

Other Financial Liabilities

	On Demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
	(In Thousand Pesos)							
Accounts payable and accrued expenses*	P1,714,558	P43,583,112	P-	P-	P-	P-	P-	P45,297,670
Other long-term liabilities	-	-	-	-	-	-	1,273,215	1,273,215
	P1,714,558	P43,583,112	P-	P-	P-	P-	P1,273,215	P46,570,885

**Excludes taxes payable which is not a financial instrument.*

Derivative Instruments

	2016		2017		2018		2019		2020 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Swap Coupons:										
Cross Currency Swaps	P110,300	P206,056	P90,807	P151,122	P105,847	P151,122	P122,010	P151,537	P64,419	P75,976
Principal Only Swaps	P-	P34,093	P-	P36,222	P-	P30,185	P-	P24,214	P-	P36,404

**Projected principal exchanges represent commitments to purchase USD for payment of USD debts with the same maturities.*
***Deliverable and non-deliverable*

	2016		2017		2018		2019		2020 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Principal Exchanges:										
Cross Currency Swaps- PHP	P-	P4,847,850	P-	P-	P-	P-	P-	P-	P-	P3,648,800
Cross Currency Swaps- USD	$115,000	$-	$-	$-	$-	$-	$-	$-	$85,000	$-
Principal Only Swaps- PHP	P-	P-	P-	P353,067	P-	P353,067	P-	P353,067	P-	P1,059,200
Principal Only Swaps- USD	$-	$-	$7,500	$-	$7,500	$-	$7,500	$-	$22,500	$-

2014

Other Financial Liabilities

	On Demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
				(In Thousand Pesos)				
Accounts payable and accrued expenses*	P5,544,310	P38,347,933	P-	P-	P-	P-	P-	P43,892,243
Other long-term liabilities	-	-	-	-	-	-	1,283,832	1,283,832
	P5,544,310	P38,347,933	P-	P-	P-	P-	P1,283,832	P45,176,075

**Excludes taxes payable which is not a financial instrument.*

Derivative Instruments

	2015		2016		2017		2018		2019 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Swap Coupons*:										
Interest Rate Swaps – PHP	P23,083	P50,428	P-	P-	P-	P-	P-	P-	P-	P23,083
Interest Rate Swaps – USD	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$-	$-	$ -
Cross Currency Swaps –USD	$112,377	$213,125	$86,412	$139,097	$63,106	$84,794	$74,619	$84,794	$118,963	$127,656

**Projected USD swap coupons were converted to PHP at the balance sheet date*

	2015		2016		2017		2018		2019 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Principal Exchanges*:										
Cross Currency Swaps- PHP	P-	P-	P-	P4,847,850	P-	P-	P-	P-	P-	P2,063,750
Cross Currency Swaps- USD	$ -	$ -	$115,000	$ -	$ -	$ -	$ -	$ -	$50,000	$ -

28.2.4 *Hedging Objectives and Policies*

The Globe Group uses a combination of natural hedges and derivative hedging to manage its foreign exchange exposure. It uses interest rate derivatives to reduce earnings volatility related to interest rate movements.

It is the Globe Group's policy to ensure that capabilities exist for active but conservative management of its foreign exchange and interest rate risks. The Globe Group does not engage in any speculative derivative transactions. Authorized derivative instruments include currency forward contracts (embedded), currency swap contracts, interest rate swap contracts and currency option contracts (embedded). Certain swaps are entered with option combination or structured provisions.

28.3 Derivative Financial Instruments

The Globe Group's freestanding and embedded derivative financial instruments are accounted for as hedges or transactions not designated as hedges. The table below sets out information about the Globe Group's derivative financial instruments and the related fair values as of December 31:

2015

	USD Notional Amount	**PHP Notional Amount**	**Derivative Asset**	**Derivative Liability**
		(In Thousands)		
Derivative instruments designated as hedges				
Cash flow hedges				
Cross currency swaps	**$200,000**	**P-**	**P1,045,239**	**P53,013**
Principal only swaps	**45,000**	**-**	**25,592**	**29,877**
Derivative instruments not designated as hedges				
Embedded				
Currency forwards*	**21,811**	**-**	**11,450**	**28,388**
Net			**P1,082,281**	**P111,278**

**The embedded currency forwards are at a net buy position.*

2014

	USD Notional Amount	PHP Notional Amount	Derivative Asset	Derivative Liability
		(In Thousands)		
Derivative instruments designated as hedges				
Cash flow hedges				
Cross currency swaps	$165,000	P-	P580,224	P65,666
Derivative instruments not designated as hedges				
Freestanding				
Interest rate swaps	-	2,025,000	-	23,176
Embedded				
Currency forwards*	18,080	-	8,319	5,967
Net			P588,843	P94,809

**The embedded currency forwards are at a net sell position.*

The table below also sets out information about the maturities of Globe Group's derivative instruments as of December 31 that were entered into to manage interest and foreign exchange risks related to the long-term debt (in thousands).

2015

	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5-<6 Years	>6-<7 Years	Total
Derivatives								
Cross Currency Swaps								
Floating-Fixed								
Notional PHP	**P4,847,850**	**P-**	**P-**	**P-**	**P3,648,800**	**P-**	**P-**	**P8,496,650**
Notional USD	**$115,000**	**$-**	**$-**	**$**	**$85,000**	**$-**	**$-**	**$200,000**
Pay-fixed rate								**2.48%-4.28%**
Receive-floating rate								**USD LIBOR + 1.0% or 0.90%**
Principal Only Swaps								
Fixed-Fixed								
Notional PHP	**P-**	**P353,067**	**P353,067**	**P353,067**	**P353,067**	**P353,067**	**P353,067**	**P2,118,402**
Notional USD	**$-**	**$7,500**	**$7,500**	**$7,500**	**$7,500**	**$7,500**	**$7,500**	**$45,000**
Pay-fixed rate								**1.585%-1.835%**

2014

	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	Total
Derivatives						
Interest Rate Swaps						
Floating-Fixed						
Notional PHP	P2,025,000	P-	P-	P-	P-	P2,025,000
Notional USD	$-	$-	$-	$-	$-	$-
Pay-fixed rate						4.92% for PHPP
Receive-floating rate						3mo PDSTFF
Cross Currency Swaps						
Floating-Fixed						
Notional USD	$-	$115,000	$-	$-	$50,000	$165,000
Pay-fixed rate						2.48% - 4.12% for PHP
Receive-floating rate						USD LIBOR +0.9%-1.0%

The Globe Group's other financial instruments that are exposed to interest rate risk are cash and cash equivalents. These mature in less than a year and are subject to market interest rate fluctuations.

The Globe Group's other financial instruments which are non-interest bearing and therefore not subject to interest rate risk are trade and other receivables, accounts payable and accrued expenses and long-term liabilities. Loans receivable are also not subject to interest rate risk due to fixed interest rates.

The subsequent sections will discuss the Globe Group's derivative financial instruments according to the type of financial risk being managed and the details of derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges.

28.4 Derivative Instruments Accounted for as Hedges

The following sections discuss in detail the derivative instruments accounted for as cash flow hedges.

- *Currency Swaps and Cross Currency Swaps*

  The Globe Group entered into cross currency swap and principal only swaps contracts to hedge the foreign exchange and interest rate risk on dollar loans with maturities until April 2020 and October 2022, respectively. The cross currency swaps have a notional amount of USD200.00 million and USD165.00 million as of December 31, 2015 and 2014, respectively. Principal only swaps have a notional amount of USD45.00 million as of December 31, 2015. The fair values of the currency swaps as of December 31, 2015 and 2014 amounted to net gain of ₱987.94 million and ₱514.55 million, of which ₱41.36 million and ₱30.84 million (net of tax) is reported in the equity section of the consolidated statements of financial position.

- *Interest Rate Swaps*

  As of December 31, 2013, the Globe Group has USD26.00 million in notional amount of USD interest rate swap that have been designated as cash flow hedge of interest rate risk from USD loans. The interest rate swap effectively fixed the benchmark rate of the hedged USD loan at 0.67% over the duration of the agreement, which involves quarterly payment intervals up to April 2014.

  The Globe Group also has peso interest rate swap contracts with a total notional amount of ₱187.50 million as of December 31, 2013 which have been designated as cash flow hedges of interest rate risk from peso loans. These interest rate swaps effectively fixed the benchmark rate of the hedged peso loans at 3.90% over the duration of the swaps, with quarterly payment intervals up to July 2014.

  As of December 31, 2013, the fair value of the outstanding swap amounted to ₱3.48 million losses, of which ₱12.32 million (net of tax), is reported as "Other reserves" in the equity section of the consolidated statements of financial position (see Note 17.5).

  Accumulated swap cost for the years ended December 31, 2015, 2014 and 2013 amounted to nil, ₱43.64 million and ₱67.80 million, respectively (see Note 22).

- *Deliverable and Nondeliverable Forwards*

  The Globe Group has no outstanding deliverable and nondeliverable forwards as of December 31, 2015 and December 31, 2014.

  Hedging gains/losses on derivatives intended to manage foreign currency fluctuations on dollar based revenues for the years ended December 31, 2015, 2014 and 2013 amounted to ₱32.06 million loss, ₱4.74 million gain and, ₱144.70 million loss, respectively. These hedging gains/losses are reflected under "Service revenues" in the consolidated statements of comprehensive income.

28.5 Other Derivative Instruments Not Designated as Hedges

The Globe Group enters into certain derivatives as economic hedges of certain underlying exposures. Such derivatives, which include embedded and freestanding currency forwards, embedded call options, and certain currency and interest rate swaps with option combination or structured provisions, are not designated as accounting hedges. The gains or losses on these instruments are accounted for directly in profit or loss in the consolidated statements of comprehensive income. This section consists of freestanding derivatives and embedded derivatives found in both financial and nonfinancial contracts.

28.6 Freestanding Derivatives

Freestanding derivatives that are not designated as hedges consist of currency forwards and interest rate swaps entered into by the Globe Group. Fair value changes on these instruments are accounted for directly in profit or loss in the consolidated statements of comprehensive income.

- *Interest Rate Swaps*

  The Globe Group also has an outstanding PHP interest rate swap contract which swaps a floating peso loan into fixed rate of 4.92% and involves quarterly payment intervals until September 2015. Outstanding notional as of December 31, 2015 and 2014 amounted to nil and ₱2,025.00 million, respectively.

  The fair values on the interest rate swaps as of December 31, 2015 and 2014, amounted to nil and ₱23.18 million net loss, respectively.

- *Deliverable and Non-deliverable Forwards*

  As of December 31, 2015 and 2014, the Globe Group has no outstanding deliverable and non-deliverable currency forward contracts not designated as hedges.

28.7 Embedded Derivatives and Other Financial Instruments

The Globe Group has instituted a process to identify any derivatives embedded in its financial or nonfinancial contracts. Based on PAS 39, the Globe Group assesses whether these derivatives are required to be bifurcated or are exempted based on the qualifications provided by the said standard. The Globe Group's embedded derivatives include embedded currency derivatives noted in non-financial contracts.

- *Embedded Currency Forwards*

  As of December 31, 2015 and 2014, the total outstanding notional amount of currency forwards embedded in nonfinancial contracts amounted to USD21.81 million and USD18.08 million, respectively. The nonfinancial contracts consist mainly of foreign currency-denominated maintenance and lease agreements and unbilled leasedlines receivables denominated in foreign currency with domestic counterparties. The net fair value of the embedded currency forwards as of December 31, 2015 and 2014 amounted to ₱16.94 million loss and ₱2.35 million gain, respectively.

28.8 Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments are as follows:

	2015	2014
	(In Thousand Pesos)	
At beginning of year	**₱493,734**	₱335,702
Acquired on acquisition of a subsidiary	**(8,114)**	-
Net changes in fair value of derivatives:		
Designated as cash flow hedges	**314,303**	(263,856)
Not designated as cash flow hedges	**(13,847)**	(229,371)
	786,076	(157,525)
Less fair value of settled instruments	**(184,927)**	(651,259)
At end of period	**₱971,003**	₱493,734

28.9 Hedge Effectiveness Results

As of December 31, 2015 and 2014, the effective fair value changes on the Globe Group's cash flow hedges that were deferred in equity amounted to ₱41.36 million and ₱40.43 million gains, net of tax, respectively. Total ineffectiveness for the years ended December 31, 2015 and 2014 is immaterial.

The distinction of the results of hedge accounting into "Effective" or "Ineffective" represent designations based on PAS 39 and are not necessarily reflective of the economic effectiveness of the instruments.

28.10 Categories of Financial Assets and Financial Liabilities

The table below presents the carrying value of the Globe Group's financial instruments by category as of December 31:

	2015	2014
	(In Thousand Pesos)	
Financial Assets		
Financial assets at FVPL:		
Derivative assets designated as cash flow hedges	**₱1,070,831**	₱580,224
Derivative assets not designated as hedges	**11,450**	8,319
AFS investment in equity securities (Note 11)	**577,580**	264,785
Loans and receivables - net*	**35,452,665**	40,642,772
	₱37,112,526	₱41,496,100
Financial Liabilities		
Financial liabilities at FVPL:		
Derivative liabilities designated as cash flow hedges	**₱82,890**	₱65,666
Derivative liabilities not designated as hedges	**28,388**	29,143
Financial liabilities at amortized cost**	**118,799,743**	112,179,300
	₱118,911,021	₱112,274,109

**This consists of cash and cash equivalents, short-term investments and long-term investments, receivables, other nontrade receivables and loans receivables.*

***This consists of accounts payable, accrued expenses, accrued project cost, traffic settlement-net, dividends payable, notes payable, long-term debt (including current portion) and other long-term liabilities (including current portion).*

As of December 31, 2015 and 2014, the Globe Group has no investments in foreign securities.

28.11 Offsetting Financial Assets and Financial Liabilities

The Globe Group has derivative financial instruments that have offsetting arrangements. Upon adoption of the amendment to PFRS 7, the Globe Group has determined that there is no impact on financial position or on profit or loss, but resulted to additional disclosures about such offsetting arrangements. Accordingly, these additional disclosures are set forth below.

	Gross amounts	Amounts offset under PAS 32	Reported amounts in the consolidated statements of financial position	Amounts offset under master netting arrangements or other similar contracts	Amounts offset by financial collateral received or pledged	Net exposure
	(In Thousand Pesos)					
December 31, 2015						
Derivative assets	**₱1,082,281**	**₱-**	**₱1,082,281**	**(₱82,890)**	₱-	**₱999,391**
Derivative liabilities	**111,278**	**-**	**111,278**	**(82,890)**	**-**	**28,388**
Traffic settlements receivable	**3,544,807**	**(1,817,483)**	**1,727,324**	**-**	**-**	**1,727,324**
Traffic settlements payable	**1,587,634**	**(1,143,423)**	**444,211**	**-**	**-**	**444,211**
December 31, 2014						
Derivative assets	₱582,598	₱-	₱582,598	(₱88,842)	₱-	₱493,756
Derivative liabilities	94,610	-	94,610	(88,842)	-	5,768
Traffic settlements receivable	3,657,393	(1,611,474)	2,045,919	-	-	2,045,919
Traffic settlements payable	2,607,937	(1,425,246)	1,182,691	-	-	1,182,691

The Globe Group makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance sheet assets and liabilities unless certain conditions for offsetting under PAS 32 apply.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

a) Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized; and

b) The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement and fluctuations in market factors.

28.12 Fair Values of Financial Assets and Financial Liabilities

The table below presents a comparison of carrying amounts and estimated fair values of all the Globe Group's financial instruments as of December 31:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousand Pesos)			
Financial Assets				
Derivative assets	**₱ 1,082,281**	**₱ 1,082,281**	₱ 588,543	₱ 588,543
AFS investment in equity securities (Note 11)	**577,580**	**577,580**	264,785	264,785
	₱ 1,659,861	**₱ 1,659,861**	₱ 853,328	₱ 853,328
Financial Liabilities				
Derivative liabilities	**₱ 111,278**	**₱ 111,278**	₱ 94,809	₱ 94,809
Long-term debt (including current portion)	**72,228,858**	**76,181,637**	65,275,803	70,229,966
	P72,340,136	**P76,292,915**	P65,370,612	P70,324,775

The following discussions are methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

28.12.1 *Non-Derivative Financial Instrument*

The fair values of cash and cash equivalents, subscriber receivables, traffic settlements receivable, current portion of loan receivable, miscellaneous receivables, accrued interest receivables, accounts payable, accrued expenses and notes payable are approximately equal to their carrying amounts considering the short-term maturities of these financial instruments.

The fair value of AFS investments are based on quoted and unquoted prices. Unquoted AFS equity securities are carried at cost, subject to impairment.

The fair value of loans receivables approximates carrying value after calculations.

For variable rate financial instruments that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate financial instruments that reprice every six months, the fair value is determined by discounting the principal amount plus the next interest payment using the prevailing market rate for the period up to the next repricing date. The discount rates used range from 0.6152% to 1.6115% for USD floating loans. For noninterest bearing obligations, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate of interest for a similar instrument.

28.12.2 *Derivative Instrument*

The fair value of freestanding and embedded forward exchange contracts is calculated by using the interest rate parity concept.

The fair values of interest rate swaps and cross currency swap transactions are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair value of interest rate swap transactions is the net present value of the estimated future cash flows. The fair values of currency and cross currency swap transactions are determined based on changes in the term structure of interest rates of each currency and the spot rate.

The fair values were tested to determine the impact of credit valuation adjustments. However, the impact is immaterial given that the Globe Group deals its derivatives with large foreign and local banks with very minimal risk of default.

Embedded currency options are valued using the simple option pricing model of third party provider.

28.12.3 *Fair Value Hierarchy*

The following tables provide the fair value measurement hierarchy of the Globe Group's assets and liabilities:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2015				
Assets measured at fair value:		*(In Thousand Pesos)*		
Derivative assets:				
Cross currency swaps	**P-**	**P1,045,239**	**P-**	**P1,045,239**
Principal only swaps	-	**25,592**	-	**25,592**
Embedded currency forwards	-	**11,450**	-	**11,450**
AFS investment in equity securities	**203,736**	**373,844**	-	**577,580**
Liabilities measured at fair value:				
Derivative liabilities:				
Cross currency swaps	-	**53,013**	-	**53,013**
Principal only swaps	-	**29,877**	-	**29,877**
Embedded Currency forwards	-	**28,388**	-	**28,388**
Long-term debt (including current portion)	-	**76,181,637**	-	**76,181,637**
2014				
Assets measured at fair value:		*(In Thousand Pesos)*		
Derivative assets:				
Cross currency swaps	P-	P580,224	P-	P580,224
Embedded currency forwards	-	8,319	-	8,319
AFS investment in equity securities	151,502	113,283	-	264,785
Liabilities measured at fair value:				
Derivative liabilities:				
Cross currency swaps	-	65,666	-	65,666
Interest rate swaps	-	23,176	-	23,176
Embedded Currency forwards	-	5,967	-	5,967
Long-term debt (including current portion)	-	70,229,966	-	70,229,966

There were no transfers from Level 1 and Level 2 fair value measurements for the years ended December 31, 2015 and 2014. The Globe Group has no financial instruments classified under Level 3.

29 Operating Segment Information

The Globe Group's reportable segments consist of: (1) mobile communications services; and (2) wireline communication services; which the Globe Group operates and manages as strategic business units and organize by products and services. The Globe Group presents its various operating segments based on segment net income.

The mobile value added data content and application development services coming from various revenue streams are reported under "Others" in the 2013 interim consolidated financial statements. In the second quarter of 2014, the Globe Group restated the segment reporting disclosure to conform with the current presentation of internal management reports by including this under mobile communication services segment.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Most of the Globe Group's revenues are derived from operations within the Philippines, hence, the Globe Group does not present geographical information required by PFRS 8, *Operating Segments*. The Globe Group does not have a single customer that will meet the 10% reporting criteria.

The Globe Group also presents the different product types that are included in the report that is regularly reviewed by the chief operating decision maker in assessing the operating segments performance.

Segment assets and liabilities are not measures used by the chief operating decision maker since the assets and liabilities are managed on a group basis.

The Globe Group's segment information is as follows (in thousand pesos):

	2015		
	Mobile Communications Services	Wireline Communications Services	Consolidated
	(In Thousand Pesos)		
REVENUES:			
Service revenues:			
External customers:			
Voice	₱ 36,863,021	₱3,418,142	₱40,281,163
SMS	26,135,570	-	26,135,570
Data	22,106,995	7,697,693	29,804,288
Broadband	-	17,458,205	17,458,205
Nonservice revenues:			
External customers	4,642,233	1,647,735	6,289,968
Segment revenues	89,747,419	30,221,775	119,969,194
EBITDA	37,501,039	8,306,305	45,807,344
Depreciation and amortization	(10,344,191)	(10,788,507)	(21,132,698)
EBIT	27,156,848	(2,482,202)	24,674,646
NET INCOME (LOSS) BEFORE TAX[2]	25,900,221	(2,432,733)	23,467,488
Provision for income tax	(5,341,798)	(1,641,240)	(6,983,038)
NET INCOME (LOSS)	₱20,558,423	(₱4,073,973)	₱16,484,450
Other segment information			
Intersegment revenues	(₱1,870,515)	(₱378,584)	(₱2,249,099)
Subsidy[1]	(7,069,527)	(305,708)	(7,375,235)
Interest income[2]	420,532	92,820	513,352
Interest expense	(2,438,341)	(335,737)	(2,774,078)
Equity in net losses of associates and joint ventures	(153,512)	-	(153,512)
Impairment losses and others	2,168,778	940,742	3,109,520
Capital expenditure	24,712,694	5,604,486	30,317,180
Cost of sales	(11,711,760)	(1,953,443)	(13,665,203)
Operating expenses	(41,155,827)	(19,340,819)	(60,496,646)
Cash Flows			
Net cash from (used in):			
Operating activities	28,332,095	7,620,108	35,952,203
Investing activities	(27,952,500)	(4,607,585)	(32,560,085)
Financing activities	(7,991,180)	(415,097)	(8,406,277)

[1]*Computed as non-service revenues less cost of sales*
[2]*Net of final tax*

	2014		
	Mobile Communications Services	Wireline Communications Services	Consolidated
	(In Thousand Pesos)		
REVENUES:			
Service revenues:			
External customers:			
Voice	₱34,683,539	₱2,789,304	₱37,472,843
SMS	29,078,791	-	29,078,791
Data	14,306,226	5,480,245	19,786,471
Broadband	-	12,686,499	12,686,499
Nonservice revenues:			
External customers	2,981,383	1,229,726	4,211,109
Segment revenues	81,049,938	22,185,774	103,235,713
EBITDA	34,068,215	5,203,166	39,271,381
Depreciation and amortization	(9,197,602)	(8,925,922)	(18,123,524)
EBIT	24,870,613	(3,722,756)	21,147,857
NET INCOME (LOSS) BEFORE TAX[2]	23,295,190	(3,912,484)	19,382,706
Provision for income tax	(4,787,141)	(1,223,373)	(6,010,514)
NET INCOME (LOSS)	₱18,508,049	(₱5,135,857)	₱13,372,192
Other segment information			
Intersegment revenues	(₱2,039,736)	(₱540,210)	(₱2,579,946)
Subsidy[1]	(6,185,207)	(265,028)	(6,450,235)
Interest income[2]	632,611	43,557	676,168
Interest expense	(2,192,498)	(133,673)	(2,326,171)
Equity in net losses of associates and joint ventures	(224,257)	-	(224,257)
Impairment losses and others	2,846,665	873,504	3,720,169
Capital expenditure	22,741,742	4,242,016	26,983,758
Cost of sales	(9,166,590)	(1,494,754)	(10,661,344)
Operating expenses	(38,346,234)	(14,957,874)	(53,304,108)
Cash Flows			
Net cash from (used in):			
Operating activities	30,681,003	5,774,155	36,455,158
Investing activities	(15,723,193)	(4,492,913)	(20,216,106)
Financing activities	(6,942,137)	-	(6,942,137)

[1]Computed as non-service revenues less cost of sales
[2]Net of final tax

	2013		
	Mobile Communications Services	Wireline Communications Services	Consolidated
	(In Thousand Pesos)		
REVENUES:			
Service revenues:			
External customers:			
Voice	₱32,367,171	₱2,605,121	₱34,972,292
SMS	28,794,052	-	28,794,052
Data	11,602,470	4,691,004	16,293,474
Broadband	-	10,440,319	10,440,319
Nonservice revenues:			
External customers	3,833,070	807,778	4,640,848
Segment revenues	76,596,763	18,544,222	95,140,985
EBITDA	32,544,044	3,969,773	36,513,817
Depreciation and amortization	(17,058,605)	(10,418,889)	(27,477,494)
EBIT	15,485,439	(6,449,116)	9,036,323
NET INCOME (LOSS) BEFORE TAX[2]	13,517,040	(6,652,267)	6,864,773
Provision for income tax	(1,755,619)	(148,909)	(1,904,528)
NET INCOME (LOSS)	₱11,761,421	(₱6,801,176)	₱4,960,245
Other segment information			
Intersegment revenues	(₱607,967)	(₱556,902)	(₱1,164,869)
Subsidy[1]	(5,014,970)	(297,288)	(5,312,258)
Interest income[2]	627,930	53,437	681,367
Interest expense	(2,087,571)	(4,344)	(2,091,915)
Equity in net losses of associates and joint ventures	(79,959)	-	(79,959)
Impairment losses and others	3,318,192	(835,564)	2,482,628
Capital expenditure	(35,778,666)	-	(35,778,666)
Cash Flows			
Net cash from (used in):			
Operating activities	26,388,852	7,571,395	33,960,247
Investing activities	(24,466,931)	(3,628,351)	(28,095,282)
Financing activities	(2,476,233)	(3,000,000)	(5,476,233)

[1]Computed as non-service revenues less cost of sales
[2]Net of final tax

A breakdown of gross revenues to net revenues and a reconciliation of segment revenues to the total revenues presented in the consolidated statements of comprehensive income are shown below:

	2015	2014	2013
		(In Thousand Pesos)	
Gross service revenues	**₱113,679,226**	₱99,024,604	₱90,500,137
Interconnection charges	**(9,007,919)**	(8,429,934)	(9,280,229)
Net service revenues	**104,671,307**	90,594,670	81,219,908
Nonservice revenues	**6,289,968**	4,211,109	4,640,848
Segment revenues	**110,961,275**	94,805,779	85,860,756
Interest income	**518,537**	682,998	688,249
Other income – net	**2,130,853**	470,647	475,246
Total revenues	**₱113,610,665**	₱95,959,424	₱87,024,251

The reconciliation of the EBITDA to income before income tax presented in the consolidated statements of comprehensive income is shown below:

	2015	2014	2013
		(In Thousand Pesos)	
EBITDA	**₱45,807,344**	₱39,271,381	₱36,513,817
Gain on fair value of retained interest	**745,831**	-	-
Interest income	**518,537**	682,998	688,249
Gain on disposal of controlling interest in subsidiary	**449,148**	-	-
Gain on previously held equity interest	**431,115**	-	-
Gain on disposal of property and equipment – net	**57,642**	101,159	64,333
Equity in net losses of associates and joint ventures	**(153,512)**	(224,257)	(79,959)
Financing costs	**(3,372,924)**	(2,565,706)	(2,911,785)
Depreciation and amortization	**(21,132,698)**	(18,123,524)	(27,477,494)
Other items	**117,005**	240,655	67,612
Income before income tax	**₱23,467,488**	₱19,382,706	₱6,864,773

The reconciliation of core net income after tax (core NIAT) to NIAT is shown below:

	2015	2014	2013
		(In Thousand Pesos)	
Core NIAT	**₱15,126,221**	₱14,489,176	₱11,616,512
Mark-to-market gains (losses)[1]	**13,784**	49,581	(61,863)
Foreign exchange gains (losses)[1]	**(320,106)**	619	(340,416)
Gain on fair value of retained interest[1]	**666,876**	-	-
Gain on disposal of controlling interest in subsidiary[1]	**388,256**	-	-
Gain on previously held equity interest	**431,115**	-	-
Accelerated depreciation[1]	-	(1,136,220)	(6,346,176)
Non-recurring items[1]	**178,304**	(30,964)	92,188
NIAT	**₱16,484,450**	₱13,372,192	₱4,960,245

[1] *Net of taxes*

29.1 Mobile Communications Services

This reporting segment is made up of digital cellular telecommunications services that allow subscribers to make and receive local, domestic long distance and international long distance calls, international roaming calls and other value added services (VAS) in any place within the coverage areas.

29.1.1 *Mobile communication voice net service revenues include the following:*

a) Pro-rated monthly service fees on postpaid plans;

b) Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments (CERA) net of loyalty discounts credited to subscriber billings;

c) Airtime fees for intra-network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts;

d) Revenues generated from inbound international and national long distance calls and international roaming calls; and

e) Mobile service revenues of GTI.

29.1.2 *Mobile SMS service revenues* consist of local and international revenues from value-added services such as inbound and outbound SMS and MMS, and infotext, subscription fees on unlimited and bucket prepaid SMS services, net of any payouts to content providers.

29.1.3 *Mobile communication data net service revenues* consist of local and international revenues from value-added services such as mobile internet browsing and content downloading, mobile commerce services, other add-on VAS and service revenues of GXI and Yondu, net of payouts to content providers.

29.1.4 Globe Telecom offers its wireless communications services to consumers, corporate and small and medium enterprise (SME) clients through the following three (3) brands: Globe Postpaid, Globe Prepaid and Touch Mobile.

The Globe Group also provides its subscribers with mobile payment and remittance services under the GCash brand.

29.2 Wireline Communications Services

This reporting segment is made up of fixed line telecommunications services which offer subscribers local, domestic long distance and international long distance voice services in addition to broadband and mobile internet services and a number of VAS in various areas covered by the Certificate of Public Convenience and Necessity (CPCN) granted by the NTC.

29.2.1 *Wireline voice service revenues* consist of the following:

a) Monthly service fees including CERA of voice-only subscriptions;

b) Revenues from local, international and national long distance calls made by postpaid and prepaid wireline subscribers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid call card discounts;

c) Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe's network;

d) Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;

e) Installation charges and other one-time fees associated with the establishment of the service; and

f) Revenues from DUO and SUPERDUO (fixed line portion) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

29.2.2 *Wireline data service revenues* consist of the following:

a) Monthly service fees from international and domestic leased lines;

b) Other wholesale transport services;

c) Revenues from value-added services; and

d) One-time connection charges associated with the establishment of service.

29.2.3 *Broadband service revenues* consist of the following:

a) Monthly service fees of wired, fixed wireless and fully mobile broadband data only and bundled voice and data subscriptions;

b) Browsing revenues from all postpaid and prepaid wired, fixed mobile and fully mobile broadband packages in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;

c) Value-added services such as games; and

d) Installation charges and other one-time fees associated with the service.

29.2.4 The Globe Group provides wireline voice communications (local, national and international long distance), data and broadband and data services to consumers, corporate and SME clients in the Philippines.

- *Consumers* - the Globe Group's postpaid voice service provides basic landline services including toll-free NDD calls to other Globe landline subscribers for a fixed monthly fee. For wired broadband, consumers can choose between broadband services bundled with a voice line, or a broadband data-only service. For fixed wireless broadband connection using Long-Term Evolution (LTE) or Worldwide Interoperability for Microwave Access (WiMax), the Globe Group offers broadband packages bundled with voice, or broadband data-only service. For subscribers who require full mobility, Globe Broadband Tattoo service come in postpaid and prepaid packages and allow them to access the internet via LTE, 3G with HSDPA, Enhanced Datarate for GSM Evolution (EDGE), General Packet Radio Service (GPRS) or WiFi at hotspots located nationwide.

- *Corporate/SME clients* - for corporate and SME enterprise clients wireline voice communication needs, the Globe Group offers postpaid service bundles which come with a business landline and unlimited dial-up internet access. The Globe Group also provides a *full* suite of telephony services from basic direct lines to Integrated Services Digital Network (ISDN) services, 1-800 numbers, International Direct Dialing (IDD) and National Direct Dialing (NDD) access as well as managed voice solutions such as Voice Over Internet Protocol (VOIP) and managed Internet Protocol (IP) communications. Value-priced, high speed data services, wholesale and corporate internet access, data center services and segment-specific solutions customized to the needs of vertical industries.

30 Notes to Consolidated Statements of Cash Flows

The principal noncash transactions are as follows:

	Note	2015	2014	2013
			(In Thousand Pesos)	
Increase in liabilities related to the acquisition of property and equipment		₱6,827,342	P5,091,154	P5,838,624
Reversal of project accruals		(8,748,893)	-	-
Dividends of preferred shares	17.3	260,030	260,030	-
Capitalized ARO	15	39,269	9,495	15,675

The cash and cash equivalents account consists of the following:

	2015	2014	2013
		(In Thousand Pesos)	
Cash on hand and in banks	₱5,355,055	P6,126,034	P4,468,305
Short-term placements	6,459,324	10,630,874	2,952,430
	₱11,814,379	P16,756,908	₱7,420,735

Cash in banks earn interest at respective bank deposit rates. Short-term placements represent short-term money market placements.

The ranges of interest rates of the above placements are as follows:

	2015	2014	2013
Placements:			
PHP	0.25% to 2.25%	0.20% to 1.50%	0.15% to 3.90%
USD	0.02% to 2.00%	0.01% to 1.75%	0.02% to 1.75%

31 Events After Reporting Period

Dividend declaration

On February 5, 2016, the BOD approved the declaration of the first quarterly cash dividend of ₱22.00 per common share, payable to common stockholders of record as of February 22, 2016. Total dividends amounting to ₱2.9 billion will be payable on March 4, 2016.

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue,
Bonifacio Global City, Taguig City

We have audited the consolidated financial statements of Globe Telecom, Inc. and Subsidiaries as at and for the year ended December 31, 2015 in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated February 5, 2016.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information on the attached schedules showing the reconciliation of the retained earnings available for dividend declaration, the list of all effective accounting standards and interpretations, the map showing the relationships between and among Globe Telecom, Inc. and Subsidiaries and its related parties, and the other supplementary information shown in Schedules A to H as at December 31, 2015, as required by the Securities and Exchange Commission under SRC Rule 68, as amended, are presented for purposes of additional analysis and are not required part of the basic financial statements. These information are the responsibility of management and have been subjected to the auditing procedures applied in our audit except for the map which we have audited only to the extent disclosed in the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Gregorio S. Navarro
Partner
CPA License No. 0033571
SEC A.N. 0820-AR-2, issued on May 21, 2015; effective until May 20, 2018, Group A
TIN 109-228-435
BIR A.N. 08-002552-33-2014, issued on September 15, 2014; effective until September 15, 2017
PTR No. A-2798364, issued on January 6, 2016, Taguig City

Taguig City, Philippines
February 5, 2016

Deloitte.

GLOBE TELECOM, INC. AND SUBSIDIARIES

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Schedule 1 - Schedule of all the effective standards and interpretations as of December 31, 2015

Schedule 2 - Financial Soundness Indicators

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Schedule 4 - Map of the relationships of the companies within the Group

Schedule 5 - Schedule of Preferred Shares Offering Proceeds

Schedule 6 - Supplementary Schedules required by Annex 68-E

Schedule 1

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)
DECEMBER 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	*First-time Adoption of Philippine Financial Reporting Standards*			✓
	Amendments to PFRS 1 and PAS 27: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*			✓
	Amendments to PFRS 1: *Additional Exemptions for First-time Adopters*			✓
	Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	Amendments to PFRS 1: *Severe Hyperinflation and Removal of Fixed Date for First-time Adopters*			✓
	Amendments to PFRS 1: *Government Loans*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PFRS 1: *First-Time Adoption of PFRS*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 1: *First-time Adoption of International Financial Reporting Standards (Changes to the Basis for Conclusions only)*			✓
PFRS 2	*Share-based Payment*	✓		
	Amendments to PFRS 2: *Vesting Conditions and Cancellations*	✓		
	Amendments to PFRS 2: *Group Cash-settled Share-based Payment Transactions*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 2:*Definition of Vesting Condition*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	*Business Combinations*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 3: *Accounting for Contingent Consideration)*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 3: *Scope of Exception for Joint Ventures*	✓		
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 5: *Changes in methods of disposal**		✓	
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7: *Disclosures - Transfers of Financial Assets*	✓		
	Amendments to PFRS 7: *Disclosures – Offsetting Financial Assets and Financial Liabilities*	✓		
	Amendments to PFRS 7: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
	Amendments to PFRS 7: *Hedge Accounting Disclosures*		✓	
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 7: *Servicing contracts**		✓	
PFRS 8	*Operating Segments*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 8: *Aggregation of Segments and Reconciliation of Segment Assets*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 9	*Financial Instruments: Classification and Measurement of Financial Assets and Liabilities**		✓	
	Amendments to PFRS 9: *Mandatory Effective Date of PFRS 9 and Transition Disclosures**		✓	
	Amendments to PFRS 9: *Phase III - Hedge Accounting Disclosures**		✓	
PFRS 10	*Consolidated Financial Statements*	✓		
	Amendments to PFRS 10: *Consolidated Financial Statement: Transition Guidance*	✓		
	Amendments to PFRS 10:*Transition Guidance and Investment Entities*	✓		
	Amendments to PFRS 10: *Sales or contributions of assets between an investor and its associate/joint venture**		✓	
	Amendments to PFRS 10: *Investment Entities: Applying the Consolidation Exception* *		✓	
PFRS 11	*Joint Arrangements*	✓		
	Amendments to PFRS 1: *Joint Arrangements: Transition Guidance*	✓		
	Amendments to PFRS 11: *Accounting for Acquisitions of Interests in Joint Operations**		✓	
PFRS 12	*Disclosure of Interests in Other Entities*	✓		
	Amendments to PFRS 12: *Disclosure of Interests in Other Entities: Transition Guidance*	✓		
	Amendments to PFRS 12: *Transition Guidance and Investment Entities*	✓		
	Amendments to PFRS 12: *Investment Entities: Applying the Consolidation Exception**		✓	
PFRS 13	*Fair Value Measurement*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 13: *Fair Value Measurement (Amendments to the Basis of Conclusions Only, with Consequential Amendments to the Bases of Conclusions of Other Standards)*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 13: *Portfolio Exception*	✓		
PFRS 14	*Regulatory Deferral Accounts**		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: *Capital Disclosures*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*	✓		
	Amendments to PAS 1: *Presentation of Items of Other Comprehensive Income*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 1: *Comparative Information*	✓		
	Amendments to PAS 1: *Disclosure Initiative**		✓	
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Reporting Period*	✓		
PAS 11	*Construction Contracts*			✓
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12: *Deferred Tax: Recovery of Underlying Assets*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 16, *Servicing Equipment*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 16: *Revaluation Method - Proportionate Restatement of Accumulated Depreciation*	✓		
	Amendments to PAS 16: *Clarification of Acceptable Methods of Depreciation**		✓	
	Amendments to PAS 16: *Agriculture: Bearer Plants**			✓
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19 (Amended)	*Employee Benefits (2011)*	✓		
	Amendments to PAS 19: *Defined Benefit Plans: Employee Contributions*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 19: *Discount rate: regional market issue**			✓
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment: *Net Investment in a Foreign Operation*	✓		
PAS 23 (Revised)	*Borrowing Costs*	✓		
PAS 24 (Revised)	*Related Party Disclosures*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 24*: Key Management Personnel*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Amended)	*Separate Financial Statements*	✓		
	Amendments to PAS 27: *Transition Guidance and Investment Entities*	✓		
	Amendments to PAS 27: *Equity Method in Separate Financial Statements**		✓	
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
	Amendments to PAS 28: *Sales or contributions of assets between an investor and its associate/joint venture**		✓	
	Amendments to PAS 28: *Investment Entities: Applying the Consolidation Exception **		✓	
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*	✓		
	Amendment to PAS 32: *Classification of Rights Issues*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 32: *Tax Effect of Equity Distributions*	✓		
	Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities*	✓		
PAS 33	*Earnings per Share*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 34	*Interim Financial Reporting*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 34: *Interim Reporting of Segment Assets*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 34: *Disclosure of information 'elsewhere in the interim financial report'**		✓	
PAS 36	*Impairment of Assets*	✓		
	Amendments to PAS 36: *Recoverable Amount Disclosures for Non-Financial Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 38*: Revaluation Method - Proportionate Restatement of Accumulated Amortization*	✓		
	Amendments to PAS 38*: Clarification of Acceptable Methods of Amortization**		✓	
PAS 39	Financial Instruments: *Recognition and Measurement*	✓		
	Amendments to PAS 39: *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*	✓		
	Amendments to PAS 39: *The Fair Value Option*	✓		
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets – Effective Date and Transition*	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
	Amendment to PAS 39: *Eligible Hedged Items*	✓		
	Amendment to PAS 39: *Novation of Derivatives and Continuation of Hedge Accounting*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: *Hedge Accounting Application*	✓		
PAS 40	*Investment Property*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PAS 40: *Clarifying the Interrelationship of IFRS 3 and IAS 40 When Classifying Property as Investment Property or Owner-Occupied Property*	✓		
PAS 41	*Agriculture*			✓
	Amendments to PAS 41: *Agriculture: Bearer Plants**			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓		
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*	✓		
IFRIC 9	*Reassessment of Embedded Derivatives*	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	*PFRS 2- Group and Treasury Share Transactions*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*	✓		
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*	✓		
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-15	*Operating Leases - Incentives*	✓		
SIC-21	*Income Taxes- Recovery of Revalued Non-depreciable Assets*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*	✓		
PIC Q&A No. 2006-01	*Revenue Recognition for Sales of Property Units Under Pre-Completion Contracts*			✓
PIC Q&A No. 2006-02	*Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements*			✓
PIC Q&A No. 2007-03	*Valuation of Bank Real and Other Properties Acquired (ROPA)*			✓
PIC Q&A No. 2008-01	*Rate Used in Discounting Post-employment Benefit Obligations*	✓		
PIC Q&A No. 2008-02	*Accounting for Government Loans with Low Interest Rates under the Amendments to PAS 20*			✓
PIC Q&A No. 2009-01	*Financial Statements Prepared on a Basis Other than Going Concern*			✓
PIC Q&A No. 2010-01	*Rate Used in Determining the Fair Value of Government Securities in the Philippines*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PIC Q&A No. 2010-02	*Basis of Preparation of Financial Statements*	✓		
PIC Q&A No. 2010-03	*Current/ non-current Classification of a Callable Term Loan*	✓		
PIC Q&A No. 2011-02	*Common Control Business Combinations*			✓
PIC Q&A No. 2011-03	*Accounting for Inter-company Loans*	✓		
PIC Q&A No. 2011-04	*Costs of Public Offering of Shares*	✓		
PIC Q&A No. 2011-05	*Fair Value or Revaluation as Deemed Cost*			✓
PIC Q&A No. 2011-06	*Acquisition of Investment Properties – Asset Acquisition or Business Combination?*	✓		
PIC Q&A No. 2012-01	*Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*			✓
PIC Q&A No. 2012-02	*Cost of a New Building Constructed on Site of a Previous Building*			✓
PIC Q&A No. 2013-03	*Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law*	✓		

*These are the new and revised accounting standards and interpretations that are effective for annual period beginning on or after the reporting period ended December 31, 2015

Schedule 2

FINANCIAL SOUNDNESS INDICATORS	December 31 2015	December 31 2014
FINANCIAL RATIOS		
Debt to EBITDA	**1.51**	1.66
Debt Service Coverage Ratio	**5.18**	2.92
Interest Coverage Ratio	**12.24**	13.22
Debt to Equity (D/E Ratio) - gross	**1.22**	1.20
Debt to Equity (D/E Ratio) - net	**1.02**	0.89
Debt to Total Capitalization - book	**0.55**	0.54
Debt to Total Capitalization - market	**0.22**	0.21
Total Asset to Equity Ratio	**3.29**	3.29
Current Ratio	**0.72**	0.77
Solvency Ratio	**0.29**	0.28
PROFITABILITY MARGINS		
EBITDA Margins	**40%**	40%
Net Profit Margin	**15%**	13%
Return on Equity	**29%**	28%

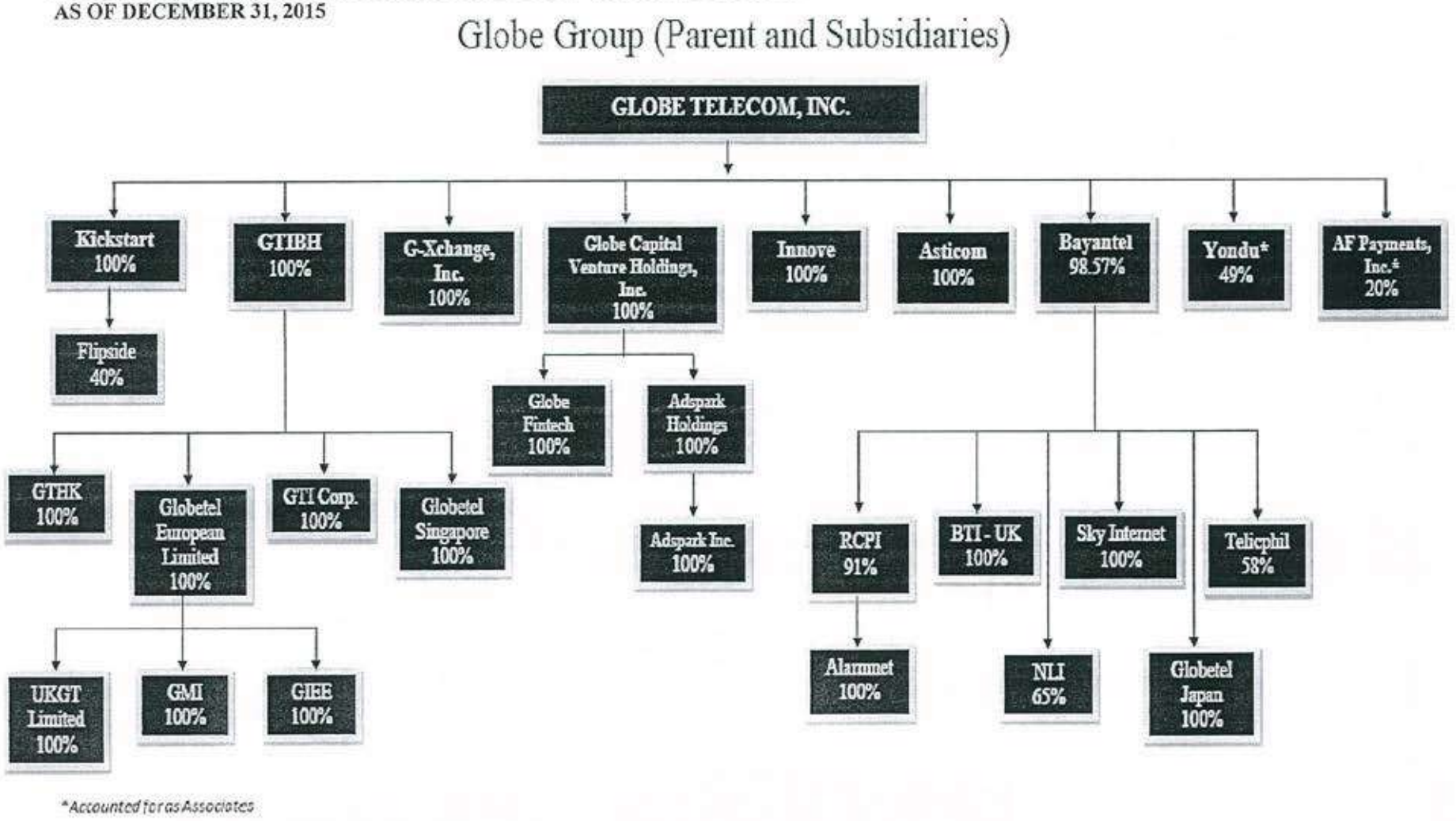
Schedule 3

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2015

Items	Amount (In thousands)
Unappropriated Retained Earnings, beginning	₱8,497,802
Adjustments	(4,277,985)
Unappropriated Retained Earnings, as adjusted, beginning	4,219,817
Net income during the period closed to Retained Earnings	13,029,749
Less: Non-actual/unrealized income net of tax	
Fair value adjustment (mark-to-market)	(36,340)
Recognized Deferred Tax Asset	(439,171)
Net income actually earned/realized during the period	12,554,238
Add (Less):	
Dividend during the period	(11,570,565)
Unappropriated Retained Earnings, as adjusted, ending	₱5,203,490

Schedule 4

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP
AS OF DECEMBER 31, 2015



Schedule 5

SCHEDULE OF PREFERRED SHARES OFFERING PROCEEDS
AS OF DECEMBER 31, 2015

Preferred Shares Offering Proceeds	₱10,000,000,000
Less: Preferred Shares-related disbursements	
SEC Registration Fees	3,093,125
PSE Processing and Listing Fees	11,256,000
Documentary Stamp Tax	5,000,000
Underwiting and Selling Fees	37,686,847
Professional Expenses	5,902,939
Other Related Expenses	283,445
Net Proceeds	9,936,777,644
Less: Capex Disbursements	
Transformation Capex	2,073,194,102
Data-related Capex	3,227,255,425
Other Capex	2,128,248,742
Balance of Proceeds as at December 31, 2014	2,508,079,375
Less: Capex Disbursements	
Transformation Capex	110,006,868
Data-related Capex	1,122,238,100
Other Capex	1,275,834,407
Balance of Proceeds as at December 31, 2015	₱ -

SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2015

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
City Sports Club Cebu	1 share	₱699,908	-	-
Makati Executive Center	1 share	30,100	-	-
Manila Golf & Country Club Inc.	7 shares	117,000,000	117,000,000	-
Manila Polo Club	2 shares	76,800,000	76,800,000	-
Philam Properties Corporation/ Tower Club Inc.	Club A - 116	500,000	-	-
PLDT	7,448,513 shares	7,449,513	-	-
TAODHARMA	550,000 shares	55,000,000	-	-
Telecoms Infrastructure Corp. of the Phil.	2,970,449 shares	2,970,449	-	-
Thinc Office Corp.	7,058 shares	1,230,000	-	-
ZAP Group, Inc.	62,500 shares	25,782,474	-	-
AVA Online Group	1,333 shares	5,000,000	-	-
Guestlist Philippines, Inc.	250,000 shares	1,720,000	2,700,000	-
Medix Digital Solutions, Inc.	120,000 shares	1,321,100	2,040,000	-
Lenddo International	250,000 shares	21,559,647	24,736,950	-
Eyeron Corp.	1,260,504 shares	4,395,100	-	-
mClinica Spore Pte. Ltd.	5,880 shares	11,220,500	-	-
AMASIA Ltd.		132,780,000	-	-
Innovantage, Inc.	149 shares	7,500,000	-	-
Growth Solutions Pte. Ltd.	50,000 shares	3,610,960	-	-
Lifetrack Medical Sytems, Inc.	38,193 shares	4,641,841	-	-
Teridoin, Inc.	237,758 shares	92,368,000	-	-
Digital Space Explorer, Inc.	56,000 shares	4,000,000	-	-
AFS investment in equity securities		₱577,579,592		

SCHEDULE B – Amounts Receivable from Directors, Officers, Employees, Related Parties and principal Stockholders (Other than Related parties)

Name and Designation of debtor	Balance at the beginning of period (January 1, 2015)	Additions	Amounts collected	Current	Not-current	Balance at the end of period (December 31, 2015)
Education Loan	₱58,474,137	₱105,562,522	₱111,406,098	₱52,630,561	₱-	₱52,630,561
Hospitalization Loan	22,841,927	35,153,953	19,396,347	38,599,533	-	38,599,533
Housing and Renovation Loan	34,150,324	47,120,176	49,929,942	31,340,558	-	31,340,558
Trade Receivables	13,169,024	77,578,573	81,637,670	7,095,410	2,014,517	9,109,927
Others	72,954,290	1,065,876	62,356,046	11,664,120	-	11,664,120
Medical and Health Related Loan	1,272,616	11,828,894	2,350,653	10,750,857	-	10,750,857
Total	₱202,862,318	₱278,309,994	₱327,076,756	₱152,081,039	₱2,014,517	₱154,095,556

Schedule C1 - Trade & Other Receivables Eliminated During Consolidation

Creditor	Creditor's Relationship to the Reporting Co. (Subsidiary or Parent)	Account Type	Beginning Balance (January 1, 2015)	Net Movement	Outstanding Balance (December 31, 2015)	Remarks	Description of "Other Receivables" Account
Globe	Subsidiary	Traffic receivable	P565,520,701	P245,484,462	P811,005,163		
		Trade receivable	4,237,513,486	(1,728,034,787)	2,509,478,699		
		Other receivable	3,788,727,204	8,506,056,199	12,294,783,403		
Innove	Parent	Traffic receivable	-	415,554,229	415,554,229		
		Trade receivable	-	8,972,913	8,972,913		
		Other receivable	38,922,595	1,809,289,145	1,848,211,740		
	Co-Subsidiary	Trade receivable	1,473,147	297,371,125	298,844,273		
	Co-Subsidiary	Other receivable	6,731,963	65,567,283	72,299,246		
	Co-Subsidiary		-	19,970,044	19,970,044		
GXI	Parent	Trade receivable	32,657,024	24,835,136	57,492,160		
	Co-Subsidiary	Trade receivable	40,207	26,772,438	26,812,645		
EGG	Parent	Trade receivable	370,773,902	(370,773,902)	-		
GTI	Parent	Other receivable	18,362,846	137,062,829	155,425,675		
	Co-Subsidiary	Other receivable	44,834,556	(14,661,168)	30,173,388		
Asticom	Parent	Trade Receivables	-	155,335,744	155,335,744		
	Co-Subsidiary	Trade Receivables	-	8,431,828	8,431,828		
	Co-Subsidiary	Other receivable	-	3,221,816	3,221,816		
BTI	Parent	Other Receivables	-	29,530,362	29,530,362		
	Parent	Traffic Receivables	-	4,661,046	4,661,046		
	Co-Subsidiary	Trade Receivables	-	20,231,292	20,231,292		
	Co-Subsidiary	Traffic Receivables	-	7,896,949	7,896,949		
GCVH	Co-Subsidiary	Other Receivables	-	2,332,927	2,332,927		
TOTAL			**P9,105,557,631**	**P9,675,107,910**	**P18,780,665,542**		

Schedule C2 - Trade Payable & Accrued Expenses Eliminated During Consolidation

Debtor	Creditor's Relationship to the Reporting Co. (Subsidiary or Parent)	Account Type	Beginning Balance (January 1, 2015)	Net Movement	Outstanding Balance (December 31, 2015)	Remarks	Description of "Other Receivables" Account
Globe	Subsidiary	Trade	P32,657,024	(P18,477,427)	P14,179,597		
	Subsidiary	Traffic	-	454,123,416	454,123,416		
	Subsidiary	Other	57,285,441	2,153,798,256	2,211,083,697		
	Subsidiary	Accrued expenses	370,773,902	37,665,091	408,438,993		
Innove	Parent	Traffic	491,329,209	248,602,408	739,931,617		
	Parent	Other	3,621,120,558	2,644,722,245	6,265,842,803		
	Co-Subsidiary	Trade	40,207	(40,207)	-		
	Co-Subsidiary	Other	-	27,474,544	27,474,544		
	Co-Subsidiary	Traffic	-	-	7,896,949		
	Co-Subsidiary	Accrued expenses	44,834,556	132,124,659	176,959,215		
GXI	Parent	Trade	4,231,601,124	(1,722,122,426)	2,509,478,699		
	Parent	Other	15,258,085	45,815,783	61,073,867		
	Co-Subsidiary	Trade	-	47,326,050	47,326,050		
	Co-Subsidiary	Other	-	7,367,694	7,367,694		
EGG	Parent	Trade	5,912,362	-	-		
	Co-Subsidiary	Accrued expenses	1,473,147	-	-		
GTI	Parent	Traffic	74,191,492	(23,781,074)	50,410,418		
	Parent	Other	108,793,177	97,614,284	206,407,460		
	Parent	Accrued expenses	296,171	2,321,505	2,617,676		
	Co-Subsidiary	Traffic	-	-	23,727,884		
	Co-Subsidiary	Other	6,731,963	9,310,688	16,042,651		
KVI	Parent	Other	43,259,213	(35,890,943)	7,368,270		
BTI	Parent	Accrued expenses	-	-	2,627,492		
	Parent	Other Payables	-	-	5,081,758,423		
	Co-Subsidiary	Accrued expenses	-	-	251,518,223		
	Co-Subsidiary	Trade Payables	-	-	60,380,384		
	Co-Subsidiary	Traffic Payables	-	-	5,325,614		
Asticom	Parent	Accrued expenses	-	-	85,012,765		
	Co-Subsidiary	Other	-	-	4,000,000		
GCVH	Parent	Other Payables	-	-	47,783,688		
	Co-Subsidiary	Accrued expenses	-	-	415,162		
TOTAL			**P9,105,557,630**	**P4,107,954,545**	**P18,776,573,250**		

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2015

Description	Beginning balance (Jan. 01, 2015)	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions/ (deductions)	Ending balance (Dec. 31, 2015)
		(In Thousand Pesos)				
Licenses and Application Software	₱17,170,998	₱896,429	₱14,598,932	₱7,376,725	(₱2,925)	₱10,842,295
Add:						
Customer Contracts	28,381	571,760	99,851	-	-	500,290
Exclusive Dealership Right	139,960	-	47,001	-	1,059	94,018
Total Intangible Assets	17,339,339	1,468,189	14,745,784	7,376,725	(1,866)	11,436,603
Add: Other Intangible Assets and Goodwill	327,125	1,644,864	24,542	-	(327,125)	1,620,322
Total Intangible Assets and Goodwill	₱17,666,464	₱3,113,053	₱14,770,326	₱7,376,725	(₱328,991)	₱13,056,925

SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2015

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of Long-Term Debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in related statement of financial position		
			Amount	**Interest rates**	**Maturity dates**
Term Loans:					
Dollar	$374,465,003	₱5,508,673,988	₱12,052,324,750	2.02% - 6.00%	2016 - 2025
Peso	₱36,000,000,000	397,895,961	35,285,466,228	1.12% - 5.00%	2016 - 2023
Corporate Notes	₱5,000,000,000	2,067,023,813	-	8.43%	2016
Retail Bonds	₱17,000,000,000	-	16,917,472,576	4.89% - 6.00%	2017 - 2023
		₱7,973,593,762	₱64,255,263,554		

SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES
DECEMBER 31, 2015

Name of Related Party	Balances at beginning of period	Balance at end of period
Bayantel Telecommunications Inc.	₱4,443,955,849	₱-
Globe Group Retirement Plan	968,000,000	968,000,000
Bethlehem Holdings, Inc.	158,620,000	158,620,000
	₱5,570,575,849	₱1,126,620,000

**Globe Telecom acquired 99% of shares in 2015 and accordingly reclassified to investment in subsidiaries.*

SCHEDULE G – GUARANTESS OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2015

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which this statement is filed	Nature of guarantee
Not Applicable				

SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2015

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	148,934,373	132,742,767	8,936,062	103,007,089	206,209	-
Voting preferred stock	160,000,000	158,515,021	-	-	5	
Non-voting preferred stock	40,000,000	20,000,000	-	27,800	18,700	-

GLOBE STORES

GMA

SM NORTH EDSA
4/F Cyberzone Bldg., New SM Annex, SM City North Edsa, Quezon City
UP TECHNO STORE
UP Ayalaland TechnoHub Diliman, Commonwealth, Quezon City
SM ANGONO
2/F SM Angono Mall, Manila East Road, Angono, Rizal
TRINOMA
M1 Unit 1034, Trinoma Mall, EDSA, Quezon City
SM NOVALICHES
2/F SM City Novaliches, Quirino Highway, San Bartolome 2, Novaliches, Quezon City
SM MARIKINA
G/F Cyberzone, SM City Marikina, Marcos Highway, Calumpang, Marikina City
SM FAIRVIEW
3/F Cyberzone, SM City Fairview, Quirino Highway Cor. Regalado Avenue, Brgy. Greater Lagro, Novaliches, Quezon City
SM TAYTAY
2/F Building B, SM City Taytay, Manila East Road, Taytay, Rizal
SM MASINAG
2/F Cyberzone, SM City Masinag, Marcos Highway, Antipolo City
SM VALENZUELA
3/F SM Super Center Valenzuela, McArthur Highway, Valenzuela City
AYALA FAIRVIEW
3054-3054A, 3/F Quirino Highway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches Q.C.
SM MEGAMALL
4/F Cyberzone, SM Megamall Building B, Ortigas Center, Pasig City
SM LIGHT
Unit 136, G/F SM Light Mall, Boni Ave., Mandaluyong City
ALI MALL CUBAO
UG/F, Ali Mall II, Araneta Center, Cubao, Quezon City
QUEZON AVENUE
Unit 103-A, G/F National Bookstore Inc., Quezon Avenue, Quezon City
GATEWAY
3/F Gateway Mall, Araneta Center, Cubao Quezon City
EASTWOOD MALL
2/F Eastwood Mall, Eastwood City, Cyberpark, E. Rodriguez Avenue, Bagumbayan, Quezon City
SHANGRI-LA
G/F Shangri-la Plaza, EDSA cor. Shaw Boulevard, Mandaluyong City
PODIUM
5/F The Podium Building, ADB Avenue, Ortigas Center, Mandaluyong City
ROBINSONS GALLERIA
G/F East Wing, Robinsons Galleria Mall, EDSA cor. Ortigas Avenue, Quezon City
GREENHILLS
G/F V Mall, Greenhills Shopping Center, Ortigas Avenue, San Juan
GREENBELT 4
2/F Greenbelt 4, Ayala Center, Makati City
SM MAKATI
4/F Concourse Area, SM Makati Department Store, Ayala Center, Makati City
TOWER ONE
Mezzanine, Unit C Makati Stock Exchange, Ayala Tower One, Ayala Avenue cor. Paseo de Roxas, Makati City
GLORIETTA
G/F Glorietta 3, Ayala Center, Makati City
THE GLOBE TOWER
The Globe Telecom Bldg., 32nd St. 7th Ave., Bonifacio Global City, Taguig
MARKET MARKET
4/F Market Market, Bonifacio Global City, Taguig
ROCKWELL
Level R2 Power Plant Mall, Rockwell, Makati City
SM AURA
Unit 434, 4/F SM Aura Premiere, 26th Street cor. McKinley Parkway, Brgy. Fort Bonifacio, Global City, 1630, Taguig City
ALPHA LAND
G/F Alphaland Southgate Mall, EDSA cor. Pasong Tamo Extension, Makati City
SM BICUTAN
2/F SM City Bicutan Building B, Dona Soledad Avenue, Brgy. Don Bosco, Bicutan, Paranaque City

SM MALL OF ASIA
2/F North Parking Building, SM Mall of Asia, Pasay City
SM SAN LAZARO
3/F SM City San Lazaro, Felix Huertas cor. A.H. Lacson Sts, Sta. Cruz, Manila
SM MANILA
LG/F Cyberzone, SM City Manila, Arroceros cor. Marcelino Sts, Manila
SM SOUTHMALL
3/F Cyberzone, SM Southmall Alabang-Zapote Road, Las Pinas City
SM SUCAT
3/F SM Supercenter Sucat, Sucat Road, Paranaque City
ROBINSONS PLACE MANILA
4/F Pedro Gil Wing, Robinsons Place Manila, Pedro Gil cor. Adriatico Sts, Ermita, Manila
BINONDO
3/F, Lucky China Town Mall, Calle Felipe cor. La Chombre Sts, Barangay 293, Zone 28, Binondo, Manila
SM STA. MESA
3/F SM City Sta. Mesa, Ramon Magsaysay Blvd. cor. Araneta, Sta. Mesa, Manila
SM BF HOMES
3/F Cyberzone Area, SM City, BF Paranaque

LUZON

SM TARLAC
Unit 345, 3/F Cyberzone, SM City, McArthur Highway, Tarlac City
SM MARILAO
Unit 219, 2/F SM City Marilao, Km. 21 Brgy. Ibayo, McArthur Highway, Bulacan
SM CLARK
Unit 203-204, 2/F SM City Clark, Clarkfield, Pampanga
SM OLONGAPO
Unit 306, 3/F SM City Olongapo, Brgy. Pagasa Magsaysay Drive, Olongapo City
CABANATUAN
GL-4B NE Pacific Mall, Km. 111, Maharlika Highway, Cabanatuan City, Nueva Ecija
SM SAN FERNANDO
Unit 314, 3/F SM City San Fernando, V. Tiomico St., Brgy. Poblacion, City of San Fernando, Pampanga
SM BALIUAG
Unit 141, G/F SM City Baliwag, Doña Remedios Trinidad Highway, Brgy. Pagala Baliuag, Bulacan
SM PAMPANGA
Unit 129, Cyberzone SM City, City of San Fernando, Pampanga
SM CABANATUAN
2/F Cyberzone SM City Cabanatuan, Maharlika Highway, Cabanatuan City
HARBOR POINT Microstore
Unit 1012, G/F Harbor Point Mall, Rizal Ave., Subic Bay Freeport Zone, Olongapo City
CONCEPCION Microstore
Unit 2, G/F Suarez Bldg., Timbol St., San Nicolas, Concepcion, Tarlac
Gapan Microstore
2/F Waltermart Mall, Bayanihan, Gapan City, Nueva Ecija
GUAGUA Microstore
Plaza Burgos, Guagua Pampanga
TUGUEGARAO
Unit 79, Chowking Bldg., Balzain Road, Tuguegarao City, Cagayan Valley
PUREGOLD LAOAG
Puregold Bldg., J.P. Rizal St., Laoag City, Ilocos Norte 2900
SAN FERNANDO, LA UNION
G/F La Union Provincial Administrative Commercial Bldg., Quezon Ave., 2500 San Fernando, La Union
DAGUPAN
G/F 127 Nepo Mall Dagupan, Arellano St., Dagupan, Pangasinan
VIGAN
Collegio Business Center, Mart 1 Nueva Segovia St., Vigan City
SM ROSALES
Unit IT112, G/F SM City Rosales, MacArthur Highway, Brgy. Carmen East, Rosales, Pangasinan
SM BAGUIO
Unit 349 & 350, 3/F SM City Baguio, Luneta Hill, Upper Session Road, Baguio City
HYPERMART LAOAG Microstore
G/F SM Hypermarket, F. R. Castro Cor. Paco Roman St. Laoag City, Ilocos Norte 2900

SM BACOOR
324-325, 3/F Cyberzone Area SM City Bacoor, Tirona Highway cor. Aguinaldo Highway, Bacoor, Cavite
SM MOLINO
Unit 213, 2/F SM Supercenter Molino, Molino IV, Bacoor, Cavite
SM ROSARIO
Unit 237, 2/F SM City Rosario, Gen. Trias Drive, Rosario Cavite
SM DASMARINAS
E204, 2/F SM Dasmariñas, Governor Drive 1, Brgy. Sampaloc Dasmariñas, Cavite
PUERTO PRINCESA
Unit 1, G/F GETAN Square, 273 Rizal Ave., Puerto Princesa, Palawan
SM MUNTINLUPA
Unit 240, 2/F SM Supercenter Muntinlupa, National Road, Tunasan, Muntinlupa City
ALABANG TOWN CENTER
2/F Alabang Town Center, Madrigal cor. Commerce Ave., Alabang, Muntinlupa
FESTIVAL SUPERMALL
08 & XS-09, 3/F Filinvest Festival Supermall, Filinvest Corporate City, Alabang Muntinlupa
The District, Ayala Mall Imus
Unit 112B, G/F The District, Ayala Mall, Imus, Cavite
CALAPAN
G/F Homemark Bldg., JP Rizal St., Camilmil, Calapan City, Or. Mindoro
SM BATANGAS
Units 229 & 230, 2/F SM City Batangas, Pastor Village, Pallocan West, Batangas City
SM LIPA
2/F SM City Lipa, Ayala Highway, Brgy. Marawoy, Lipa City, Batangas 4217
SM CALAMBA
2/F Cyberzone SM City Calamba, National Highway, Brgy. Real, Calamba City
SM STA. ROSA
2/F Cyberzone SM City Sta. Rosa, Brgy. Tagapo, Sta. Rosa City, Laguna
Pinamalayan Microstore
FCA Bldg. 2, Mabini St., Zone 3, Pinamalayan, Or. Mindoro
Citimart-Bauan Microstore G/F Citimart Bauan, Kap. Ponso St., Bauan, Batangas
SM NAGA
Unit 212, 2/F SM City Naga Central Business II, Brgy. Triangulo, Naga City
SM LUCENA
CZ 014, 3/F Cyberzone SM Lucena, Dalahican cor. Pagbilao Roads, Lucena City
LEGASPI
2/F Pacific Mall, Landco Business Park, Bitano, Legaspi City
SM SAN PABLO
2/F SM San Pablo, Maharlika Highway, San Pablo City
LCC Iriga Microstore
2/F LCC Mall, Highway 1, San Francisco, Iriga City
TABACO MS
G/F VSP Bldg., Riosa St., Brgy. Divino Rostro, Tabaco City, Albay

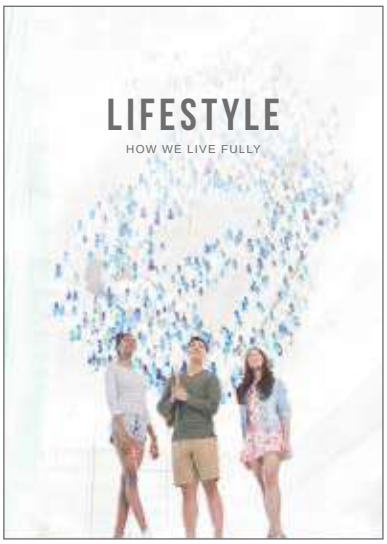
VISAYAS

AYALA CEBU
Active Zone, Ayala Center Cebu, Cebu Business Park, Cebu City 6000
SM SEASIDE
3/F Cyberzone, South Road Properties (SRP), Mambaling, Cebu City
SM CEBU
2/F Cyberzone, SM City Cebu Northwing, North Reclamation Area, Cebu City 6000
SM CONSOLACION
201-Q, 2/F Cyberzone, SM City Consolacion, Lamac, Consolacion Cebu 6001
ELIZABETH MALL
3/F Elizabeth Mall, N. Bacalso cor. Keon Kilat Sts, Cebu City 6000
GAISANO TABUNOK
2FF-17, 2/F Gaisano Grand Fiesta Mall, Highway Tabunok, Talisay City, Cebu 6045
GAISANO ISLAND MALL
G/F Annex-5 Gaisano Island Mall, Pajo, Lapu-lapu City, Cebu 6015
SM ILOILO
2/F SM City Iloilo, B. Aquino Ave., Mandurriao, Iloilo City 5000

ROBINSONS ROXAS
2/F Robinsons Place, Pueblo de Panay, Roxas City, Capiz 5800
SM BACOLOD
Unit 209-210, 2/F Cyberzone, North Wing SM City, Reclamation Area, Bacolod City 6100
AYALA BACOLOD
Stall F123, G/F The District North Point, Talisay Highway, Brgy. Zone 15, Talisay City, Negros Occidental 6115
SM DELGADO
G/F SM Delgado cor. Valeria & Delgado Sts., Iloilo City 5000
ROBINSONS BACOLOD
3/F Robinsons Place, Mandalagan, Bacolod City 6100
DUMAGUETE
Space 276-279, 2/F Robinsons Dumaguete, Calindagan, Dumaguete City, Negros Oriental 6200
GAISANO ILOILO
2/F Gaisano City, La Paz, Iloilo City 5000
BORACAY
Block C, Unit 1-2A Phase 2, D'Mall De Boracay, Balabag, Malay, Aklan 5608
ISLAND CITY MALL
LG/F Island City Mall, Dao District, Tagbilaran City 6300
ROBINSONS TACLOBAN
G/F Annex Bldg., Robinson's Place Tacloban, National Highway, Tabuan, Marasbaras Tacloban City, Leyte 6500
CALBAYOG
Unit #2, Crown Bldg., Magsaysay Blvd., Calbayog City, Western Samar 6710
MAASIN
G/F (beside main entrance), Pering Chai Bio Bldg., Tomas Oppos St., Tunga-Tunga, Maasin City 6600

MINDANAO

SM CAGAYAN DE ORO
Unit 313, 3/F SM CITY CDO, Gran via St. cor Mastersons Ave., Cagayan De Oro City 9000
CDO LIMKETKAI
North Concourse, Limketkai Mall, Lapasan, Cagayan de Oro City 9000
AYALA CENTRIO
2/F Ayala Centrio Mall, Lapasan, Cagayan de Oro City 9000
BUTUAN
3/F Gaisano Mall, J.C. Aquino Ave., Butuan City 8600
ILIGAN
3/F Gaisano Mall, Roxas Ave., Villa Verde, Iligan City 9200
VALENCIA
Unit 215, 2/F NVM Mall, Sayre Highway, Valencia City, Bukidnon 8709
OZAMIS
B-5, G/F Gaisano Ozamis City Mall, cor. Rizal Ave. & Zamora Extension, Ozamiz City, Misamis Occidental 7200
PAGADIAN
L/G Gaisano Capital, San Pedro District, Pagadian City 7016
DAVAO ABREEZA
3/F Abreeza Mall, JP Laurel Avenue, Davao City 8000
COTABATO CITY
BPI Bldg. Makakua St., Cotabato City 9600
TAGUM
3/F Gaisano Mall of Tagum National Highway, Tagum City 8100
SM LANANG
Unit C3-150, 3/F Cyberzone, SM lanang Premier, JP Laurel Ave. Bajada, Davao City 8000
SM GENSAN
Unit CY01-03, 3/F SM Mall of Gensan, Santiago Blvd., cor. San Miguel Street, General Santos City 9500
SM DAVAO
2/F Cyberzone, SM Annex Bldg., SM City Davao, Ecoland, Quimpo Blvd., Davao City 8000
ZAMBOANGA
Door 2&3, ARV Bldg., San Jose Road, Zamboanga City 7000
KORONADAL
4/F KCC Mall of Marbel, Gensan Drive, Koronadal City, South Cotabato 9506





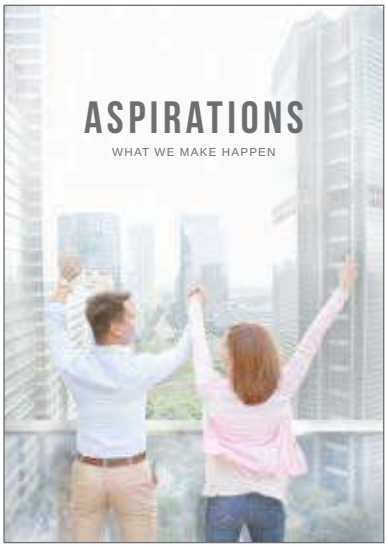


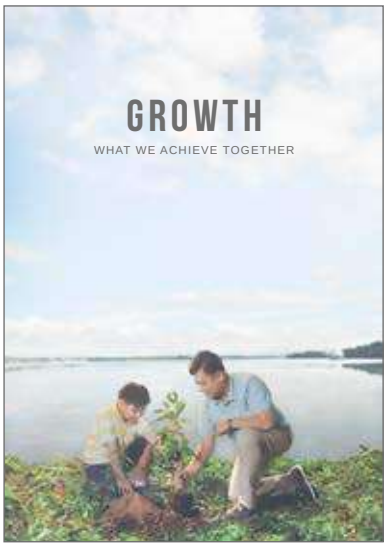
LIFESTYLE

Transforming experience through connections. Cultivating memories from relationships that define us. This is the way we live, and this is how we push forward.

Flow, an installation by the artist Libor Sostak, uses hand-blown glass elements that resemble dynamic movement. It echoes information rushing in virtual and infinite space, creating a wonderful world.

This enables a digital lifestyle flowing through every Filipino—connecting us to better possibilities. We charge ahead, inspiring progress and opportunity. We nourish passion as we create value. When we revolutionize the modern landscape, we lead a bright future for all.









Project Lead
Ma. Yolanda Crisanto, APR

Project Manager
Roland Ferrer

Project Assistant
Kristel Or-Tan

Collaborators
Jan Lester Olaño
Jose Mari Fajardo
Emily San Gabriel
Rasia Tan
Joan Pauleen Go
Anthony Gonzales
Winny Ko
Maria Virginia Tolentino-Uy
Dada Dyquiangco
Robert Gonzales
Lynn Atanacio-Cano
Rizza Salvino
Lyn Sebial
Niño Guardino
Bernadette Jimenez
Peterson Fernandez
Joven Cabingao
Beng Bernal
Christine Blabagno
Mike Andrade De Guzman
Alberto Arago
Bianca Wong
Nature Calderon
Aileen Burgos
Jacq Fuentes
Vinchi Syquia
Minette Navarrete
Pia Bernal
Fernando Esguerra
Apple Evangelista
Rofil Magto
Miguel Bermundo
Amor Macalalad
Patrick Erestain
John Rubio
Niña Angela Gonzales
Chris Manguera
Ronald Testa
Marc Arthur Garcia
Michelle Catoto
Benjo Garcia
Andrea Tan

Photography
Wig Tysmans

Concept, Design, Writing, and Layout
Medium3

CORPORATE INFORMATION

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Stock Trading Information
Globe Telecom is listed on the
Philippine Stock Exchange
Ticket symbol: GLO

SUBSIDIARIES

Innove Communications, Inc.
18th Floor, Innove IT Plaza
Samar Loop corner Panay Road
Cebu Business Park
6000 Cebu City
Trunkline: (032) 415-8822 / (032) 730-2000

G-Xchange, Inc.
24th Floor, The Globe Tower
32nd St. cor. 7th Ave.
Bonifacio Global City, Taguig
Website: www.globe.com.ph/gcash

Yondu
7th Floor, Panorama Tower
34th Street corner Lane A
Bonifacio Global City, Taguig City
Trunkline: (02) 847-2732 locals 133, 134 & 135
Website: http://www.yondu.com/

Kickstart Ventures, Inc.
55 Paseo de Roxas Avenue
Makati City
Trunkline: (02) 625-8723
Website: www.kickstart.ph

Asticom Technology, Inc.
9th Floor, 139 Corporate Center
139 Valero St. Makati City

SHAREHOLDER SERVICES

For inquiries regarding dividend payments, change of address, account status, and lost/damaged stock
certificates, please contact our stock transfer agent:

Bank of the Philippine Islands
(BPI) Stock Transfer Office
16th Floor, BPI Building
Ayala Avenue corner Paseo de Roxas
Makati City
Tel. (02) 816-9067 / (02) 816-9321
Fax. (02) 845-5515

For further information regarding the annual report, please contact:

Ma. Yolanda C. Crisanto, APR
Senior Vice President, Corporate Communications
Email: gtcorpcomm@globe.com.ph

THE GLOBE TOWER
32nd Street corner 7th Avenue
Bonifacio Global City, Taguig, 1634 Philippines
Tel (632) 730 2000
www.globe.com.ph

COVER SHEET

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(Company's Full Name)

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B	O	N	I	F	A	C	I	O		G	L	O	B	A	L		C	I	T	Y		T	A	G	U	I	G		

(Business Address: No. Street City / Town / Province)

ROSEMARIE MANIEGO-EALA

Contact Person

797-2000

Company Telephone Number

1	2

Month

3	1

Day

Fiscal Year

	1	7	A	

FORM TYPE

0	4

Month

0	8

Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue
Bonifacio Global City
Taguig, Philippines
+632.7972000
www.globe.com.ph

14 April 2016

Securities and Exchange Commission
SEC Building, EDSA, Greenhills,
Mandaluyong City, Metro Manila

Gentlemen/Mesdames:

Globe Telecom, Inc. SEC 17-A Report for the Fiscal Year ended December 31, 2015

In compliance with SEC rules and regulations, we are pleased to submit four (4) copies of Globe Telecom, Inc.'s SEC 17-A report kit for the fiscal year ended December 31, 2015.

Each kit contains the following documents:

1. 2015 Annual and Sustainability Report;
2. SEC Form 17-A Report with Audited Financial Statements for the fiscal year ended December 31, 2015;
3. SEC Form – Annual Corporate Governance Report (ACGR) for the year 2015; and,
4. Annexes to the ACGR for the year 2015 with information as of December 31, 2015.

We trust that you will find the aforementioned documents to be in good order.

Very truly yours,

[redacted]

Jan Lester O. Olaño
Vice President
Financial Planning and Analysis

Encl: a/s

SEC Number: 1177
File Number: ____

GLOBE TELECOM, INC.

27th Floor, The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City, Taguig 1634
(632) 797-2000

SEC Form 17-A

FOR THE FISCAL YEAR ENDED

31 DECEMBER 2015

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A



ANNUAL REPORT PURSUANT TO SECTION 17 OF THE REVISED SECURITIES ACT AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **31 December 2015**
2. SEC Identification Number: **1177**
3. BIR Tax Identification No. **000-768-480-000**
4. Exact name of registrant as specified in its charter: **Globe Telecom, Inc.**
5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: _____(SEC Use Only)
7. Address of principal office: **27th Floor, The Globe Tower 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig City** Postal Code: **1634**
8. Registrant's telephone number: **(632) 797-2000**
9. Former name, former address, and former fiscal year: **N/A**
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Par Value	No. of Shares	Amount
Common	₱ 50	132,742,767	₱ 6,637,138,350
Voting Preferred	5	158,515,021	792,575,105
Non-Voting Preferred	50	20,000,000	1,000,000,000
		311,239,788	₱ 8,429,713,455

11. Are any or all of these securities listed on the Philippine Stock Exchange? Yes [x] No [ ]
12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports): Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days: Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of 31 December 2015: **₱54.7 billion**

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PART I – BUSINESS AND GENERAL INFORMATION

Any reference in this report to "we", "us", "our", "Company" means the Globe Group including its wholly-owned subsidiaries and references to "Globe" mean Globe Telecom, Inc., the parent company, not including its wholly-owned subsidiaries. Also, unless otherwise stated or the context indicates otherwise, references to Board of Directors, committees, management, directors, officers and stockholders are references to the Board of Directors, committees, management, directors, officers and stockholders of Globe and references to the Bylaws, Articles of Incorporation or other documents are references to the Bylaws, Articles of Incorporation or other documents of Globe.

Item 1. Business

Globe Telecom, Inc. is a major provider of telecommunications services in the Philippines, supported by over 6,800 employees and over 1 million retailers, distributors, suppliers, and business partners nationwide. The Company operates one of the largest and most technologically-advanced mobile, fixed line and broadband networks in the country, providing reliable, superior communications services to individual customers, small and medium-sized businesses, and corporate and enterprise clients. Globe currently has about 53 million mobile subscribers, over 4 million broadband customers, and over 1 million landline subscribers.

Globe's principal executive offices are located at the The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig, Metropolitan Manila, Philippines.

Globe is one of the largest and most profitable companies in the country, and has been consistently recognized both locally and internationally for its corporate governance practices. It is listed on the Philippine Stock Exchange under the ticker symbol GLO and had a market capitalization of US$5.3 billion as of the end of December 2015.

The Company's principal shareholders are Ayala Corporation and Singapore Telecom, both industry leaders in their respective countries. Aside from providing financial support, this partnership has created various synergies and has enabled the sharing of best practices in the areas of purchasing, technical operations, and marketing, among others.

Globe is committed to being a responsible corporate citizen. Globe BridgeCom, the company's umbrella corporate social responsibility program, leads and supports various initiatives that (1) promote education and raise the level of computer literacy in the country, (2) support entrepreneurship and micro-enterprise development particularly in the countryside, and (3) ensure sustainable development through protection of the environment and excellence in operations. Since its inception in 2003, Globe BridgeCom has made a positive impact on the lives of thousands of public elementary and high school students, teachers, community leaders, and micro-entrepreneurs throughout the country. For its efforts, Globe BridgeCom has been recognized and conferred several awards and citations by various Philippine and international organizations.

The Globe Group is composed of the following companies:

- Globe Telecom, Inc. (Globe) provides mobile telecommunications services;

- Innove Communications Inc. (Innove), a wholly-owned subsidiary, provides fixed line telecommunications and broadband services, high-speed internet and private data networks for enterprise clients, services for internal applications, internet protocol-based solutions and multimedia content delivery;

- G-Xchange, Inc. (GXI), a wholly-owned subsidiary, provides mobile commerce services under the *GCash* brand;

- GTI Business Holdings, Inc. (GTI) is a wholly-owned subsidiary with authority to provide VOIP services. Its wholly-owned subsidiaries are: GTI Corporation (GTIC US), a company organized under the General Corporation Law of the State of Delaware for the purpose of engaging in any lawful act or activity; Globe Telecom HK Limited (GTHK), a limited company organized under the Companies Ordinance of Hong Kong; Globetel European Limited and its subsidiaries namely: UK Globetel Limited, a private limited company under

the Companies Act of 2006, wherein the registered address is in England and Wales; Globe Mobile' Italy S.r.l. (GMI), a limited liability company to perform, directly, and/or through its subsidiaries, services such as voice calling, SMS, MMS, load top-up and mobile data to Filipinos based in, or visiting Italy with registered address in Milan, Italy; and Globetel Internacional European España, S.L., a company with registered address in Barcelona, Spain;

- Kickstart Ventures, Inc. (Kickstart), a wholly-owned subsidiary, is a pioneering business incubator designed to provide aspiring technopreneurs with funds and facilities, mentorship and market access needed to build new businesses; Kickstart's subsidiary is Flipside Publishing Services, Inc. (FPSI) which was consolidated in February 2014;

- Asticom Technology, Inc. a wholly-owned subsidiary is a system integrator and information technology services provider to domestic and international markets.

- Globe Capital Venture Holdings, lnc. (GCVHI), a wholly-owned subsidiary, is a holding company through which strategic businesses and initiatives are intended to be consolidated. GCVH was incorporated on June 2015. GCVHI's subsidiaries are Globe Fintech Innovations, Inc. (GFI) and Adspark Holdings, Inc.(AHI); and

- Bayan Telecommunications, Inc. (Bayan), is a provider of data and communications services such as dedicated domestic and international leased lines, frame relay services, Internet access, and other managed data services like Digital Subscriber Lines (DSL). BTI's subsidiaries are: Radio Communications of the Philippines, Inc. (RCPI), Alarmnet, Inc. (Alarmnet), Telecoms Infrastructure Corp. of the Philippines (Telicphil), Sky Internet, Incorporated (Sky Internet), BTI Global Communications Japan, Inc. (BTI - Japan), BTI Global Communications Ltd. (BTI - UK), and NDTN Land, Inc. (NLI).

The Company is a grantee of various authorizations and licenses from the National Telecommunications Commission (NTC) as follows: (1) license to offer and operate facsimile, other traditional voice and data services and domestic line service using Very Small Aperture Terminal (VSAT) technology; (2) license for inter-exchange services; and (3) Certificate of Public Convenience and Necessity (CPCN) for: (a) international digital gateway facility (IGF) in Metro Manila, (b) nationwide digital cellular mobile telephone system under the GSM standard (CMTS-GSM), (c) nationwide local exchange carrier (LEC) services after being granted a provisional authority in June 2005, and (d) international cable landing stations located in Nasugbu, Batangas and Ballesteros, Cagayan.

A. <u>Business Development and Corporate History</u>

In 1928, Congress passed Act No. 3495 granting the Robert Dollar Company, a corporation organized and existing under the laws of the State of California, a franchise to operate wireless long distance message services in the Philippines. Subsequently, Congress passed Act No. 4150 in 1934 to transfer the franchise and privileges of the Robert Dollar Company to Globe Wireless Limited which was incorporated in the Philippines on 15 January 1935.

Globe Wireless Limited was later renamed as Globe-Mackay Cable and Radio Corporation ("Globe-Mackay"). Through Republic Act ("RA") 4630 enacted in 1965 by Congress, its franchise was further expanded to allow it to operate international communications systems. Globe-Mackay was granted a new franchise in 1980 by Batasan Pambansa under Batas Pambansa 95.

In 1974, Globe-Mackay sold 60% of its stock to Ayala Corporation, local investors and its employees. It offered its shares to the public on 11 August 1975.

In 1992, Globe-Mackay merged with Clavecilla Radio Corporation, a domestic telecommunications pioneer, to form GMCR, Inc. ("GMCR"). The merger gave GMCR the capability to provide all forms of telecommunications to address the international and domestic requirements of its customers. GMCR was subsequently renamed Globe Telecom, Inc. ("Globe").

In 1993, Globe welcomed a new foreign partner, Singapore Telecom, Inc. (STI), a wholly-owned subsidiary of Singapore Telecommunications Limited ("SingTel"), after Ayala and STI signed a Memorandum of Understanding.

In 2001, Globe acquired Isla Communications Company, Inc. ("Islacom") which became its wholly-owned subsidiary effective 27 June 2001. In 2003, the National Telecommunications Commission ("NTC") granted Globe's application to transfer its fixed line business assets and subscribers to Islacom, pursuant to its strategy to integrate all of its fixed line services under Islacom. Subsequently, Islacom was renamed as Innove Communications, Inc. ("Innove").

In 2004, Globe invested in G-Xchange, Inc. ("GXI"), a wholly-owned subsidiary, to handle the mobile payment and remittance service marketed under the *GCash* brand using Globe's network as transport channel. GXI started commercial operations on 16 October 2004.

In November 2004, Globe and seven other leading Asia Pacific mobile operators ('JV partners') signed an agreement ('JV agreement') to form Bridge Alliance. The joint venture company operates through a Singapore-incorporated company, Bridge Mobile Pte. Limited (BMPL) which serves as a commercial vehicle for the JV partners to build and establish a regional mobile infrastructure and common service platform to deliver different regional mobile services to their subscribers. The Bridge Alliance currently has a combined customer base of over 250 million subscribers among its partners in India, Thailand, Hong Kong, South Korea, Macau, Philippines, Malaysia, Singapore, Australia, Taiwan and Indonesia.

In 2005, Innove was awarded by the NTC with a nationwide franchise for its fixed line business, allowing it to operate a Local Exchange Carrier service nationwide and expand its network coverage. In December 2005, the NTC approved Globe's application for third generation (3G) radio frequency spectra to support the upgrade of its cellular mobile telephone system ("CMTS") network to be able to provide 3G services. The Company was assigned with 10-Megahertz (MHz) of the 3G radio frequency spectrum.

On 19 May 2008, following the approval of the NTC, the subscriber contracts of *Touch Mobile* or *TM* prepaid service were transferred from Innove to Globe which now operates all wireless prepaid services using its integrated cellular networks.

In August 2008, and to further grow its mobile data segment, Globe acquired 100% ownership of Entertainment Gateway Group ("EGG"), a leading mobile content provider in the Philippines. EGG offers a wide array of value-added services covering music, news and information, games, chat and web-to-mobile messaging.

On 25 November 2008, Globe formed GTI Business Holdings, Inc. (GTIBH) primarily to act as an investment company.

On October 30, 2008, Globe, the Bank of the Philippine Islands (BPI) and Ayala Corporation (AC) signed a memorandum of agreement to form a joint venture that would allow rural and low-income customers' access to financial products and services. Last October 2009, the Bangko Sentral ng Pilipinas (BSP) approved the sale and transfer by BPI of its shares of stock in Pilipinas Savings Bank, Inc. (PSBI), formalizing the creation of the venture. Globe's and BPI's ownership stakes in PSBI is at 40% each, while AC's shareholding is at 20%. The partners plan to transform PSBI (now called BPI Globe BanKO, Inc.) into the country's first mobile microfinance bank. The bank's initial focus will be on wholesale lending to other microfinance institutions but will eventually expand to include retail lending, deposit-taking, and micro-insurance. BPI Globe BanKO opened its first branch in Metro Manila in the first quarter of 2011 and now has 6 branches nationwide, over 2,000 partner outlets, 261,000 customers and over ₱2.4 billion in its wholesale loan portfolio.

On March 2012, Globe launched Kickstart Ventures, Inc. (Kickstart) to help, support and develop the dynamic and growing community of technopreneurs in the Philippines. Kickstart is a business incubator that is focused on providing aspiring technopreneurs with the efficient environment and the necessary mechanisms to start their own business. Since its launch, Kickstart has 10 companies in its portfolio covering the digital media and technology, and web/mobile platform space.

On October 2013, following the court's approval of the Amended Rehabilitation Plan (jointly filed by Globe and Bayantel in May 2013), Globe acquired a 38% interest in Bayantel by converting Bayantel's unsustainable debt into common shares. This follows Globe's successful tender offer for close to 97% of Bayantel's outstanding indebtedness as of December 2012. As part of the amended rehab plan and pending regulatory approvals, Globe would further convert a portion of its sustainable debt into common shares of Bayantel, bringing up its stake to around 56%. On October 2014, Globe Telecom received a copy of the temporary restraining order (TRO) issued by the Court of Appeals (CA) stopping the National Telecommunications Commission's (NTC) proceedings in connection with the bid of Globe Telecom Inc. to take over Bayan Telecommunications Inc. (Bayantel). Despite the lapse of the Temporary Restraining Order (TRO) last December 9, 2014, the Court of Appeals has advised the NTC to refrain from conducting any proceedings in connection with the bid of Globe assume majority control of Bayantel.

On June 3, 2014, Globe signed an agreement with Azalea Technology, Inc. and SCS Computer Systems, acquiring the entire ownership stake in Asticom. Asticom, a systems integrator and information technology services provider to domestic and international markets, is 49% owned by Azalea, a 100%-owned subsidiary of Ayala Corporation and 51% owned by SCS Computer Systems, a subsidiary of Singapore Telecom.

On June 15, 2015, Globe Telecom lnc. disclosed the approval to create a wholly-owned holding company through which new and strategic businesses are intended to be made and consolidated. The creation of this holding company aims to provide more focus on developing and growing said businesses.

On July 20, 2015, Globe Telecom, lnc. ("Globe") has agreed to purchase from Bayan Telecommunications Holdings, Corporation ("BTHC') and Lopez Holdings, Corporation ("LHC") all the equity in the capital stock of Bayan Telecommunications, lnc. ("Bayan") that is held by BTHC and LHC, valued at approximately Php 1.83 Billion (the "Transaction"). The Transaction follows the conversion by Globe of Bayan debt into equity provided under the resolution of Bayan's Rehabilitation Court (Regional Trial Court Branch 158 Pasig City) in SEC Case 03-25 dated 27 August 2013, and approved by the National Telecommunications Commission on 2 July 2015, as previously disclosed. The transaction involves up to 70,763,707 Bayan shares and increases Globe's equity interests in Bayan from 56.87% to 98.57% of outstanding capital stock.

On July 3, 2015, loan receivables from BTI were revalued, in accordance with the Master Restructuring Agreement, comprising of principal and interest due until 2023, with quarterly interest payments and semi-annual principal payments.

On November 12, 2015, Globe received the resolution from the rehabilitation court granting its motion for the termination of the rehabilitation proceedings involving Bayan. The resolution sets a key milestone for Bayan, wherein it successfully exits rehabilitation and provides key steps for Globe to continue to unlock opportunities for synergies with Bayan.

Globe Telecom, Inc. (Globe), Ayala Corporation (AC) and Bank of the Philippine Islands (BPI) signed an agreement on August 27, 2015 to turn over full ownership of BPI Globe BanKO (BanKO) to BPI, one of the majority owners of the joint venture. Pending completion of regulatory and business requirements (including the issuance of a fairness opinion on the share valuation), the agreement will result in the country's first mobile phone-based savings bank becoming a wholly-owned and managed subsidiary of BPI. It is expected that BPI will assume full ownership in BanKO by year-end. Despite the change in shareholder structure, BanKO will continue to provide broader and more competitive access to funds and critical financial services to the underbanked, as it has done in its five years of operation. Globe and AC will sell their respective 40% and 20% stakes in BanKO to BPI, which already owns 40% of BanKO.

Xurpas Inc. signed an agreement with Globe Telecom on September 1, 2015, investing Php900 Million for a 51% equity stake in Yondu Inc. Upon signing of the Deed of Absolute Sale of Shares and Subscription Agreement last September 15, 2015, Xurpas paid Php900 Million in cash for the original subscription and purchase of Yondu shares owned by Globe totalling 22,950 shares at a valuation of Php39,215 per share, which was determined based on the negotiations between the parties. The investment solidifies the Globe and Xurpas partnership in the internet and digital space and will transform Yondu into a regional arm for digital content distribution and other technology

driven services. The strategic alliance of Globe and Xurpas in Yondu bolsters Globe's track record of partnering with leading digital players to strengthen its position as the purveyor of the Filipino digital lifestyle.

On September 1, 2015, Yondu Inc. and GCVHI entered into a Deed of Assignment to assign the former's interest in Global Telehealth, Inc. ("GTHI") to GCVHI for a total consideration of ₱15 million.

On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of ₱670 million. On the same date, Yondu issued additional 5,000 common shares from its unissued authorized capital stock to a third party which further dilutes Globe Telecom's ownership interest to 49% as of September 2015.

There was no bankruptcy, receivership or similar proceedings initiated during the past four years.

B. Business Segments

1. Mobile Business

Globe provides digital mobile communication services nationwide using a fully digital network based on the Global System for Mobile Communication (GSM) technology. It provides voice, data and value-added services to its mobile subscribers through three major brands: *Globe Postpaid, Globe Prepaid* and *TM*.

Postpaid

Globe Postpaid leads the overall postpaid market with various plan offerings. Over the years, these plans evolved in order to cater to the changing needs, lifestyles and demands of its subscribers.

Sustaining its market leadership in 2015, Globe launched a revolutionary postpaid plan offer, the new *myLifestyle Plan*, to boost the digital lifestyle experience of its customers who have fully embraced data and content usage on their mobile phones. The new *myLifestyle Plan* gives customers access to an easier and simplified plan offer starting at ₱499 a month which comes with built-in unlimited calls and texts to Globe & TM plus freebies such as the Navigation Bundle which gives customers all day, all month access to apps such as Waze, Grab Taxi, Google Maps, MMDA, and Accuweather, 1 GB Globe Cloud for easy and hassle-free storage of files and photos, and Gadget Care that allows customers to protect their devices against theft and accidental damage. On top of the base P499/month plan, Globe postpaid customers can avail of add-on services like Surf Packs for their mobile internet needs, which are bundled with exclusive access to Spotify and/ or NBA League Pass. Customers can choose from *GoSurf99* for 100MB of mobile internet monthly to as much as 15GB monthly with *GoSurf499*. For a richer data experience, *myLifestyle Plan* customers can also choose from any of the *Lifestyle Packs*, which includes Music (Spotify), Productivity (Work Bundle for access to Evernote, Gmail, Yahoo Mail, and Globe Cloud), Life (Navigation Bundle, Explore Bundle for access to Agoda, Cebu Pacific, PAL, and Trip Advisor; and Shopping Bundle for access to Amazon, AyosDito, eBay, OLX, and Zalora), and Social (Chat Bundle for access to Viber, Facebook Messenger, KakaoTalk, Line, WeChat, and WhatsApp; Photo Bundle for access to Instagram, InstaSize, Photo Grid, and Photo Repost; ChatApp for access to Viber or Facebook Messenger; and standalone access to Facebook or Twitter). Moreover, they can also get extra calls and texts to other networks, as well as landline and international services with the *Classic Packs*.

Prepaid

Globe Prepaid and *TM* are the prepaid brands of Globe. *Globe Prepaid* is focused on the mainstream market while *TM* caters to the value-conscious segment of the market. Each brand is positioned at different market segments to address the needs of the subscribers by offering affordable innovative products and services.

In February 2012, the Company introduced a self-service menu that provides *Globe prepaid* subscribers easy access to avail of the latest promos and services of Globe by simply dialing *143#. In early 2013, this menu was further developed with Globe Prepaid's *GoSAKTO* which allows the subscribers to build their own promos (call, text and surf promos) that is best suited for their needs

and lifestyle. In the third quarter of 2014, the Company brought even more innovation to beef up its product portfolio by expanding its popular promo *GoSAKTO.* With the expanded *GoSAKTO*, *Globe Prepaid* customers can personalize their call, text and surfing needs for 1 day, 2 days, 3 days, 7 days, 15 days or even for 30 days. They can also select the type and number of call minutes and texts they need and adjust data allocation (in MBs) of mobile surfing the way they want it.

Globe Prepaid and *TM* subscribers can reload airtime value or credits using various reloading channels including prepaid call and text cards, bank channels such as ATMs, credit cards, and through internet banking. Subscribers can also top-up via AutoLoad Max retailers nationwide, all at affordable denominations and increments. A consumer-to-consumer top-up facility, Share-A-Load, is also available to enable subscribers to share prepaid load credits via SMS.

GCash

Globe also provides its subscribers with mobile payment and remittance services under the *GCash* brand. *GCash* transforms a mobile phone into a virtual wallet, enabling secure, fast, and convenient way to transfer money at a cost of a text message. This service enables our subscribers to perform international and domestic remittance transactions, pay fees, utility bills, income taxes, avail of micro-finance transactions, donate to charitable institutions, and buy Globe prepaid reloads. A wide network of local and international partnerships has been established over the years including government agencies, utility companies, cooperatives, insurance companies, remittance companies and commercial establishments, in order to make GCash an accepted mode of payment for various products and services.

Loyalty & Rewards Program

Globe has a loyalty and rewards program called *My Rewards*, *My Globe for Globe Prepaid* subscribers, *TM Astig Rewards* for *TM* subscribers and *Tattoo+ Rewards* for *Tattoo Broadband* subscribers. *Globe Postpaid* subscribers can earn points based on their monthly billed amounts in excess of their Monthly Subscription Fee. Subscribers have the option to redeem rewards instantly, or accumulate points to avail of higher value rewards.

Redeemed points in the form of telecom services is netted out against revenues whereas points redeemed in the form of non-telco services such as gift certificates and other products are reflected as marketing expense. At the end of each period, Globe estimates and records the amount of probable future liability for unredeemed points.

In 2014, *Globe Postpaid* launched the *Globe Blue or Platinum Rewards Cards.* The new cards can also work as a *GCash Mastercard* which can be used to shop anywhere within the Philippines and even abroad. Membership to *Globe Blue* is given to postpaid customers who spend an average of P2,000-P3,499 per month over a 12-month period. Meanwhile membership to the *Globe Platinum* is given to postpaid customers who subscribe to plan P3,799 or spend an average of P3,500-P4,999 over a 12-month period; and membership to *Platinum Elite* Rewards card is given to postpaid customer who subscribe to All Net P5,000 or P10,000; roaming P5,000 or P10,000 or spend an average of P5,000 and above over a 12-month period. Special perks may vary depending on the plan subscription.

(a) Mobile Voice

Globe's voice services include local, national and international long distance call services. It has one of the most extensive local calling options designed for multiple calling profiles. In addition to its standard, pay-per-use rates, subscribers can choose from bulk and unlimited voice offerings for all-day or off-peak use, and in several denominations to suit different budgets.

Globe keeps Filipinos connected wherever they may be in the world, made possible by its tie-up with 736 roaming partners in 236 calling destinations worldwide. Globe also offers roaming coverage on-board selected shipping lines and airlines, via satellite. Through its Globe Kababayan program, Globe provides an extensive range of international call and text services to allow OFWs (Overseas Filipino Workers) to stay connected with their friends and families in the Philippines. This includes prepaid and reloadable call cards and electronic PINs available in popular OFW destinations worldwide.

(b) Mobile SMS, Mobile Browsing and Value-Added Services

Globe's Mobile SMS service includes local and international SMS offerings. Globe also offers various bucket and unlimited SMS packages to cater to the different needs and lifestyles of its postpaid and prepaid subscribers.

Globe's Mobile Browsing services allow subscribers to access the internet using their internet-capable handsets, devices or laptops with USB modems. Data access can be made using various technologies including LTE, HSPA+, 3G with HSDPA, EDGE and GPRS. In 2014, the Company spearheaded the shift from unlimited time-based data plans to volume-based consumable plans, geared towards improving the mobile data experience of its subscribers and ensures the most appropriate pricing of data. Instead of unlimited mobile internet SuperSurf, Globe and TM subscribers can choose from a variety of GoSurf consumable data plans, ranging from P15 for 30 MB to P2,499 for 15 GB per month.

Globe's Value-Added Services offers a full range of downloadable content covering multiple topics including news, information, and entertainment through its web portal. Subscribers can purchase or download music, movie pictures and wallpapers, games, mobile advertising, applications or watch clips of popular TV shows and documentaries as well as participate in interactive TV, do mobile chat, and play games, among others. Additionally, Globe subscribers can send and receive Multimedia Messaging Service (MMS) pictures and video, or do local and international 3G video calling.

Through Globe's partnership with major banks and remittance companies, and using Globe's pioneering GCash platform, subscribers can perform mobile banking and mobile commerce transactions. Globe subscribers can complete international and domestic remittance transactions, pay fees, utility bills and income taxes, avail of micro-finance transactions, donate to charitable institutions, and buy Globe prepaid load credits using its GCash-activated SIM.

2. **Fixed Line and Broadband Business**

Globe offers a full range of fixed line communications services, wired and wireless broadband access, and end-to-end connectivity solutions customized for consumers, SMEs (Small & Medium Enterprises), large corporations and businesses.

(a) Fixed Line Voice

Globe's fixed line voice services include local, national and international long distance calling services in postpaid and prepaid packages through its Globelines brand. Subscribers get to enjoy toll-free rates for national long distance calls with other Globelines subscribers nationwide. Additionally, postpaid fixed line voice consumers enjoy free unlimited dial-up internet from their Globelines subscriptions. Low-MSF (monthly service fee) fixed line voice services bundled with internet plans are available nationwide and can be customized with value-added services including multi-calling, call waiting and forwarding, special numbers and voice mail. For corporate and enterprise customers, Globe offers voice solutions that include regular and premium conferencing, enhanced voice mail, IP-PBX solutions and domestic or international toll free services. With the Company's cutting-edge Next Generation Network (NGN), Globe Business Voice solutions offer enterprises a bevy of fully-managed traditional and IP-based voice packages that can be customized to their needs.

(b) Fixed Line Data

Fixed line data services include end-to-end data solutions customized according to the needs of businesses. Globe's product offerings include international and domestic leased line services, wholesale and corporate internet access, data center services and other connectivity solutions tailored to the needs of specific industries.

Globe's international data services provide corporate and enterprise customers with the most diverse international connectivity solutions. Globe's extensive data network allow customers to manage their own virtual private networks, subscribe to wholesale internet access via managed

international private leased lines, run various applications, and access other networks with integrated voice services over high-speed, redundant and reliable connections. In addition to bandwidth access from multiple international submarine cable operators, Globe also has two international cable landing stations situated in different locales to ensure redundancy and network resiliency.

The Company's domestic data services include data center solutions such as business continuity and data recovery services, 24x7 monitoring and management, dedicated server hosting, maintenance for application-hosting, managed space and carrier-class facilities for co-location requirements and dedicated hardware from leading partner vendors for off-site deployment.

Other fixed line data services include premium-grade access solutions combining voice, broadband and video offerings designed to address specific connectivity requirements. These include Broadband Internet Zones (BIZ) for broadband-to-room internet access for hotels, and Internet Exchange (GiX) services for bandwidth-on-demand access packages based on average usage.

Globe Business also launched Cloud Solutions that allows an organization's infrastructure to match the elasticity of the business climate and increase its business agility. The new cloud capabilities were the first large-scale, private and public-ready, next generation cloud in Asia. Globe offers Software-as-a-Service or SaaS, which include a suite of business applications that leverage on the power of cloud to help enterprises improve their business operations such as:

- Globe Mail - a low-cost hosted email solution whose features include File storage and sharing, Instant messaging, Music, photo, and video storage and sharing, Whiteboard sharing and Media player;
- Google Apps for Work - A cloud-based productivity suite that helps businesses and its employees connect and get work done from anywhere on any device;
- Office 365 which has applications that are always up to date and accessible from virtually anywhere;
- Canvas Mobile Forms - which enables businesses to replace expensive and inefficient paper forms with powerful mobile forms on their smartphones and tablets;
- Google Drive for Work - is a new premium offering for businesses that includes all the services in Google Apps for business plus unlimited storage, advanced audit reporting, new security controls and Google Vault
- PayrollCloud application - which an end-to-end SaaS Payroll System;
- Document Cloud - allows companies to manage, access and store business-related content through a virtual enterprise storage system;
- Globe HealthCloud - an end-to-end web-based health ICT solution that enables real-time, secure and convenient access to health information

Moreover, the Company offers Infrastructure Services that provide consulting, managed services, and integrated solutions to establish agile and flexible IT environments. This enables customers through a strategy covering assessment through design, implementation, management and optimization to reach a true end-to-end solution. These are: Backup-as-a-Service platform which is the most advanced backup and restoration software that enables continuous data protection, local off-site storage and managed services to industries, enterprises as well as small and medium businesses; Disaster-Recovery-as-a-Service platform to address the infrastructure replacements to improve uptime of applications and data in instances of natural or man-made disasters.

Furthermore, Infrastructure-as-a-Service is also offered to corporate clients such as: Virtual Private Cloud which allows them to acquire processing power without the high cost of purchasing dedicated servers; and Dedicated-Private-Cloud which reduces the complexity of cloud computing by leveraging pre-configured and fully-tested components.

(c) Broadband

Globe offers wired, fixed wireless, and fully mobile internet-on-the-go services across various technologies and connectivity speeds for its residential and business customers. *Tattoo@Home*

consists of wired or *DSL broadband* packages bundled with voice, or broadband data-only services which are available with download speeds ranging from 1 Mbps up to 15 Mbps. In selected areas where DSL is not yet available, Globe offers *Tattoo WiMAX*, a fixed wireless broadband service using its WiMAX network. Meanwhile, for consumers who require a fully mobile, internet-on-the-go broadband connection, *Tattoo On-the-Go* allows subscribers to access the internet using HSPA+, 3G with HSDPA, EDGE, GPRS or Wi-Fi at various hotspots nationwide using a plug-and-play USB modem. This service is available in both postpaid and prepaid packages. In addition, consumers in selected urban areas who require faster connections have the option to subscribe to Tattoo Torque broadband plans using leading edge *GPON* (Gigabit Passive Optical Network) technology with speeds of up to 100 Mbps.

The Company officially launched its *Long-Term Evolution* (LTE) broadband service in September 2012 with the Tattoo Black Postpaid Plans. The nomadic broadband plans are equipped with an LTE dongle or LTE superstick that deliver browsing speeds of up to 42 Mbps and come with personalized customer handling services such as a dedicated hotline, a relationship manager, and many other perks.

In 2013, Globe Telecom expands its *Long Term Evolution* (LTE) footprint as *Tattoo Home Broadband*, brings the latest internet technology to households, allowing subscribers to surf the internet at ultrafast speeds within the comfort of their homes. With home broadband LTE, households have access to high-speed internet ideal for watching high-definition videos, downloading and uploading large files, seamless video and music streaming, and voice-over-internet-protocol or VOIP calling with clear quality. This LTE service is backed by the largest 4G network in the country deployed by Globe. Unlimited broadband bundles with free calls to Globe and TM was offered during the year starting at Plan 1099 at 1 Mbps up to Plan 4999 at 15 Mbps. Meanwhile, internet-only plans that connect at 3 and 5 Mbps are available at Plan 999 and 1999 respectively, both with unlimited web access. Also in the same year, affordable android tablets were offered bundled with a free Wi-Fi stick which can be availed in both postpaid plans and prepaid. Also, Tattoo 4G Flash with surfing speeds of up to 7.2 Mbps were introduced to the market. LTE plans starting at ₱1,299 were made available with a Free LTE dongle or pay a one-time fee of ₱2,000 for an upgrade to a mobile Wi-Fi device. Tattoo consumable plans were further improved with more browsing hours and an option to upgrade to a mobile Wi-Fi device. Another Tattoo revolutionary promo offer during 2013 was the most affordable tablet bundles, whereby its subscribers can get free three devices with unlimited internet browsing and mobile text and call.

In 2014, the widest range of *Tattoo Prepaid* mobile Wi-Fi devices was made available at affordable prices. *Tattoo Postpaid* likewise introduced the best value tablet bundle with no upfront cash out and Postpaid Tattoo Plan with free LTE stick (Plan 999) or LTE Mobile WiFi (Plan 1299). Meanwhile, Tattoo Home Broadband unleashed the fastest broadband connection as it upgrades its speeds within the same and more affordable plan. Starting at Plan 1599, the formerly 3 Mbps Tattoo Home Broadband bundle has been upgraded to a faster and more reliable 5 Mbps speed. Moreover, Tattoo Platinum, the premium broadband product continued its expansion to provide fiber powered home broadband experience powering up the community in Rockwell Makati with the ultra-high speed home broadband service. Together with residents from Forbes, Urdaneta, Bel-Air and Serendra, Rockwell residents may now enjoy speeds of up to 1 Gbps. Tattoo Platinum currently offers speeds of up to 50 Mbps at Plan 2499, 100 Mbps at Plan 3499, 200 Mbps at Plan 4499, 500 Mbps at Plan 7499, and 1 Gbps at Plan 9499. Being the first to launch the Gigabit-capable Passive Optical Network (GPON) internet service in the Philippines, Tattoo Platinum comes with exclusive offers all for Free such as Globe landline, Globe-to-Globe landline NDD calls, Unlicalls to Globe and TM mobile, 4-port modem + Wi-Fi router and a Tattoo Postpaid Stick with 40 surfing hours per month. Beyond these, Tattoo Platinum subscribers may enjoy exclusive perks and privileges such as priority servicing in Globe Stores and Hotline, dedicated relationship managers for Plan 4999 and up, and discounts to partner merchants and concierge services. During the last quarter of 2014, Tattoo Postpaid launched gadget bundle offers with no upfront cashout and low monthly fees and each bundle comes with free three (3) months Spotify Premium subscription of 1GB data per month, bluetooth speaker, mobile Wi-Fi device and 1GB Globe Cloud. Likewise, Tattoo Prepaid SIM portfolio was re-launched with the new LTE Combi-SIM (regular & micro SIM) and LTE Tri-SIM (regular, micro & nano SIM) with speeds of up to 42 Mbps plus freebies.

In 2015, the Company, through its home broadband brand *Tattoo*, has unveiled its latest roster of broadband plans for new customers with a strong bid to attract more customers and further grow its customer base. With the new broadband plans, customers get exclusive access to a portfolio of entertainment content which allows them to watch movies and basketball games, as well as stream music at the comfort of their homes. As an online entertainment service provider, HOOQ boasts of an extensive content library with thousands of movies, television episodes and shows available for users to watch, including titles from partners Sony Pictures and Warner Bros. Entertainment. With Spotify, the world's most popular music streaming service, customers get the best music experience with access to over 20 million songs. On the other hand, the NBA League Pass allows customers to watch basketball games along with highlights, stats and other features. Likewise, with Walt Disney partnership, Globe customers will now have access to an array of Disney content offerings (whose brands include Disney, Pixar, Marvel, Star Wars and global leader in short-form video, Maker Studios) including long- and short-form programming, interactive content and games, theatrical releases and retail promotions. Meanwhile, "Tattoo Platinum Fibre-Fast deals" were introduced during the year giving those who subscribed to Tattoo Platinum plans (on 50Mbps, 100Mbps and 150Mbps plans) a special discounts up to 50% off on their monthly service fee (MSF) for the first 12 months. Each plan comes with premium access to Spotify, Hooq, and NBA League Pass.

C. Sales and Distribution

Globe has various sales and distribution channels to address the diverse needs of its subscribers.

1. Independent Dealers

Globe utilizes a number of independent dealers throughout the Philippines to sell and distribute its prepaid wireless services. This includes major distributors of wireless phone handsets who usually have their own retail networks, direct sales force, and sub-dealers Dealers are compensated based on the type, volume and value of reload made in a given period. This takes the form of fixed discounts for prepaid airtime cards and SIM packs, and discounted selling price for phonekits. Additionally, Globe also relies on its distribution network of over 1 million *AutoloadMax* retailers nationwide who offer prepaid reloading services to Globe, *TM, and Tattoo* subscribers.

2. Globe Stores

As of December 31, 2015, the Company has a total of 231 Globe Stores all over the country where customers are able to inquire and subscribe to wireless, broadband and fixed line services, reload prepaid credits, make *GCASH* transactions, purchase handsets and accessories, request for handset repairs, try out communications devices, and pay bills. The Globe Stores are also registered with the Bangko Sentral ng Pilipinas (BSP) as remittance outlets.

In line with the Company's thrust to become a more customer-focused and service-driven organization, Globe departed from the traditional store concept which is transactional in nature and launched the redesigned Globe Store which carries a seamless, semi-circular, two-section design layout that allows anyone to easily browse around the product display as well as request for after sales support. It boasts of a wide array of mobile phones that the customers can feel, touch and test. There are also laptops with high speed internet broadband connections for everyone to try. The Globe store has an Express Section for fast transactions such as modification of account information and subscription plans; a Full-Service Section for more complex transactions and opening of new accounts; and a Cashier Section for bill payments. The store also has a self-help area where customers can, among others, print a copy of their bill, and use interactive touch screens for easy access to information about the different mobile phones and Globe products and services. Globe stores also include NegoStore areas, which serve as additional sales channels for current and prospective Globe customers. Moreover, select stores also have 'Tech Coaches' or device experts that can help customers with their concerns on their smartphones. The Company opened the first concept store in Greenbelt 4 in 2010 and accelerated its roll-out throughout 2011, averaging 4-5 new stores a month.

In 2012, Globe introduced other store formats in response to the need for more customer service channels to accommodate more subscribers availing of Globe postpaid, prepaid and internet services. The new store formats - the premium dealership store, pop-up store, microstore, kiosk,

and store-on-the-go – were carefully designed based on demographics, lifestyle and shopping behaviors of its customers, each providing a different retail mix and experience to subscribers.

In 2013, Globe opened 50 concept stores and will open more concept stores in the country as part of its commitment to a wonderful customer service experience.

In 2014, Globe simultaneously unveiled its Generation 3 flagship stores in SM North EDSA, Quezon City, Manila and in Limketkai Mall, Cagayan de Oro. Designed by Tim Kobe, the founder and CEO of Eight, Inc. and designer of Apple Stores, the Globe Gen3 stores features reconfigurable and interactive elements, all designed to empower the growing digital lifestyle of customers. The stores feature four lifestyle zones – music, entertainment, productivity, and life – each with their own interactive kiosks.

Continuing with its journey of transforming customer experience, Globe opened two more Gen3 stores in 2015. On July 2015, Globe opened its third Gen3 store in Ayala Center, Cebu and on August 2015, opened its fourth Gen3 and first two-storey store in Greenbelt, Makati.

3. Customer Facing Units

To better serve the various needs of its customers, Globe is organized along three key customer facing units (CFUs) tasked to focus on the integrated mobile and fixed line needs of specific market segments. The Company has a Consumer CFU with dedicated marketing and sales groups to address the needs of individual retail customers, and a Business CFU (Globe Business) focused on the needs of big and small businesses. Globe Business provides end-to-end mobile and fixed line solutions and is equipped with its own technical and customer relationship teams to serve the requirements of its client base. In early 2011, Globe organized an International Business Group to serve the voice and roaming needs of overseas Filipinos, whether transient or permanent. It is tasked to grow the Company's international revenues by leveraging on Globe's product portfolio and developing and capitalizing on regional and global opportunities.

4. Others

Globe also distributes its prepaid products SIM packs, prepaid call cards and credits through consumer distribution channels such as convenience stores, gas stations, drugstores and bookstores. Lower denomination IDD prepaid loads are also available in public utility vehicles, street vendors, and selected restaurants and retailers nationwide via the IDD *Tingi* load, an international voice scratch card in affordable denominations.

D. Operating Revenues

Gross Operating Revenues by Business Segment	Year Ended 31 December					
(in Php Mn)	**2015**	**% of total**	**2014**	**% of total**	**2013**	**% of total**
Service Revenues						
Mobile……	**85,105**	**71%**	**78,069**	**76%**	**72,764**	**76%**
Voice[1]……..	36,862	31%	34,684	34%	32,367	34%
SMS[2]……	26,136	22%	29,079	28%	28,794	30%
Mobile Browsing and Other Data[3]……..	22,107	18%	14,306	14%	11,603	12%
Fixed Line and Broadband……	**28,574**	**24%**	**20,956**	**20%**	**17,736**	**19%**
Broadband[4]……	17,458	15%	12,687	12%	10,440	11%
Fixed Line Data[5]……	7,698	6%	5,480	5%	4,691	5%
Fixed Line Voice[6]……..……..	3,418	3%	2,789	3%	2,605	3%
Service Revenues*……..……	**113,679**	**95%**	**99,025**	**96%**	**90,500**	**95%**
**Non Service Revenues…….. **	**6,290**	**5%**	**4,211**	**4%**	**4,641**	**5%**
Operating Revenues*……	**119,969**	**100%**	**103,236**	**100%**	**95,141**	**100%**

[1] Mobile voice service revenues include the following:
a) Prorated monthly service fees on consumable minutes of postpaid plans;
b) Subscription fees on unlimited and bucket voice promotions including the expiration of the unused value of denomination loaded;
c) Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments, or CERA, net of loyalty discounts credited to subscriber billings; and
d) Airtime fees for intra network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts; and revenues generated from inbound international and national long distance calls and international roaming calls; and
e) Mobile service revenues of GTI.

Revenues from (a) to (d) are reduced by any payouts to content providers.

[2] Mobile SMS revenues consist of local and international revenues from value-added services such as inbound and outbound SMS and MMS, infotext, and subscription fees on unlimited and bucket prepaid SMS services, net of any interconnection or settlement payouts to international and local carriers and content providers.

[3] Mobile browsing and other data service revenues consist of local and international revenues from value-added services such as mobile internet browsing and content downloading, mobile commerce services, other add-on VAS, and service revenues of GXI and EGG, net of any interconnection or settlement payouts to international and local carriers and content providers.

[4] Broadband service revenues consist of the following:
a) Monthly service fees of wired, fixed wireless, and fully mobile broadband data only and bundled voice and data subscriptions;
b) Browsing revenues from all postpaid and prepaid wired, fixed wireless and fully mobile broadband packages in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;
c) Value-added services such as games; and
d) Installation charges and other one-time fees associated with the service.

[5] Fixed Line data service revenues consist of the following:
a) Monthly service fees from international and domestic leased lines;
b) Other wholesale transport services;
c) Revenues from value-added services; and
d) One-time connection charges associated with the establishment of service.

[6] Fixed Line voice service revenues consist of the following:
a) Monthly service fees;
b) Revenues from local, international and national long distance calls made by postpaid, prepaid fixed line voice subscribers and payphone customers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid and payphone call card discounts;
c) Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe's network;
d) Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;
e) Installation charges and other one-time fees associated with the establishment of the service; and
f) Revenues from DUO and SUPERDUO (fixed line portion) services consisting of monthly service fees for postpaid and subscription fees for prepaid subscribers.
g) 2011 service revenues have been restated to reflect the change in the presentation of outbound revenues to be at **gross** of interconnect expenses (from net previously).

Globe's mobile business contributed ₱85.1 billion in 2015 accounting for 75% of total service revenues, 9% higher compared to last year's level of ₱78.1 billion. Its mobile voice service revenues amounted to ₱36.9 billion in 2015, contributing 43% of total mobile service revenues. Mobile SMS service revenues, down by 10% year-on-year, contributed ₱26.1 billion in 2015. Mobile browsing and other services, on the other hand, posted strong revenue growth of 55% compared to last year's level and contributed ₱22.1 billion in 2015.

Accounting for the remaining 25% of total service revenues, Globe's fixed line and broadband business experienced a robust 36% growth, registering ₱28.6 billion in 2015, compared to ₱21 billion in 2014. Broadband and Fixed Line Data contributed revenues of ₱12.7 billion and ₱5.5 billion in 2014, respectively.

E. Competition

1. Industry, Competitors and Methods of Competition

(a) Mobile Market

The Philippine mobile market has expanded to a total industry SIM base of 118 million. But despite an industry penetration rate of over 110% as of December 31, 2015, the market is continuously expanding due to the rise in the demand for more non-traditional services especially in the form of mobile internet browsing. With the growing penchant of Filipinos for smartphones, the mobile browsing business in the Philippines presents more opportunities for revenue growth. Aside from the possible area of growth in the industry through the switch of prepaid subscribers to postpaid, mobile data usage of both prepaid and postpaid subscribers continues to be a promising market that is to be developed and penetrated in the coming years. As of 2015, approximately 95% of industry subscribers remain prepaid, albeit significant growth in the postpaid segment over the last three years.

The Philippine government liberalized the communications industry in 1993, after a framework was developed to promote competition in the industry and accelerate the development of the telecommunications market. Ten (10) operators were granted licenses to provide CMTS services – Globe, Innove (previously Isla Communications, Inc. or "Islacom"), Bayan Telecommunications, Inc. ("Bayantel"), Connectivity Unlimited Resources Enterprises ("CURE"), Digitel Telecommunications Philippines, Inc. ("Digitel"), Express Telecom ("Extelcom"), MultiMedia Telephony, Inc., Next Mobile ("NEXTEL"), Pilipino Telephone Corporation ("Piltel") and Smart Communications, Inc. ("Smart"). Nine of the ten operators continued on to operate commercially except for Bayantel, which have yet to roll out their CMTS services commercially.

When Sun Cellular, Digitel's mobile brand, entered the market in 2003, it introduced to the market value-based unlimited call and text propositions, allowing it to build subscriber scale over time. With the market's preference for these value-based unlimited and bulk call and text services, Globe and Smart responded by creating a new set of value propositions for their subscribers. Today, with the high level of mobile penetration, driven in part by the prevalence of multi-SIMming (i.e., individuals having two SIMs), and the continued shift of consumer preferences to unlimited and bulk offers, the competition in the mobile market remains intense, albeit in a more rational environment.

The mobile market continued to grow as shown in the table below. With an estimated cumulative base of 117.87 million SIMs, the mobile industry grew by 5% and reached 115% nominal penetration. Globe ended 2015 with a SIM base of 52.9 million, with an estimated SIM share of approximately 44.9%, up from 38.7% in 2014.

	Mobile Subscribers (Mn)	Penetration Rates (%)	Growth Rate
1998	1.62	2.5	43%
1999	2.68	3.8	65%
2000	5.26	8.6	96%
2001	10.53	14.2	100%
2002	15.17	19.0	44%
2003	22.31	27.3	47%
2004	32.87	39.4	47%
2005	34.61	40.6	5%
2006	42.04	48.3	21%
2007	54.86	61.2	30%
2008	68.03	74.6	24%
2009	75.43*	82.3	11%
2010	86.15*	93.0	14%
2011	93.74*	98.7	9%
2012	102.99*	106.4	10%
2013	108.52*	110.0	5%
2014	113.89*	116.0	5%
2015	117.87*	115.2	3%

** Estimated end of year figures.*
Source: National Telecommunications Commission (Statistical Data 2007), publicly available information and Company estimates

Since 2000, the mobile communications industry has experienced a number of consolidations and ushered in new entrants, namely:

- In 2000, Philippine Long Distance and Telephone Company ("PLDT") acquired and consolidated Smart and Piltel, complementing the former's fixed line businesses with the latter's wireless businesses. Subsequently in 2008, PLDT, through Smart, purchased CURE, one of the four recipients of 3G licenses awarded by the NTC, and has since launched another wireless brand in the market in Red Mobile, further heightening competition in the market at that time.

  In October 2011, PLDT also acquired 99.4% of the outstanding common stock of Digitel, which owns the Sun Cellular brand, thereby allowing it to control over two-thirds of the industry subscribers. As a condition of PLDT's acquisition of Digitel, PLDT returned to the NTC the 3G license in CURE, which is expected to be re-auctioned in the near-term.

- In 2008, San Miguel Corporation ("SMC"), partnering with Qatar Telecom, bought interests in Liberty Telecom Holdings, Inc. ("Liberty") and announced plans to enter the mobile and broadband businesses.

  In 2010, SMC acquired 100% stake in Bell Telecommunication Philippines, Inc. ("BellTel"), after acquiring shares in three companies that own the shares of BellTel. Also in 2010, SMC purchased a 40% stake in Eastern Telecommunications Philippines, Inc. ("ETPI") to expand its telecommunications services. SMC subsequently gained a majority stake of ETPI in 2011. It now owns 77.7% of the telecommunications company.

  In 2012, NTC has granted BellTel, San Miguel Corporation's mobile telephony arm, an extension to its operating license to provide cellular mobile telephone system (CMTS) service in the country for another three years.

- In 2001, Globe acquired Islacom (now Innove). Globe, likewise, acquired approximately 96.5% of the total debt of Bayantel, in December 2012. In October 2013, Globe converted a portion of the debt it holds in Bayantel into a 38% interest in the latter, based on the Amended Rehabilitation Plan approved by the Rehabilitation Court in August of the same year. Upon obtaining relevant and regulatory approvals, Globe would further convert debt into a total 56.6% share of the common stock of Bayantel.

- In May 2013, ABS-CBN Convergence, Inc. ("ABS-C", formerly Multimedia Telephony, Inc.) announced the launch of its mobile brand, ABS-CBN Mobile. The launch of the new mobile brand is being supported through a network sharing agreement with Globe, wherein the latter provides network capacity and coverage to ABS-C on a nationwide basis. ABS-C formally launched the brand in November 26, 2013.

Today, only the PLDT Group and the Globe Group have built significant bases of mobile subscribers.

(b) Fixed Line Market

The fixed line market expanded by 9% with the number of lines in service estimated at 3.37 million lines as of December 31, 2015 with PLDT's subscriber market share at 68%, followed by Globe (26%) and Bayantel (6%), which has since been consolidated with Globe during second half of 2015.

Fixed Line Voice

There are at least eight major local exchange carriers (LEC) in the Philippines with licenses to provide local and domestic long distance services. Each LEC operator (other than PLDT and Globe, both of whom are authorized to provide nationwide fixed line services) is assigned service areas in which it must install the required number of fixed lines and provide service. The NTC has created 15 such service areas in the Philippines. Rates for local exchange and domestic long distance services are deregulated and operators are allowed to have metered as well as flat monthly fee tariff plans for the services provided.

Competition in the fixed line voice market intensified over the past years as the major players, Globe, Bayantel, and PLDT introduced fixed wireless voice services with limited mobile phone capabilities to take advantage of the increasing preference for mobile services. Fixed wireless services were initially offered in postpaid versions in selected areas where there were no available fixed line facilities but prepaid kits were eventually made available as coverage was expanded.

Fixed Line Data

The fixed line data business is a growing segment of the fixed line industry. As the Philippine economy grows, businesses are increasingly utilizing new networking technologies and the internet for critical business needs such as sales and marketing, intercompany communications, database management and data storage. The expansion of the local IT Enabled Service (ITES) industry which includes call centers and Business Process Outsourcing (BPO) companies has also helped drive the growth of the corporate data business.

Dedicated business units have been created and organized within the Company to focus on the mobile and fixed line needs of specific market segments and customers – be they residential subscribers, wholesalers and other large corporate clients or smaller scale industries. This structure has also been driven by Globe's corporate clients' preferences for integrated mobile and fixed line communications solutions.

(c) Broadband Market

Broadband continues to be a major growth area for the local telecom industry. Total industry broadband subscribers grew by 35%, from 7.09 million in 2014 to 9.58 million in 2015. The aggressive network roll-out of the various operators, the wider availability of affordable prepaid broadband packages, as well as lower USB internet sticks, PC and tablet prices were the main drivers of subscriber growth. Operators used both wired and wireless technologies to serve the growing demand for internet connectivity.

While household penetration rates remains low, competition continues to intensify as telecom operators aim to capture the market by accelerating the rollout of broadband network to provide

subscribers with faster internet connection and introducing more affordable and bundled offerings.

As of end 2015, consolidated Globe had 2.9 million subscribers, up by 48% from the prior year. The Company's subscriber share was estimated at 45.4%, up from 41.7% in 2014. The combined subscribers of PLDT and Digitel numbered 5.2 million, holding approximately 56% of the subscribers, down from 60% the prior year. Globe and the PLDT Group accounted for about 99% of cumulative subscribers. Wireless broadband subscribers account for around 81% of the combined broadband subscribers of Globe and the PLDT Group.

In February 2010, Liberty Telecoms Holdings, Inc, a partnership between San Miguel Corporation and Qtel Group of Qatar Telecom, launched its WiMAX broadband service under the brand name Wi-Tribe. It ended the year with an estimated 70,000 subscribers.

(d) International Long Distance Market

Consistent with global trends where international traffic is migrated to alternative means of communication, particularly over-the-top (OTT) applications like Skype, among others, total inbound international long distance (ILD) traffic for the year was lower against last year's levels. International long distance providers in the Philippines generate revenues from both inbound and outbound international call traffic whereby the pricing of calls is based on agreed international settlement rates. Similarly, settlement rates for international long distance traffic are based on bilateral negotiations. Commercial negotiations for these settlement rates are settled using a termination rate system where the termination rate is determined by the terminating carrier (e.g. Philippines) in negotiation with the originating foreign correspondent.

To date, there are eleven licensed international long distance operators, nine of which directly compete with Globe for customers. Both Globe and Innove offer ILD services which cover international calls between the Philippines and over 200 calling destinations. To drive growth in this segment, the Company offers discounted call rates to popular calling destinations, sustains its usage campaigns and marketing efforts for OFW SIM packs, and ensures the availability of popular prepaid load denominations.

2. Principal Competitive Strengths of the Company

(a) Market Leadership Position

Globe is a major provider of telecommunications services in the Philippines. It is a strong player in the market and operates one of the largest and most technologically-advanced mobile, fixed line and broadband networks in the country, providing reliable, superior communications services to individual customers, small and medium-sized businesses, and corporate and enterprise clients. Globe's distinct competitive strengths include its technologically advanced mobile, fixed line and broadband network, a substantial subscriber base, high quality customer service, a well-established brand identity and a solid track record in the industry.

(b) Strong Brand Identity

The Company has some of the best-recognized brands in the Philippines. This strong brand recognition is a critical advantage in securing and growing market share, and significantly enhances Globe's ability to cross-sell and push other product and service offerings in the market.

(c) Financial Strength and Prudent Leverage Policies

Globe's financial position remains strong with ample liquidity, and gearing comfortably within bank covenants. At the end of 2015, Globe had total interest bearing debt of ₱72.2 billion representing 55% of total book capitalization. Consolidated gross debt to equity ratio is within the 2:1 debt to equity limit prescribed by its debt covenants. Additionally, debt to EBITDA is also well within the 3:1 covenant level. Approximately 76% of its debt is in pesos while the balance of 24% is denominated in US dollars. Expected US dollar inflows from the business offset any unhedged US dollar liabilities, helping insulate Globe's balance sheet from any volatilities in the foreign exchange markets.

Globe intends to maintain its strong financial position through prudent fiscal practices including close monitoring of its operating expenses and capital expenditures, debt position, investments, and currency exposures.

(d) Proven Management Team

Globe has a strong management team with the proven ability to execute on its business plan and achieve positive results. With its continued expansion, it has been able to attract and retain senior managers from the telecommunications, consumer products and finance industries with experience in managing large scale and complex operations.

(e) Strong Shareholder Support

The Company's principal shareholders are Ayala Corporation (AC) and Singapore Telecom (STI), both industry leaders in the country and in the region. Apart from providing financial support, this partnership has created various synergies and has enabled the sharing of best practices in the areas of purchasing, technical operations, and marketing, among others.

F. Suppliers

Globe works with both local and foreign suppliers and contractors. Equipment and technology required to render telecommunications services are mainly sourced from foreign countries. Its principal suppliers, among others, are as follows:

The Company's suppliers of mobile equipment include Nokia Solutions and Networks (Finland); Ericsson Radio Systems AB (Sweden), Alcatel-Lucent (France), and Huawei Technologies Co., Ltd. (China). For transmission and IP equipment, Company has partnered with NEC (Japan), Alcatel-Lucent (France), ECI Telecom, Ltd. (Israel), Aviat Networks (USA), Cisco (USA). For the Company's network modernization program, Huawei was selected as the primary partner given its technical expertise and strong track record of success in international markets. Huawei has likewise committed to establish a Joint Innovation Center (JIC) that would bring the latest technological developments and help further the Company's service innovation initiatives all focused in providing relevant and customizable services for our various customer segments.

For fixed line and broadband, Globe's principal equipment suppliers include Fujitsu Ltd. (Japan), Alcatel-Lucent Technologies (France), NEC (Japan), AT&T Global (US), British Telecom (UK), Huawei Technologies Co., Ltd. (China), ZTE Corporation (China). Singapore Telecom (Singapore), and Tellabs (USA/Singapore).

For the Company's IT modernization program, Globe has selected Amdocs, the leading provider of customer experience systems and services, to improve and upgrade Globe's Business Support Systems (BSS) and enterprise data warehouse. As part of the transformation program, Amdocs is tasked to manage and consolidate all of Globe's legacy systems onto a single Business Support System (BSS) platform. This will enable the Company to manage its customer relationships better across all it various product offerings, simplify business processes and shorten the time to deliver bundled and more innovative products to the market.

G. Customers

Globe has a large subscriber base across the country. The Company ended 2015 with over 52.9 million mobile subscribers/SIMs, comprised of 2.4 million postpaid and 50.5 million prepaid subscribers. Meanwhile, Globe has over 1.1 million fixed line voice subscribers and around 4.3 million broadband customers.

No single customer and contract accounted for more than 20% of the Company's total sales in 2015.

H. Transactions with Related Parties

Globe Telecom and Innove, in their regular conduct of business, enter into transactions with their major stockholders, AC and Singtel, venturers and certain related parties. These transactions, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, include the following:

Entities with joint control over Globe Group – AC and Singtel

- Globe Telecom has interconnection agreements with Singtel. The related net traffic settlements receivable (included in "Receivables" account in the consolidated statements of financial position) and the interconnection revenues earned (included in "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Traffic settlements receivable – net	**₱22,824**	₱79,191	₱201,216
Interconnection revenues	**725,635**	784,965	921,540
Interconnection costs	**50,346**	112,976	116,477

- Globe Telecom and Singtel have a technical assistance agreement whereby Singtel will provide consultancy and advisory services, including those with respect to the construction and operation of Globe Telecom's networks and communication services (see Note 25.6 of the FS), equipment procurement and personnel services. In addition, Globe Telecom has software development, supply, license and support arrangements, lease of cable facilities, maintenance and restoration costs and other transactions with Singtel.

The details of fees (included in repairs and maintenance under the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) incurred under these agreements are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Technical assistance fee	**₱67,907**	₱160,534	₱163,004
Maintenance and restoration costs and other transactions	**57,551**	63,695	61,841
Software development, supply, license and support	**7,069**	19,642	16,681

The outstanding balances due to Singtel (included in the "Accounts payable and accrued expenses" account in the consolidated statements of financial position) arising from these transactions are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Technical assistance fee	**₱57,967**	₱135,877	₱35,775
Maintenance and restoration costs and other transactions	**8,985**	10,882	20,695
Software development, supply, license and support	**-**	-	4,014

- Globe Telecom earns subscriber revenues from AC. The outstanding subscribers receivable from AC (included in "Receivables" account in the consolidated statements of financial position) and the amount earned as service revenue (included in the "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Subscriber receivables	**₱12,215**	₱9,662	₱14,761
Service revenues	**19,338**	18,990	14,107

- Globe Telecom reimburses AC for certain operating expenses. The net outstanding liabilities to (included in "Accounts payable and accrued expenses" account in the consolidated

statement of financial position) and the amount of expenses incurred (included in the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	**2015**	2014	2013
General, selling and administrative expenses	**₱48,743**	₱37,135	₱7,768
Accounts payable and accrued expenses	**50**	755	–

Joint Ventures in which the Globe Group is a Venturer

- Globe Telecom has preferred roaming service contract with BMPL. Under this contract, Globe Telecom will pay BMPL for services rendered by the latter which include, among others, coordination and facilitation of preferred roaming arrangement among JV partners, and procurement and maintenance of telecommunications equipment necessary for delivery of seamless roaming experience to customers. Globe Telecom also earns or incurs commission from BMPL for regional top-up service provided by the JV partners. The net outstanding liabilities to BMPL related to these transactions amounted to ₱3.11 million and ₱2.37 million as of December 31, 2015 and 2014, respectively. Balances related to these transactions (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounted to ₱18.68 million, ₱23.76 million and ₱3.76 million, as of December 31, 2015, 2014 and 2013, respectively.

- In October 2009, the Globe Group entered into an agreement with BPI Globe BanKO for the pursuit of services that will expand the usage of GCash technology. As a result, the Globe Group recognized revenue amounting to ₱8.96 million, ₱6.13 million and ₱0.54 million in 2015, 2014 and 2013, respectively. The related receivables amounted to ₱7.47 million and ₱14.86 million in 2015 and 2014, respectively.

Transactions with the Globe Group Retirement Plan (GGRP)

- In 2007, Globe Telecom, Innove and GXI pooled its plan assets for single administration by the GGRP, which was created for the management of the retirement fund. The decisions of the GGRP are made through collective decision of the Board of Trustees.

  The plan is funded by contributions as recommended by the independent actuary on the basis of reasonable actuarial assumptions. These assumptions and the funded status of the pension plan are disclosed in Note 18.2.

  The funded status for the pension plan of Globe Group as of December 31, 2015 and 2014 amounted to ₱3,063.12 million and ₱2,321.20 million, respectively (see Note 18.2).

  The fair value of plan assets by each class held by the retirement fund, on a pooled basis follows:

	2015	2014
	(In Thousand Pesos)	
Cash and cash equivalents	**₱192,982**	₱143,746
Investment in fixed income securities	**1,199,764**	1,129,892
Investment in equity securities	**1,755,411**	1,636,204
Loans and receivables	**968,782**	968,000
Liabilities	**(968,782)**	(968,000)
Balance at end of year	**₱3,418,157**	₱2,909,842

  All equity and debt instruments held, except for investment in preferred shares of HALO Group, debt securities issued by private corporations and long-term negotiable certificates of deposit, have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

Loans and receivables consist of interest and dividend receivables, receivable on securities sold to brokers and loan granted by the plan to BHI.

Liabilities pertain to interest and trust fee payables, accrued professional fees and loan granted to the plan by Globe Telecom.

- As of December 31, 2015 and 2014, the pension plan assets of the retirement plan include shares of stock of Globe Telecom with total fair value of ₱31.20 million and ₱26.32 million, and shares of stock of other related parties with total fair value of ₱144.07 million and ₱111.55 million, respectively. Gains arising from these investments amounted to ₱11.75 million, ₱12.91 million and ₱8.34 million in 2015, 2014 and 2013, respectively.

- In 2008, the Globe Group granted a short-term loan to the GGRP amounting to ₱800.00 million with interest at 6.20%. Upon maturity in 2009, the loan was rolled over until September 2014 with interest at 7.75%. Further, in 2009, the Globe Group granted an additional loan to the retirement fund amounting to ₱168.00 million which bears interest at 7.75% and is due also in September 2014.

  On September 16, 2014, the maturity of the outstanding balance of loan receivable from GGRP amounting to ₱968.00 million was extended to September 11, 2017 and the interest rate was reduced to 5% per annum effective on September 11, 2014. Interest income amounted to ₱49.07 million, ₱68.02 million and ₱76.26 million in 2015, 2014 and 2013, respectively (see Note 19).

  The retirement plan utilized the loan to fund its investments in BHI, a domestic corporation organized to invest in media ventures. BHI has controlling interest in Altimax Broadcasting Co., Inc. (Altimax) and Broadcast Enterprises and Affiliated Media Inc. (BEAM), respectively.

- On August 13 and December 21, 2009, the Globe Group granted five-year loans amounting to ₱250.00 million and ₱45.00 million, respectively, to BHI at 8.275% interest. The ₱250.00 million loan is covered by a pledge agreement whereby in the event of default, the Globe Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Globe Group. The ₱45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between Globe Group and BEAM (see Note 25.5). Interest income amounted to ₱8.04 million, ₱11.30 million and ₱13.72 million in 2015, 2014 and 2013, respectively (see Note 19 of the attached Notes to the Consolidated Financial Statements).

  On August 13, 2014, the maturity of the outstanding balance of loan receivable from BHI amounting to ₱158.62 million was extended to August 13, 2017 and the interest rate was reduced to 5% per annum effective August 14, 2014 (see Note 11 of the Attached Notes to the Consolidated Financial Statements).

- On February 1, 2009, the Globe Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast service to Globe subscribers using the mobile TV service. As a result, the Globe Group recognized an expense (included in "Professional and other contracted services") amounting to ₱190.00 million in 2015 and ₱155.00 million in 2014 and 2013. Effective January 1, 2015, BEAM charged an increased service fee rate to Globe Group as a result of an amendment to the MOA.

- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. As a result, the Globe Group recognized an expense (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounting to ₱90.00 million in 2014 and 2013.

- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. As a result, the Globe Group recognized an expense (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounting to ₱24.85 million in 2015 and ₱40.88 million in 2014 and 2013.

Transactions with Yondu

As a result of Globe Telecom's sale of its controlling stake in Yondu, transactions are recognized in the consolidated statement of financial position starting September 16, 2015.

The Globe Group has a VAS sharing agreement with Yondu. Under the agreement, Yondu is entitled to a 30% share on revenue (included in the "Service revenues" account of the parent company statements of comprehensive income) for providing mobile contents to Globe and TM subscribers. The Globe Group's payout to Yondu on mobile content transactions for the period September 16, 2015 to December 31, 2015 amounted to ₱78.85 million.

Yondu also provides various enterprise solutions-based services to the Globe Group for network, platform and applications development under its Business Process Outsourcing Unit (BPO) and mobile content. The Globe Group's related expenses for the period September 16, 2015 to December 31, 2015 amounted to ₱39.32 million, out of which ₱1.49 million were capitalized.

The outstanding balances of receivable and payables resulting from transactions with Yondu amounted to ₱74.23 million and ₱373.54 million, respectively, as of December 31, 2015. Dividends receivable amounting to ₱266.49 million was recognized in the consolidated financial statements as of December 31, 2015.

Transactions with other related parties

Globe Telecom has money market placements and bank balances, and subscriber receivables (included in "Cash and cash equivalents" and "Receivables" accounts in the consolidated statements of financial position, respectively) and earns service revenues (included in the "Service revenues" account in the consolidated statements of comprehensive income) from its other related parties namely, Ayala Land Inc., Ayala Property Management Corporation, Bank of the Philippine Islands, Manila Water Company, Inc., Integrated Microelectronics, Inc., Stream Global Services, Inc., HR Mall Inc., Honda Cars, Inc., Isuzu Automotive Dealership, Inc., Accendo Commercial Corp., Affinity Express Philippines, Inc., Alveo Land Corp., Asian IOffice Properties,Inc., Avida Land Corp., Avida Sales Corporation, Ayala Hotels, Inc., Ayala Plans, Inc., Ayala Systems Technology, Inc., Cebu Holdings, Inc., Makati Development Corp., myAyala.com, Inc., North Triangle Depot Commercial Corp., PSI Technologies, Inc., Roxas Land Corp, Serendra, Inc., Station Square East Commercial Corp., Ten Knots Development, KHI ALI Manila, Inc., Lagoon Development Corp., Subic Bay Town Center, Inc., Ayala Aviation Corporation, Laguna AAA Water Corp., Liveit Solution, Inc., Liveit Investments, Ltd., Integreon, Inc., Arvo Commercial Corp., Amaia Land Corp., Michigan Power, Philippine Intergrated Energy Solutions, Inc., Southcrest Hotel Ventures, Inc., Bonifacio Hotels and Crestview E-Office.

The balances with other related parties are recorded under the following accounts:

(In Thousand Pesos)	**2015**	2014	2013
Cash and cash equivalents	**₱1,621,045**	₱1,385,635	₱166,074
General, selling and administrative expenses	**208,351**	171,873	346,280
Property and Equipment	**59,417**	64,300	60,437
Revenues	**509,715**	479,923	439,702
Accounts payable and accrued expenses	**23,527**	15,454	72,440
Subscriber receivables (included in "Receivables" account)	**204,226**	218,837	212,391

The balances under "General, selling and administrative expenses" and "Property and equipment" accounts consist of expenses incurred on rent, utilities, customer contract services, other miscellaneous services and purchase of vehicles, respectively.

These related parties are either controlled or significantly influenced by AC.

Transactions with Key Management Personnel of the Globe Group

The Globe Group's compensation of key management personnel by benefit type are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Short-term employee benefits	**₱185,000**	₱237,100	₱157,272
Share-based payments	**31,282**	9,649	15,151
Post-employment benefits	**52,960**	30,466	18,090
	₱269,242	₱277,215	₱190,513

There are no agreements between the Globe Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Globe Group's retirement plans.

The Globe Group has no non-interest bearing short-term loans to its key management personnel in 2015 and 2014, respectively.

The summary of balances arising from related party transactions for the relevant financial year (in thousands) are presented in the next pages:

2015

	Amount/Volume			Outstanding Balance				
	Revenues	Cost and Expenses	Property and Equipment (Note 7)	Cash and Cash Equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over Globe Group								
AC	**₱19,338**	**₱48,743**	**₱–**	**₱–**	**₱12,215**	**₱50**	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	**675,289**	**132,527**	**–**	**–**	**22,824**	**66,952**	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BMPL	**–**	**18,681**	**–**	**–**	**–**	**3,113**	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BanKO	**8,965**	**–**	**–**	**–**	**7,468**	**–**	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
Yondu	**40,961**	**39,317**	**–**	**–**	**318,711**	**373,538**	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	**49,071**	**–**	**–**	**–**	**968,000**	**–**	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	**8,041**	**–**	**–**	**–**	**158,620**	**–**	3 years, 5%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱ 45.00 million is fully secured by chattel mortgage agreement
BEAM	**–**	**190,000**	**–**	**–**	**–**	**–**	Interest-free, settlement in cash	–
Altimax	**–**	**24,847**	**–**	**–**	**–**	**–**	Interest-free, settlement in cash	–
Key management personnel	**–**	**269,242**	**–**	**–**	**–**	**–**		Unsecured, no impairment
Others	**509,715**	**208,351**	**59,417**	**1,621,045**	**204,226**	**23,527**	Interest-free, excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
Total	**₱1,311,380**	**₱931,708**	**₱59,417**	**₱1,621,045**	**₱1,692,064**	**₱467,180**		

2014

	Amount/Volume			Outstanding Balance				
	Revenues	Cost and Expenses	Property and Equipment (Note 7)	Cash and Cash Equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over Globe Group								
AC	**₱18,990**	**₱37,135**	**₱–**	**₱–**	**₱9,662**	**₱755**	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	**671,989**	**243,871**	**–**	**–**	**79,191**	**146,759**	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BMPL	**–**	**23,765**	**–**	**–**	**–**	**2,367**	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BanKO	**6,812**	**–**	**–**	**–**	**7,160**	**–**	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
BTI	**504,671**	**5,000**	**–**	**–**	**4,443,956**	**80,334**	Loan receivable - 20 years, 9.60% to 11.55%; lease capacity provisioning - interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	**68,015**	**–**	**–**	**–**	**968,000**	**–**	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	**11,304**	**–**	**–**	**–**	**158,620**	**–**	3 years, 5%, settlement in cash ,	The ₱250.00 million is covered by a pledge agreement while the ₱ 45.00 million is fully secured by chattel mortgage agreement.
BEAM	**–**	**155,000**	**–**	**–**	**–**	**–**	Interest-free, settlement in cash	–
Altimax	**–**	**40,880**	**–**	**–**	**–**	**–**	Interest-free, settlement in cash	–
Key management personnel	**–**	**277,215**	**–**	**–**	**–**	**–**	Interest-free, excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
Others	**479,923**	**171,873**	**64,300**	**1,385,635**	**218,837**	**15,454**	Interest-free, excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
Total	**₱1,761,704**	**₱954,739**	**₱64,300**	**₱1,385,635**	**₱5,885,426**	**₱245,669**		

I. Licenses, Patents, and Trademarks

Globe currently holds the following major licenses:

Service	Type of License	Date Issued or Last Extended	Expiration Date
Globe			
Wireless	CPCN (1)	July 22, 2002	December 24, 2030
Local Exchange Carrier	CPCN (1)	July 22, 2002	December 24, 2030
International Long Distance	CPCN (1)	July 22, 2002	December 24, 2030
Interexchange Carrier	CPCN (1)	February 14, 2003	December 24, 2030
VSAT	CPCN (1)	February 6, 1996	February 6, 2021
International Cable Landing Station & Submarine Cable System (Nasugbu, Batangas)	CPCN (1)	October 19, 2007	December 24, 2030
International Cable Landing Station & Submarine Cable System (Ballesteros, Cagayan)	CPCN (1)	June 29, 2010	December 24, 2030

Innove	Type of License	Date Issued or Last Extended	Expiration Date
Wireless	CPCN (1)	July 22, 2002	April 10, 2017
Local Fixed line	CPCN (1)	July 22, 2002	April 10, 2017
International Long Distance	CPCN (1)	July 22, 2002	April 10, 2017
Interexchange Carrier	CPCN (1)	April 30, 2004	April 10, 2017

Bayantel	Type of License	Date Issued or Last Extended	Expiration Date
Local Exchange Carrier			
(a) Quezon City, Malabon & Valenzuela, all in M.M., Albay, Camarines Norte, Camarines Sur, Catanduanes, Sorsogon & Masbate, all in Bicol Region	CPCN (1)	(a) July 9, 1999	(a) July 8, 2024
(b) Manila, Caloocan, Navotas	CPCN (1)	(b) May 3, 2007	(b) August 9, 2021
(c) Tacloban City, Tanauan and Palo, Leyte & Sogod, Southern Leyte	CPCN (1)	(c) March 16, 2004	(c) March 15, 2029
(d) Leyte (Abuyog, Baybay, Burauen, Carigara, Dulag, Hilongos, Isabel, Palompon & Hilaga) Eastern Samar (Guiuan & Borongan) Western Samar (Catbalogan & Basey) Southern Leyte (Maasin)	CPCN (1)	(d) March 18, 2008	(d) August 9, 2021
(e) Antique, Iloilo, Bohol, Bukidnon, Misamis Occidental, Misamis, Zamboanga del Sur, Davao del Norte, Davao del Sur, Davao Oriental, Saranggani, South Cotabato and Surigao del Sur	PA	(e) March 9, 1998	(e) July 25, 2006 (2)
(f) Aklan, Capiz (including Roxas City), Guimaras, Negros Occidental (including cities of Bacolod and Bago), Negros Oriental (including Dumaguete	PA	(f) November 18, 2004	(f) May 1, 2006 (2)

City), Cebu (including cities of Cebu, Lapu-Lapu and Mandaue), Zamboanga del Norte, Surigao del Norte (including Surigao City), Tagbilaran City, Cagayan de Oro City and Tagum City *(g) Butuan City, Agusan del Norte & Agusan del Sur*	PA	(g) December 14, 1998	(g) June 14, 2005 [(2)]
VSAT	CPCN [(1)]	January 11, 2001	January 10, 2026
International Gateway Facility	CPCN [(1)]	April 19, 1996	April 18, 2021
Trunked Mobile Radio System	CPCN [(1)]	April 2, 1998	April 1, 2023
Domestic Data and Voice Communications	CPCN [(1)]	April 10, 2008	August 9, 2021

[1]Certificate of Public Convenience and Necessity. The term of a CPCN is co-terminus with the franchise term.
2 Motion for Extension of PA still pending with the NTC. No roll-out to justify the PA extension

In July 2002, the NTC issued CPCNs to Globe and Innove which allow the Company to operate respective services for a term that will be predicated upon and co-terminus with the Company's congressional franchise under RA 7229 (Globe) and RA 7372 (Innove). Globe was granted permanent licenses after having demonstrated legal, financial and technical capabilities in operating and maintaining wireless telecommunications systems, local exchange carrier services and international gateway facilities. Additionally, Globe and Innove have exceeded the 80% minimum roll-out compliance requirement for coverage of all provincial capitals, including all chartered cities within a period of seven years.

Globe also registered the following brand names with the Intellectual Property Office, the independent regulatory agency responsible for registration of patents, trademarks and technology transfers in the Philippines: Globe, Globe Life Device, Globe Load, Globe Commerce, Globe International, Globe Platinum, Globe Kababayan, Globe Plans, Globe Calls, Globe Labs, Globe GCash, Connected 24ever and Device, Gloo Netwrkz, Globe Landline Postpaid Plus, Globe Share-A-Load, Globe Kababayan, Globe Broadband, Globe Telecom, Pixlink, Unlichat, Appzone, Tipidd, Wizard, Duo Mobile Plus Landline in One, Astig Ang Signal ng TM, Globe Tattoo, Globe Duo, Astig Ang Signal, Republika Ng TM Astig Tayo Dito, Tattoo, Astig, Astig Rewards, Astigunli, Astig Load, Astig Pabonus Reward, TM Diskarte, Immortalload, AstigTawag, Astigtxt, Todo Bigay Habambuhay, Duoplus, Load4life, Call4Life, Text4Life, Globe Text, Todo Text, Globe Tattoo Youniverse, Immortaltxt, Superduo, Tattoo, Globe All you Can, Ka-Globe Retailer Club, and Muzta!, Ang Wordlwidest, Globe for You, Globe Life, Globe Content, My Rewards.MyGobe, Tattoo Superstick, Super Unli Call and Text, Tattoo Stick, Tattoo Myfi, Tattoo Torque, Tattoo Live Without Limits, Globe Life, Enjoy Your Way, I Globe and Heart Device, Tattoo@Home, Enjoy Your Platinum Your Way, Tattoo DSL, Enjoy Your Globe International Your Way, Enjoy Your Globe Postpaid Your Way, Enjoy Your Prepaid Your Way, Globe Platinum & Device, Powersurf, M.Globe, Tattoo Wimax, M2M Solutions, SuperallTxt, Globe Business M2M Solutions, Go Lang Ng Go, Globe Mobile Internet and Globe Life Device, Globe Load and Globe Life Device, Globe My Super Surf Plan and Device, Tattoo Stylista, Tattoo Explorer, Globe Gcash and Globe Life Device, Globe Mobile Internet, Tattoo Player, Guaranteed Globe, Guaranteed Happy, Talk2Globe Your Way, My Rewards, My Globe Logo, Globe Business Infrastructure-as-a-Service, Tattoo Flash, Globe Business Cloud Solutions, Globe Business Storage-as-a-Service, Guaranteed Globe. Guaranteed Happy Logo, Tattoo 3G Sonic, Tattoo Sonic, You're On Logo, Globe Plans, Forever, Globe Bizcam, Globe Pisonet, Trunklite, Web Builder, Globe MyBusiness and Globe Life Device, Globe MyBusiness, TxtConnect, Yo!, Yo, Cloud Solutions, Globe MyBusiness Gadget Group Plan, MyWebsite, Adspark, Globe Appmarket, Digital Connectors, Airfair, GMovies, Gocery, Park Ninja, , Seats, Globe Prepaid #LevelUPPH, #LevelUPPH, #NextLevelKa Tournament, TM Barkada Congress, Barkada Congress, Digimall and Rollover.

Further, Globe also applied and registered the following brand names: Globe Telecom (Australia, Taiwan, Japan, Singapore, Macau, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Korea, Canada, China, Saudi Arabia), Globe and Globe Life Device (Hong Kong, Taiwan, Singapore, Japan, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal,

Slovak Republic, Slovenia, Spain, Sweden, Macau, Qatar, UAE, USA, Saudi Arabia), Globe GCash (Singapore, Hong Kong, United Kingdom, Taiwan, Japan, Macau, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Qatar, Korea, UAE, Saudi Arabia, New Zealand, Ireland, Lebanon, Denmark, Sweden, Switzerland, Israel), Globe Kababayan (Singapore, Hong Kong, Taiwan, United Kingdom, Australia, Japan, Macau, USA, Saudi Arabia, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Malaysia, UAE, Italy, Korea, Taiwan), Globe Autoload Max (Norway, Singapore, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Japan, Hong Kong), Globe M-Commerce Hub (Taiwan, Singapore, Korea, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Australia, Macau, Qatar, Malaysia), Muzta, and Smiley With Salakot Device (Japan, UK, Australia, Kuwait, USA, Saudi Arabia, Bahrain, UAE), Smiley with Salakot (Japan, United Kingdom, Australia, USA, Saudi Arabia, Bahrain, UAE), and Muzta (Bahrain, UAE, Canada, Qatar, Saudi Arabia, UAE), GCash Remit and Logo (Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden. Lebanon, Japan, Switzerland, Macau, Hong Kong, Taiwan, New Zealand, China, Japan, Israel), GCash Express and Logo (Hong Kong, Singapore, Taiwan, Malaysia), Globe Load (Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Macau).

Globe subsidiaries have applied/registered their respective marks with the Intellectual Property Office, namely:

Innove registered "Innove Communications",
Gxchange registered "GXchange,",
Globe Fintech Innovations, Inc. applied “Mynt”, “First Loan for Everyone”, “Fuse”, and “A Fresh Look at Money”;
Asticom Technology, Inc. applied “Asticom”
Global Telehealth, Inc. applied “Konsulta MD”.

Gxchange, Inc. and UTI Pty Ltd. have registered in the Philippines the following:

1. Person-to-Person Virtual Cash Transfer Transaction Using Mobile Phones;
2. A Method of Converting Cash into Virtual Cash and Loading it to Mobile Phone Cash Account;
3. A Method of Cashless, Cardless Purchase Transaction Using Mobile Phones; and
4. A Method of Converting Virtual Cash into Cash and Deducting it to Mobile Phone Cash Account.

Gxchange, Inc. and UTI Pty Ltd. have likewise registered the following patents in the United States:

1. Person-to-Person Virtual Cash Transfer Transaction Using Mobile Phones; and
2. A Method of Converting Virtual Cash into Cash and Deducting it to Mobile Phone Cash Account

Gxchange, Inc. and UTI Pty Ltd. have likewise filed the following patent applications in Indonesia, Singapore and Europe.

1. Person-to-Person Virtual Cash Transfer Transaction Using Mobile Phones;
2. A Method of Converting Cash into Virtual Cash and Loading it to Mobile Phone Cash Account;
3. A Method of Cashless, Cardless Purchase Transaction Using Mobile Phones; and
4. A Method of Converting Virtual Cash into Cash and Deducting it to Mobile Phone Cash Account.

Globe has applied the patent for “Systems and/or Methods for Authorizing and Facilitating Third-Party Withdrawals or Payment” with the Intellectual Property Office.

J. Government approvals/regulations

The Globe Group is regulated by the NTC under the provisions of the Public Service Act (CA 146), Executive Order (EO) 59, EO 109, and RA 7925. Under these laws, Globe is required to do the following:

a) To secure a CPCN/PA from the NTC for those services it offers which are deemed regulated services, as well as for those rates which are still deemed regulated, under RA 7925.

b) To observe the regulations of the NTC on interconnection of public telecommunications networks.

c) To observe (and has complied with) the provisions of EO 109 and RA 7925 which impose an obligation to rollout 700,000 fixed lines as a condition to the grant of its provisional authorities for the cellular and international gateway services.

d) Globe remains under the supervision of the NTC for other matters stated in CA 146 and RA 7925 and pays annual supervision fees and permit fees to the NTC.

On October 19, 2007, the NTC granted Globe a CPCN to operate and maintain an International Cable Landing Station and submarine cable system in Nasugbu, Batangas.

On May 19, 2008, Globe Telecom, Inc. announced that the National Telecommunications Commission (NTC) has approved the assignment by its wholly-owned subsidiary Innove Communications (Innove) of its Touch Mobile (*TM*) consumer prepaid subscriber contracts in favor of Globe. Globe would be managing all migrated consumer mobile subscribers of *TM*, in addition to existing Globe subscribers in its integrated cellular network.

On September 11, 2008, the NTC granted Globe a CPCN to operate and maintain an International Cable Landing Station in Ballesteros, Cagayan Province.

K. Research and Development

Globe did not incur any research and development costs from 2010 to 2015.

L. Compliance with Environmental Laws

The Globe Group complies with the Environmental Impact Statement ('EIS') system of the Department of Environment and Natural Resources ('DENR') and pays nominal filing fees required for the submission of applications for Environmental Clearance Certificates ('ECC') or Certificates of Non-Coverage ('CNC') for its cell sites and certain other facilities, as well as miscellaneous expenses incurred in the preparation of applications and the related environmental impact studies. The Globe Group does not consider these amounts material.

Globe has not been subject to any significant legal or regulatory action regarding non-compliance to relevant environmental regulations.

M. Employees

The Globe Group has 6,864 active regular employees as of December 31, 2015, of which about 3.16% or 217 are covered by a Collective Bargaining Agreement (CBA) through the Globe Telecom Employee's Union (GTEU).

Breakdown of employees by main category of activity from 2013 to 2015 are as follows:

Employee Type	2015	2014	2013
Rank & File, CBU	2,572	2,347	2,365
Supervisory	2,442	2,167	2,074
Managerial	1,386	1,239	1,131
Executives	464	429	417
Total *	**6,864**	**6,182**	**5,987**

**Includes Globe, Innove, & GXI (excluding Secondees)*

In conformance with the Department of Labor and Employment's (DOLE) Collective Bargaining Agreement (CBA), the Globe Telecom Employees Union-Federation of Free Workers (GTEU-FFW) remains active to pledge the right of every Ka-Globe to form a collective bargaining unit. All employees are allowed to participate in CBA and through GTEU-FFW, everyone is informed and made aware of the mandate during employee orientations.

The Company has a long-standing, healthy, and constructive relationship with the GTEU characterized by industrial peace. It is a partnership that mutually agrees to focus on shared goals – one that has in fact allowed the attainment of higher levels of productivity and consistent quality of service to customers across different segments.

Strong partnership and mutual understanding between the company and the union has been continuously demonstrated throughout the years. In fact, throughout the many changes and transformations initiated by the Company to achieve its goals, the union has been there, working hand in hand with the Company in support of its business goals.

GTEU and Globe have a 5-year collective bargaining agreement for year 2011-2015, a testament to the strong and peaceful relationship between the two.

Globe Telecom complies with RA 7160 – Special Protection of Children Against Child Abuse, Exploitation and Discrimination Act and observance of the principles of the Human Rights Act and Child Labor Law. Benchmarking such regulations generate a happy workplace without presenting any fear of discrimination or violation towards any employee. The company does not condone the violation of the rights of indigenous people, nor does the company promote any operational activities that would pose hazardous risks or damages to children or young employees.

The wonderful world of Globe provides a happy and safe workplace and alongside, implements certain rules and policies to promote good conduct and behavior. Hence, employees who fail to follow the Globe Code of Conduct (COC) are given corresponding sanctions. This is to protect the company's interests to be able to consistently create a wonderful world for everyone. The sanctions especially apply to major offenses related to corruption, extortion, bribery or any form that disrespects the corporate values of the company. From the beginning, employees will be obliged to declare in writing any involvement or endeavors that may potentially raise conflict with the company. Failure to do so will subject the employee for a possible outright dismissal.

Globe continues to explore new ways to enhance employee productivity and realize operating efficiencies. The Company believes that these initiatives will improve corporate agility, enhance Globe's overall competitiveness and strengthen its position as a service leader in the telecom industry, thereby enhancing shareholder value.

N. Risk Factors

1. Foreign Exchange Risk

Globe's foreign exchange risk results primarily from movements of the Philippine peso (PHP) against the US dollar (USD) with respect to its USD-denominated financial assets, liabilities, revenues and expenditures. Approximately 13% of its total service revenues are in USD while substantially all of its capital expenditures are in USD. In addition, 24% and 22% of debt as of December 31, 2015 and 2014, respectively, are denominated in USD before taking into account any swap and hedges.

Globe's foreign exchange risk management policy is to maintain a hedged financial position after taking into account expected USD flows from operations and financing transactions. It enters into short-term foreign currency forwards and long-term foreign currency swap contracts in order to achieve this target.

The Company mitigates its foreign exchange risk through the following:

First, the Company has foreign currency-linked revenues which include those (a) billed in foreign currency and settled in foreign currency; (b) billed in pesos at rates linked to a foreign currency tariff and settled in pesos, or (c) fixed line monthly service fees and the corresponding application of the

Currency Exchange Rate Adjustment (CERA) mechanism under which Globe has the ability to pass the effects of local currency depreciation to its subscribers.

Second, Globe enters into short-term currency forwards to manage foreign exchange exposure related to foreign currency denominated monetary assets and liabilities while it enters into long term foreign currency and interest rate swap contracts to manage foreign exchange and interest rate exposures of certain long term foreign currency denominated loans.

There are no assurances that declines in the value of the Peso will not occur in the future or that the availability of foreign exchange will not be limited. Recurrence of these conditions may adversely affect Globe's financial condition and results of operations.

2. Political and Socio-Economic Risks

The growth and profitability of Globe may be influenced by the overall political and economic situation of the Philippines.

(a) Economic Considerations

Ever since the first quarter of 2014, GDP growth has been increasing, ending with a 5.8% full-year growth for the year end December 2015. Starting slow at 5% during the first quarter, growth eventually reached 6.3% by the end of the fourth quarter. This was mostly driven by the Service Sector, particularly Real Estate, Renting & Business Activities and Transport, Storage, and Communication. Mining & Quarrying and Construction also contributed to this growth. The 5.8% full-year GDP growth ended higher than the estimated 5.7% by International Monetary Fund (IMF).

Looking into the different sectors in the supply side, Service Sector drove the full-year growth with a jump to 6.7% from 5.9% in 2014. Other Services led the growth with 8%, followed by Transport, Storage & Communication with 7.9%. Real Estate, Renting & Business Activities ended with 7.3% while Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods came in close with 6.9%. Financial Intermediation dropped from 7.2% last year to 5.7% this year, as well as Public Administration & Defense; Compulsory Social Security dropping from 3.6% in 2014 to 0.6% in 2015.

Also contributing to the full-year GDP growth is the Industry Sector with 6% despite decreasing from the 7.9% in 2014. Construction remained the highest contributing subsector despite the decrease from 9.9% in 2014 to 8.9% in 2015. Manufacturing likewise decreased from 8.3% to 5.7% in 2015. Meanwhile, Electricity, Gas & Water Supply increased from 2.8% to 4.8%, being the only subsector under the Industry Sector that increased in growth rate in 2015 as Mining & Quarrying reached a negative growth rate of -1.3%.

The Agricultural, Hunting, Forestry and Fishing Sector remains to be the least contributor with 0.2% growth. This is a huge 88% decrease from the 1.6% growth rate in 2014. Agriculture and Forestry decreased to 0.7% from 2% in 2014 while Fishing further pushed its growth rate down to -1.8% in 2015 from -0.4% in 2014.

Transitioning to the demand side, government spending picked up its pace and increased by 453% from 1.7% to 9.4% in 2015. There is also an increase in Public and Private Investments as it reached a growth rate of 13.6% with investments in Construction and Durable Equipment driving the growth. This then translated to higher employment and income rates, Household Consumption therefore increased to 6.2%.

According to Secretary Arsenio Balisacan, current Economic Planning Secretary and NEDA Director-General, the country has a six-year real GDP growth of 6.2%, highest since the late 70s. He also added that investments efforts in creating job and higher income in the past few decades have not been as consistent as the current administration's. According to him, there is still so much to improve, especially the Agricultural Sector which has proven to be vulnerable to natural disasters. Moreover, though the country's economy has shown to be promising in the future, the administration, both current and future, has to face challenges in sustaining the programs, building the socioeconomic resiliency of the nation, and keeping the economic growth.

In April 2015, Standard & Poor's reaffirmed the country's long-term sovereign credit rating of BBB Stable. In September 2015, Fitch has granted the country a BBB- Positive while Moody's granted a Baa2 Stable rating last December 2015. All these ratings are well within the investment grade showing that the country has adequate payment capacity with moderate credit risk.

Economic experts expect Investments and Private consumptions to maintain solid growth in 2016. Domestic demand likewise is expected to increase following the coming National elections on May 2016.

For the year 2016, the government budget reached P3 trillion, 36.8% of which is going to the social services sector. Among the government agencies, Department of Education received the biggest allocation with P411.9 billion followed by Department of Public Works and Highways with P384.3 billion. The national budget has doubled since 2010.

The positive outlook on demand and increasing budget of the government are two factors that can positively contribute to Globe's operations and its ability to expand its network and eventually, subscriber base.

(b) Political Considerations

The Philippines has from time to time experienced political, social and military instability. In February 1986, a peaceful civilian and military uprising ended the 21-year rule of President Ferdinand Marcos and installed Corazon Aquino as President of the Philippines. Between 1986 and 1989, there were a number of attempted *coups d'état* against the Aquino administration, none of which was successful.

Political conditions in the Philippines were generally stable during the mid to late 1990s following the election of Fidel Ramos as President in 1992. His successor, Joseph Estrada was the subject of various allegations of corruption. He was eventually ousted from office following impeachment proceedings, mass public protests and the withdrawal of support by the military on corruption charges. Following President Estrada's resignation, then Vice President Gloria Macapagal Arroyo was sworn in as President on January 20, 2001. President Arroyo was subjected to various impeachment complaints during her term. These impeachment complaints involved various allegations including the manipulation of the results of the presidential election in 2004, corruption and bribery. These complaints have fueled mass protests led by various cause-oriented groups calling for the President to resign.

The Philippines held its most recent elections in May 2010, which marked the first attempt of the Commission on Elections to implement a computerization of the national elections that includes presidential, legislative and local positions. The elections have been deemed a success, with the automation of the process and the relative decrease in election-related violence adding credibility to the results. In June 2010, Benigno "Noynoy" Aquino III was inaugurated as the 15th President of the Philippines. The son of the late former President Corazon Aquino garnered over 40% of the vote and has injected the country with renewed optimism.

In May 2013, the Philippines held its midterm elections where 12 of the 24 seats of the Senate and all of the seats of the House of Representatives were elected. The officials elected were sworn in on June 30, 2013, midway through President Benigno Aquino III's term of office.

On the judiciary, following the impeachment of the Chief Justice of the Philippine Supreme Court, Renato Corona in 2012, President Aquino III immediately appointed Supreme Court Associate Justice Ma. Lourdes Sereno as the new Chief Justice of the Supreme Court. She is the first female and the second youngest Chief Justice in the country's history. Her appointment gives hope of reform and transparency in the justice system of the Philippines. Her accomplishments as the Chief Justice are yet to be determined given that she is expected to be in position for the next 16 years.

It was in mid-2013 and early 2014 that the Pork Barrel Scam made noises that resulted to citizens questioning the credibility of our government. President Aquino, who initially continued the Priority Development Assistance Fund (PDAF) legacy upon election, decided to abolish it given the rise

of this major issue that can possibly cripple the Philippine government. The Pork Barrel Scam began when whistleblowers revealed the P10B-scam involving several government officials and Janet Lim-Napoles, a business owner of several companies that serve different agencies. The witness claimed that Napoles offered a portion of the PDAF to commissioners in exchange of the authority to redirect the funds. Since then, several witness testimonies in court hearings and investigations continue to reveal pieces on this issue.

One notable event in 2015 is the APEC Leadership Summit that Manila hosted in November. With all the leaders of the world coming to the Philippines, the country's own leaders implemented strict rules on how the Filipinos should go about their daily business for the week. Roads were closed. Lanes were freed up for the leaders' vehicles. Informal settlers were swept away. There was Manila-wide cleaning of roads and walls. But despite all these complaints from the Filipinos affected, APEC opened the eyes of the nation to economic opportunities that the world can potentially create with these 21 countries coming together. By hosting APEC, the Philippines gained the opportunity to showcase its strengths and ability as a country and as a nation. This will in effect increase the attention to the Philippines in an investment perspective for the other nations.

However, in the coming May 2016 elections, it is expected that the whole political landscape of the Philippines will change. With the presidential candidates having different focuses on their campaign, the kind of tone that will be set in the next 6 years of leadership is vast and unpredictable. And despite the recent improvements in the country's political and economic systems brought about by the Aquino administration, there can be no assurance that the future political environment in the Philippines will be stable or future governments will adopt economic policies conducive to sustaining economic growth. The growth and profitability of Globe may be influenced by the overall political and economic situation of the Philippines. Any political instability in the Philippines could negatively affect the country's general economic conditions which in turn could adversely affect Globe's business, financial condition or results of operations.

3. Industry and Operational Risks

(a) Competitive Industry

Competition remains intense in the Philippine telecommunications industry as current operators seek to increase market share with aggressive offerings while new entrants serve to further heighten the competitive dynamics amidst a maturing mobile market. Today, Globe's principal competitor is the PLDT Group (composed of PLDT, Smart and Digitel), becoming a two-player market following PLDT's acquisition of Digitel in October 2011.

The Philippine telecommunications industry continues to be dominated by the mobile segment which contributed an estimated 62% of the total industry revenues in 2015. Nominal penetration rate is now estimated at 115% from 113% in 2014. Industry revenue growth has slowed in recent years, growing 3.9% in 2015, slightly higher than the 3.7% growth recorded last year.

The continued growth and development of the mobile industry will depend on many factors. Any significant economic, technological or regulatory development could result in either a slowdown or growth in demand for mobile services and may impact Globe's business, revenues and net income. Globe's mobile revenues in 2015 and 2014 accounted for 75% and 79%, respectively of its total service revenues.

(b) Regulatory Risk

The Globe Group is regulated by the NTC for its telecommunications business, and by the SEC and the BSP for other aspects of its business. The introduction of, changes in, or practicality of implementation of certain laws or regulations from time to time, may materially affect the operations of Globe, and ultimately the earnings of the Company which could impair its ability to service debt. There is no assurance that the regulatory environment will support any increase in business and financial activity for Globe.

Globe manages its regulatory risks through proactive engagement with regulators and regular monitoring of circulars and orders especially those that could negatively impact its businesses.

(c) Technology Shift Risk

Globe offers products and services which are dependent on the latest technological trends. Globe Telecom's inability to identify, align or adapt to emerging technologies that drive shifts in customer preference and consider the impact of new devices to existing technology infrastructure and investments may place it in a competitively disadvantageous position resulting to non-attainment of revenue and growth targets.

Globe Telecom's business, product and technical teams continue to keep abreast of the latest innovations and trends in telecommunications technologies, devices and gadgets. The information and insights gathered are considered in the roadmap of future products and services and Globe Telecom's Network and IT infrastructure evolution. Proper timing of investments in technology and infrastructure always consider its strategic implications, velocity of technology cycles and subscriber adaption.

(d) Change Program Risk

Globe is in the process of transforming its Network infrastructure mainly to improve network quality, anticipate the surge in voice and data traffic, decrease total cost of ownership and make the network robust enough to meet future needs. On the other hand, the IT transformation is envisioned to re-engineer Globe Telecom's IT systems and key processes to enhance its ability to deliver superior customer experience while being able to roll out products to the market in a more efficient and effective manner.

Should Globe Telecom's ambitious and complex transformation programs prove to be unsuccessful, or fail to achieve the desired outcomes, Globe could ultimately lose market share thus impacting its financial results.

Globe has institutionalized the appropriate program governance organization with senior management oversight and accountability to ensure program risks are properly considered and managed with the end objective of improving customer experience. Supporting processes have been established to closely monitor and provide a venue for regular progress updates, alignment of efforts, discussion of critical implementation issues and challenges and help ensure successful execution of its change programs.

(e) Reputational Risk

Globe is recognized as one of the Philippines' top companies which provides innovative voice, SMS and data services, delivers superior customer sales and after sales experience, and maintains a socially responsible philosophy. Given the prevailing industry landscape and considering quickly shifting customer loyalty, Globe is exposed to reputational risk which may result from the actions of the company itself or its competitors; indirectly due to the actions of an employee or consequently through outsourced partners, suppliers or joint venture partners.

Damage to Globe Telecom's reputation and erosion of brand equity could also be triggered by the inability to swiftly and adequately handle negative traditional and social media sentiments on Globe Telecom's products and services resulting from unfavorable customer experience.

Regular process effectiveness and efficiency reviews on existing customer-impacting processes and policies are being conducted to identify and address existing gaps, thus minimizing exposure to reputational risks arising from problem areas. Front line staff are regularly trained to enable them to effectively handle customer cases. On the other hand, close monitoring of customers' online sentiments is being performed to quickly detect subscriber issues being surfaced in social media and be able to manage them early on.

(f) Compliance Risks

(i) Revenue Leakage

Globe is inherently vulnerable to revenue leakage with the dynamic changes in networks and IT systems and the multitude of its service offerings given the pace at which new offers are launched in the market.

Globe is continuously improving controls in its revenue assurance processes in order to prevent and/or detect cases of revenue leakages. Prior to the launch of new products, services and new systems, appropriate revenue assurance controls are already embedded in system capabilities and manual processes.

(ii) Fraud

Globe runs the risk of falling victim to fraud perpetrated by unscrupulous persons or syndicates either to avail of "free" services, to take advantage of device offers or defraud its customers. With the increasing complexity of technologies, network and IT architecture, new types of fraud are becoming more difficult to detect. This risk also involves irregularities in transactions or activities performed by Globe Telecom's employees for personal gain.

Globe has institutionalized processes and built capabilities that enable the early detection, close monitoring and timely reporting of various instances of fraudulent activities.

(iii) Business disruptions

Globe Telecom's continued delivery of quality services are highly dependent on network and IT infrastructure which are vulnerable to damages caused by extreme weather disturbances, natural calamities, fire, acts of terrorism, intentional damage, malicious acts and other similar events which could negatively impact the attainment of revenue targets and damage its reputation.

Globe is enhancing its crisis management plans and capabilities and has incorporated disaster risk reduction and response objectives in its business continuity planning.

(iv) Cyber Threats

The cyber security landscape is rapidly evolving and users are heavily relying on digitized information and sharing vast amounts of data across complex and inherently vulnerable networks. This exposes Globe to various forms of cyber-attacks which could result in disruption of business operations, damage to reputation, legal and regulatory fines and customer claims.

New technologies and systems being installed in the name of advanced capabilities and processing efficiencies may introduce new risks which could outpace the organization's ability to properly identify, assess and address such risks. Further, new business models that rely heavily on global digitization, use of cloud, big data, mobile devices and social media increase the organization's exposure to cyber-attacks.

Globe continues to strengthen and enhance its existing security detection, vulnerability and patch management, configuration management, identity access management, events monitoring, data loss prevention and network/end-user perimeter capabilities to ensure that cyber threats are effectively managed.

(v) Data Privacy

Globe, in the course of regular business acquires personal information of its subscribers and retains the same in its IT systems. Existing laws require that these information be adequately protected against unauthorized access and or/disclosure. The risk of data leakage is high with the level of empowerment granted to in-house and outsourced employees handling sales and after sales transactions to enable the efficient discharge of their functions.

Employee awareness on data protection and loss prevention is reinforced through regular corporate dissemination channels. Further, employees are made accountable for maintaining the confidentiality of data handled, including disclosures and information shared in various

social media platforms. Controls over processes that require handling of subscriber's personal information are being tightened, coupled with enhancements in existing security capabilities to prevent compromise of subscriber data.

(g) Human Capital Risks

Globe Telecom's greatest asset is its people and its success is largely dependent on its ability to attract highly skilled personnel and to retain and motivate its best employees. Globe Telecom's people is the glue that brings everything together which is why it is crucial to ensure that the company is able to acquire the right people and enhance their exceptional abilities further.

Various people-related programs designed to engage and motivate employees are being implemented in order to retain and attract key talents. Globe also conducts an annual survey to determine the level of employee engagement across the organization. Below norm employee engagement criteria are analyzed to determine employees' key concerns, and correspondingly, implement programmed interventions to address such concerns and ensure sustainable engagement.

(h) Organizational Agility Risk

In order to maximize the opportunities that may arise from the quickly-evolving changes in the telecommunications industry, diversification of the business portfolio is critical to maintain Globe Telecom's market competitiveness. Failure to drive the entire organization to quickly adapt to changes and make the right shift in skills and mindsets to take on new investments may lead to missed business opportunities.

Globe has initiated cultural change programs that focus on customer centricity and cultivating forward-looking risk aware mindsets. Opportunistic hiring of talents required for innovation and new investment areas are also carefully considered. Further, through Kickstart Ventures, Globe invests in building to scale, the technical foundation of digital and tech start-up businesses operating in the Philippines.

O. Management of Risks

Cognizant of the dynamism of the business and the industry and in line with its goal to continuously enhance value for its stakeholders, Globe Telecom has put in place a robust risk management process.

As part of its annual planning cycles, senior management and key leaders regularly conduct an enterprise–wide assessment of risks focused on identifying the key risks that could threaten the achievement of Globe's business objectives, both at the corporate and business unit level, as well as specific plans to mitigate or manage such risks.

Risks are prioritized, depending on their impact to the overall business and the effectiveness by which these are managed. Risk mitigation strategies are developed, updated and continuously reviewed for effectiveness, and are also monitored through various control mechanisms.

Globe employs a two-dimensional view of risk monitoring. Business unit or functional group level leaders regularly monitor the status of operational, legal, financial, project risks that may threaten the achievement of defined business outcomes and are accountable for the completion of the approved mitigation plans meant to address the risks to the business. Senior management's oversight of enterprise level risks includes strategic risks, major programme risks, regulatory risks and the status of risk mitigation plans as they relate to the attainment of key business objectives. *(For additional information on Risk Management see Item 12. Risk Management under Part IV - Corporate Governance section)*

P. Debt Issues

For details on Globe Group's Notes payable and Long Term debt, see Note 14 of the attached Notes to the 2015 Audited Financial Statements.

Item 2. Properties

A. Buildings and Leasehold Improvements

Effective 27 August 2013, Globe transferred its Head Office to The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig from Globe Telecom Plaza, Mandaluyong City.

Globe also owns several floors of Pioneer Highlands Towers 1 and 2, located at Pioneer Street in Mandaluyong City. In addition, the Company also owns host exchanges in the following areas: Bacoor, Batangas, Ermita, Iligan, Makati, Mandaluyong, Marikina, Cubao-Aurora, among others.

The Company leases office spaces along Sen. Gil Puyat Avenue, EDSA and Ermita for its technical, administrative and logistics offices and host exchange, respectively. It also leases the space for most of its Globe Stores, as well as the Company's base stations and cell sites scattered throughout the Philippines.

Globe's existing business centers and cell sites located in strategic locations all over the country are generally in good condition and are covered by specific lease agreements with various lease payments, expiration periods and renewal options. As the Company continues to expand its network, Globe intends to lease more spaces for additional cell sites, stores, and support facilities with lease agreements, payments, expiration periods and renewal options that are undeterminable at this time. *(For additional details on Buildings and Leasehold Improvements see Note 7 of the attached notes to the 2015 Audited Financial Statements)*

B. Telecommunications Equipment

As of 31 December 2015, the Company has mobile switching centers, 2G, 3G and 4G mobile switching systems, transit switching centers and home location registers located in key areas nationwide. It also utilizes a number of short messaging service centers, multimedia messaging service centers and a wireless application protocol gateway to handle its SMS and value-added services traffic.

The infrastructure for Innove's fixed telephone service includes a number of telephone switching exchanges and remote switching units in key locations in Metro Manila, the National Capital Region, Visayas and Mindanao.

For its international and domestic long distance telephony business, Globe has a number of toll switching systems in the National Capital Region, Visayas and Mindanao. It also operates international gateway facilities to serve its international connectivity requirements.

Globe also has a national transmission network that includes a microwave Synchronous Digital Hierarchy ('SDH') backbone that stretches from the northern part of Luzon to the southern part of Mindanao, supplemented by leased fiber optic networks in urban areas. Globe also established, operates and maintains a FOBN linking the Luzon, Visayas and Mindanao island groups to complement its microwave facilities and which offers flexibility for future telecommunications technology including broadband, GPRS, 3G and broadband data transmission. In November 2009, Globe completed work on its 2nd FOBN which is expected to provide additional capacity and improve redundancy to its existing FOBN.

Last November 2011, Globe announced a landmark mobile network modernization program that significantly improve network quality and customer experience, increase capacity, drive down costs, as well as prepare the network to meet the needs of customers today and in the future. Given the growing demand for bandwidth-heavy services, this modernization program aims to bring significant improvements to network capacity leading to improved reliability, ease of access and pervasive coverage. This modernization includes upgrading to a more efficient and HSPA+ and LTE-ready network by deploying single-cabinet base stations with more efficient energy and site footprint, and Software Defined Radio (SDR) base stations that support multiple technologies and allows for flexible and quick capacity expansion for future need. The transport facilities will also be upgraded to a more resilient, all-IP architecture to improve scalability and traffic efficiency through increased fiberization of access and fringe core network and deployment of 40/100Gbps Dense Wavelength Division Multiplex (DWDM) transport backbone.

In 2013, Globe completed the first phase of the network modernization and is now focused on the fiberization of the remaining balance of the targeted sites for improved network scalability and traffic handling capacity. In addition, Globe is building more sites to boost capacity and fill in identified gaps to improve network coverage and performance.

In June 2014, Globe achieved 100% 3G coverage for its subscribers. Furthermore, in September 2014, Globe completed the roll-out of its 4G HSPA+ infrastructure, providing subscribers with faster and more reliable wireless internet connectivity.

C. Investments in Cable Systems

To provide resiliency and geographic diversity, Globe has also invested in several submarine cable systems, which the Company either owns or leases a share of the systems' total capacity. Investments in cable systems include the cost of the Globe Group's ownership share in the capacity of certain cable systems under Construction & Maintenance Agreements; or indefeasible rights of use (IRUs) under Capacity Purchase Agreements.

To date, Globe has investments in the following cable systems (shown below with their major connectivity paths):

- APCN2 – Asia Pacific Cable Network-2 (Trans-Asian region);
- China-U.S. – (connects North Asia, mainly China to the United States);
- C2C – City-to –City (Trans-Asian region);
- SEA-ME-W3 – Southeast Asia-Middle East-Western Europe;
- SJC – Southeast Asia Japan Cable System – connects Singapore, Brunei, Hong Kong, China Mainland, Japan and the Philippines, with options to extend to Thailand
- TGN-IA – Tata Global Network – Intra Asia cable system - connects the Philippines to Japan, Hong Kong, Vietnam, and Singapore with onward connectivity via the TGN-Pacific network to the United States; and
- SEA – US (Southeast Asia-United States) – connects Philippines, Indonesia, Guam, and United States

The Company also has an international cable landing station located in Nasugbu, Batangas that directly accesses the C2C cable network, a 17,000 kilometer long submarine cable network linking the Philippines to Hong Kong, Taiwan, China, Korea, Japan and Singapore. Globe has separately purchased capacity in the C2C cable network which it subsequently transferred to its subsidiary, Innove.

Additionally, Globe has acquired capacities, either through lease or IRU, in selected cable systems where the Company is not a consortium member or a private cable partner. These include capacities in East Asia Crossing (EAC), and Fiber Optic Link Around the Globe (FLAG), among others.

On 17 March 2009, Globe formally opened its second international cable landing station in Ballesteros, Cagayan with the Company being the exclusive landing party in the Philippines to the Tata Global Network – Intra Asia (TGN-IA) cable system. TGN-IA is a 6,700 kilometer trans-Asian submarine cable system that links the Ballesteros, Cagayan cable landing station in the Philippines to Japan, Hong Kong, Vietnam, and Singapore with onward connectivity via the TGN-Pacific network to Guam and the United States.

On 1 October 2013, the Southeast Asia-Japan Cable (SJC) System was formally launched where Globe is the exclusive landing party in the Philippines. The SJC System is one of the highest capacity systems in the world (supporting an initial design capacity of 28 terabits per second, the fastest speed an undersea cable system can provide). This enhances the Company's global link to support businesses and consumers' increasing demand for high-speed internet and connectivity. Globe joins some of the biggest names in the industry including Brunei International Gateway Sendirian Berhad (BIG), Google, SingTel, KDDI, PT Telekomunikasi Indonesia International (Telin), China Mobile, China Telecom, China Telecom Global Limited (an affiliate of China Telecom), Donghwa Telecom Co., Ltd., and TOT of Thailand, in this consortium.

On August 2014, Globe Telecom joined a consortium of international telecommunications companies to build a $250 million cable system directly connecting Southeast Asia and United States. Expected

for completion in the last quarter of 2016, the SEA-US undersea cable system will provide superior latency, delivering an additional 20Terabits per/second capacity, utilizing the latest 100 gigabits per second transmission equipment. Such additional capacity will cater to the exponential growth of bandwidth between the two continents.

For more information on the Company's properties and equipment, refer to Note 7 of the attached notes to the consolidated financial statements.

Item 3. Legal Proceedings

a) On 23 July 2009, the NTC issued NTC Memorandum Circular (MC) No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the cellular mobile telephone service (CMTS) whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme. In compliance with NTC MC 05-07-2009, Globe refreshed and offered to the general public its existing per-second rates that, it bears emphasizing, comply with the NTC Memorandum Circular. Globe made per second charging for Globe-Globe/TM-TM/Globe available for Globe Subscribers dialing prefix 232 (GLOBE) OR 803 plus 10-digit TM or Globe number for TM subscribers. The NTC, however, contends that Globe's offering does not comply with the circular and with the NTC's Order of 7 December 2009 which imposed a three-tiered rate structure with a mandated flag-down of P3.00, a rate of P0.4375 for the 13th to the 160th second of the first minute and P0.65 for every 6-second pulse thereafter. On 9 December 2009, the NTC issued a Cease and Desist Order requiring the carriers to refrain from charging under the previous billing system or regime and refund consumers.

   Globe maintains that the Order of the NTC of 7 December 2009 and the Cease and Desist Order are void as being without basis in fact and law and in violation of Globe's rights to due process. Globe, Smart, Sun and CURE all filed petitions before the Court of Appeals seeking the nullification of the questioned orders of the NTC. On 18 February 2010, the Court of Appeals issued a Temporary Restraining Order preventing the NTC from enforcing the disputed Order.

   On 25 May 2010, the CA issued a writ of preliminary injunction directing the NTC to cease and desist from enforcing their assailed Order/s. On 28 December 2010, the CA rendered a Decision declaring the questioned decisions invalid for being violative of the Petitioners' right to due process, among others. The Petitioners and the NTC filed their respective Motions for Partial Reconsideration. The motions were DENIED by the CA in an Order dated 19 January 2012. Due to lack of material time, the NTC and the Petitioners seasonably filed their respective Motions for Extension of Time to File Petition for Review with the Supreme Court. Globe filed its Petition on 12 March 2012. The other Movants are expected to file their respective petitions within the month of March 2012.

   Globe believes that its legal position is strong and that its offering is compliant with the NTC's Memorandum Circular 05-07-2009, and therefore believes that it would not be obligated to make a refund to its subscribers. If, however, Globe would be held as not being in compliance with the circular, Globe may be contingently liable to refund to any complaining subscribers any charges it may have collected in excess of what it could have charged under the NTC's disputed Order of 7 December 2009, if indeed it is proven by any complaining party that Globe charged more with its per second scheme than it could have under the NTC's 6-second pulse billing scheme stated in the disputed Order. Management has no estimate of what amount this could be at this time.

b) On 22 May 2006, Innove received a copy of the Complaint of Subic Telecom Company ("Subictel"), Inc., a subsidiary of PLDT, seeking an injunction to stop the Subic Bay Metropolitan Authority and Innove from taking any actions to implement the Certificate of Public Convenience and Necessity granted by SBMA to Innove. Subictel claimed that the grant of a CPCN allowing Innove to offer certain telecommunications services within the Subic Bay Freeport Zone would violate the Joint Venture Agreement ("JVA") between PLDT and SBMA. The Supreme Court ordered the reinstatement of the case and has forwarded it to the NTC-Olongapo for trial. The trial is now on-going

c) PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City. In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove's installations in the Bonifacio Global City.

In the case filed by PLDT against the NTC in Branch 96 of the Regional Trial Court (RTC) of Quezon City, where PLDT sought to obtain an injunction to prevent the NTC from hearing the case filed by Innove, the RTC denied the prayer for a preliminary injunction and the case has been set for further hearings. PLDT has filed a Motion for Reconsideration and Globe has intervened in this case. In a resolution dated 28 October 2008, the RTC QC denied BCC's motion for the issuance of a temporary restraining order (TRO). On 14 October 2013, the RTC issued an order dismissing the complaint. On 21 October 2013, PLDT elevated the case to the Court of Appeals where the same is still pending resolution.

In the case filed by BCC against FBDC, Globe Telecom and Innove, Bonifacio Communications Corp. before the Regional Trial Court of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a Temporary Restraining Order and has instead scheduled several hearings on the case. The case was dismissed by the RTC Pasig.

On 11 November 2008, Bonifacio Communications Corp. (BCC) filed a criminal complaint against the officers of Innove Communications Inc., the Fort Bonifacio Development Corporation (FBDC) and Innove contractor Avecs Corporation for malicious mischief and theft arising out of Innove's disconnection of BCC's duct at the Net Square buildings. The accused officers filed their counter-affidavits and are currently pending before the Prosecutor's Office of Pasig. The case is still pending resolution with the Office of the City Prosecutor.

On 21 January 2011, BCC and PLDT filed with the Court of Appeals a Petition for Certiorari and Prohibition against NTC, et al. seeking to annul the Orders of the NTC dated 28 October 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and the CEASE AND DESIST from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC. BCC and PLDT anchor their petition on the grounds that: 1) the NTC has no jurisdiction over BCC it being a non-telecommunications entity; 2) the NTC violated BCC and PLDT's right to due process; and 3) there was no urgency or emergency for the issuance of the cease and desist order. The case is pending with the court of appeals.

On April 25, 2011, Innove Communications filed its comment on the case filed by PLDT that seeks to ban all Globe services from the Bonifacio Global City before the CA's Tenth Division. In its comment, Globe argued that it is in the public's best interest that open access and free competition among telecom operators be allowed at the Bonifacio Global City.

On August 16, 2011, the Ninth Division of the CA ruled that PLDT's case against Innove and the National Telecommunications Commission (NTC) lacked merit, and thus denied the petition and dismissed the case. PLDT and its co-petitioner, BCC file their motion for reconsideration. The same is still pending resolution.

d) Other Developments

Globe Telecom and other leading Asia Pacific mobile operators (JV partners) signed an agreement in 2004 (JV Agreement) to form a regional mobile alliance, which will operate through a Singapore-incorporated company, BMPL. The JV company is a commercial vehicle for the JV partners to build and establish a regional mobile infrastructure and common service platform and deliver different regional mobile services to their subscribers. Globe Group has a ten percent (10%) stake in BMPL. The other joint venture partners each with equal stake in the alliance include SK Telecom, Co. Ltd., Advanced Info Service Public Company Limited, Bharti Airtel Limited, Maxis Communications Berhad, Optus Mobile Pty. Limited, Singapore Telecom Mobile Pte, Ltd., Taiwan Mobile Co. Ltd., PT Telekomunikasi
Selular and CSL Ltd. Under the JV Agreement, each partner shall contribute USD4.00 million based on an agreed schedule of contribution. Globe Telecom may be called upon to contribute on dates to be determined by the JV. On November 25, 2014, Globe Telecom received a return of capital amounting to USD1.40 million. As of December 31, 2015 and 2014, the carrying value of the investment in BMPL amounted to ₱29.44 million and ₱21.21 million, respectively.

Bayan Telecommunications, Inc.

Globe Telecom, Inc. and Bayan Telecommunications, Inc. ("BTI") obtained approval from the NTC for the joint use of the frequencies 1750-1760 MHz / 1845-1855 MHz originally assigned to BTI. The joint-use agreement will enable Globe to address increasing demand for voice, short message and mobile data services, and allow BTI to be able to offer mobile telecommunications services nationwide.

In another development, the Company announced in November 2012 that it has obtained the approval by its Board of Directors to commence offers to purchase (the "Debt Offers") up to 100% of the financial obligations of BTI and subsidiary Radio Communications of the Philippines, Inc. ("RCPI") to their respective financial creditors. The Debt Offers were concluded last 22 December 2012, wherein Globe secured the acceptance of 93.66% of the holders of the unsecured financial indebtedness of BTI under the US$ 13.5% bonds originally due in 2006; 98.26% of the outstanding other financial indebtedness owed by BTI; and 100% of the outstanding financial indebtedness owed by RCPI, based on outstanding aggregate principal amount under the terms of the rehabilitation plan of BTI and RCPI. BTI has been subject to court-supervised rehabilitation proceedings since 2003. The current rehabilitation plan anticipates that BTI and RCPI will remain in rehabilitation until 2023. Globe intends to apply with the rehabilitation court to amend the terms of the rehabilitation plan in the interest of assuring BTI's long-term sustainability.

Meanwhile, Globe has also commenced separate discussions with the controlling shareholders of BTI regarding a wide range of commercial arrangements including a potential acquisition by Globe of an equity interest in BTI. The approval of the National Telecommunications Commission is required to complete the acquisition. The parties remain in discussions on the terms of the commercial arrangements including the price and other conditions under which the acquisition may be effected. No definitive arrangement has been executed at this time.

Subsequently, last May 30, 2013, Globe, Bayan Telecommunications Holdings Corporation, the controlling shareholder of BTI, and BTI jointly filed a motion with the court having jurisdiction over BTI's debts. The motion seeks to significantly restructure BTI's financial debt in order to prevent the recurrence of default and ensure BTI's continued viability. Following Globe's tender offers for the BTI debt in 2012, Globe currently holds approximately 96.5% of the total financial indebtedness of BTI. The joint motion is intended to achieve a successful rehabilitation of BTI at the earliest possible date.

The current outstanding principal amount of this debt is approximately the equivalent of US$423.3 million. BTI's operations have not generated sufficient revenue to continue making the debt payments under its existing rehabilitation plan. This has been attributed to a decline in revenue from traditional fixed line services offered by BTI, increasing competitive pressures in the telecommunications industry and BTI's inability to make any considerable capital investments while under its high debt burden. The restructuring would, upon confirmation by the court, significantly decrease this through a conversion of up to 69% of the debt into BTI shares. As restructured, the outstanding principal debt balance would be reduced to approximately US$131.3 million, assuming the debt to equity conversions occur to their fullest extent. The restructuring, including the debt to equity conversion feature, would apply to all of BTI's creditors equally upon receipt of certain regulatory approvals, including the confirmation of the court.

By acquiring the BTI debt, Globe sought to enable BTI's continued viability as a telecommunications provider. For Globe's part, such a restructuring would allow Globe to further strengthen collaborative efforts with BTI in respect of their local exchange networks, corporate data and broadband businesses. Ensuring that BTI remains a going concern would allow both companies to become more competitive in the current industry environment. On the part of BTI, a restructuring of its debt and the entry of Globe as a shareholder as well as a Creditor will enable BTI to unlock and maximize potential of its key business assets and capabilities, and help accelerate its rehabilitation. Globe appreciates further that BTI's continued operations benefits all of its employees, suppliers, stakeholders and public telecommunications customers in the Philippines as a whole.

On September 2013, Globe received a Resolution issued by Branch 158 of the Regional Trial Court in Pasig City. This is the court having jurisdiction over the debts of BTI and its corporate rehabilitation proceedings. The Resolution granted the joint motion filed by Globe and BTI to amend

current debt restructuring plan and implement a new Master Restructuring Agreement for all BTI's creditors. The Amendments principally involve a conversion of up to 69% of the debt into BTI shares comprising up to 56.6% of BTI's capital stock, on a fully diluted basis. Assuming that debt to equity conversion occur to their fullest extent, the Amendments will reduce BTI's outstanding principal debt by 69% from the equivalent of approximately US$423.3 to approximately US$131.3 million. The Amendments also facilitate the entry of Globe into BTI as a shareholder and are expected to assure BTI's successful rehabilitation. In addition to Globe, the debt to equity conversion of the new debt restructuring terms will apply to all BTI's creditors.

On October 1, 2013, Globe Telecom acquired 38% interest in BTI following the conversion of its unsustainable debt (Tranche B) into 45 million common shares based on the confirmation of the court dated August 27, 2013 of the Amended Rehabilitation Plan. Globe Telecom will further convert its share of the Tranche A debt upon certain regulatory approvals. Globe Telecom's acquisition of BTI is intended to increase its current data and DSL businesses using BTI's existing platform.

On October 10, 2014, Globe Telecom received a copy of the temporary restraining order (TRO) issued by the Court of Appeals (CA) stopping the National Telecommunications Commission's (NTC) proceedings in connection with the bid of Globe Telecom Inc. to take over Bayan Telecommunications Inc. (Bayan).

In a six-page resolution penned by Associate Justice Manuel Barrios, the CA's Special Seventeenth Division granted the very urgent motion filed by the Philippine Long Distance Telephone Co. (PLDT) for the issuance of a TRO enjoining the implementation of the orders issued by the NTC on November 27, 2013, December 13, 2013, and July 3, 2014, which allowed the continuation of the proceedings in connection with Globe and Bayan's joint application for regulatory approval and denied the petitioner's motion to dismiss or suspend the same.

The appellate court held that PLDT, which is chaired by businessman Manuel V. Pangilinan, being a stakeholder in the telecommunications industry, 'has a clear right to be protected on account of the State's policy to protect all telecommunication companies from unfair competition and to due process.'

On October 30, 2014, the Philippine Long Distance and Telephone Company (PLDT) urged the government to auction the unused frequencies of Bayan Telecommunications Inc. (Bayan). In a disclosure to the Philippine Stock Exchange, PLDT cited that Bayan's franchise specifically prohibits the transfer, sale or assignment of any right or privilege granted it without the approval of Congress (under Section 13 of Republic Act 3259).

Globe Telecom insists that the issue at hand is PLDT's bid to delay the corporate rehabilitation of Bayan Telecommunications (Bayan) through their petition of TRO. Atty. Froilan Castelo, General Legal Counsel of Globe clarified that a congressional approval is no longer needed since Globe acquisition of Bayan only involves transfer of shares of stocks much like when PLDT purchased Digitel.

Despite the lapse of the Temporary Restraining Order (TRO) last December 9, 2014, the Court of Appeals has advised the NTC to refrain from conducting any proceedings in connection with the bid of Globe assume majority control of Bayan. The CA said that, due to the numerous pleadings filed and the fact that the NTC has yet to file its main comment on the petition filed by PLDT, the application for preliminary injunction by the latter has yet to be resolved.

On April 2015, the CA, has given the NTC the green light to continue its proceedings in connection with the bid of Globe Telecom Inc. to take over Bayan. In a nine-page decision penned by Associate Justice Manuel Barrios, the CA's Former Special 17th Division denied the petition for certiorari filed by PLDT seeking the nullification of the orders issued on November 27, 2013; December 13, 2013; and July 3, 2014 by the respondent NTC. The orders allowed the continuation of the proceedings in connection with Globe and Bayan's joint application for regulatory approval and denied the petitioner's motion to dismiss or suspend the same.

On July 2, 2015, the Company disclosed that the National Telecommunications Commission (NTC) approved the joint application filed by Globe Telecom, Inc. (Globe) and Bayan Telecommunications, Inc. (Bayan) to authorize Globe to convert its debt holdings in Bayan into equity which will result in

a controlling interest by the former of at least 54% of the latter's outstanding shares. The joint application was filed in October 2013 pursuant to Section 20(h) of Commonwealth Act No. 146, pursuant to the Resolution of Bayan's Rehabilitation Court (Regional Trial Court Branch 158 Pasig City) in SEC Case 03-25 dated 27 August 2013.

Bayan has been under a court-assisted corporate rehabilitation since 2003 and on 27 August 2013, the Regional Trial Court confirmed the Amendment of Bayan's Rehabilitation Plan wherein Globe, as Bayan's principal creditor, will be authorized to convert its debt holdings into a controlling interest of at least 54% in Bayan's outstanding shares.

On July 20, 2015, Globe Telecom, Inc. (“Globe”) has agreed to purchase from Bayan Telecommunications Holdings, Corporation (“BTHC”) and Lopez Holdings, Corporation ("LHC") all the equity in the capital stock of Bayan Telecommunications, lnc. ("Bayan") that is held by BTHC and LHC, valued at approximately Php 1.83 Billion (the "Transaction"). The Transaction follows the conversion by Globe of Bayan debt into equity provided under the resolution of Bayan's Rehabilitation Court (Regional Trial Court Branch 158 Pasig City) in SEC Case 03-25 dated 27 August 2013, and approved by the National Telecommunications Commission on 2 July 2015, as previously disclosed. The Transaction involves up to 70,763,707 Bayan shares and increases Globe's equity interests in Bayan from 56.87% to 98.57% of outstanding capital stock.

On July 3, 2015, loan receivables from BTI were revalued, in accordance with the Master Restructuring Agreement, comprising of principal and interest due until 2023, with quarterly interest payments and semi-annual principal payments.

On November 12, 2015, Globe received the resolution from the rehabilitation court granting its motion for the termination of the rehabilitation proceedings involving Bayan. The resolution sets a key milestone for Bayan, wherein it successfully exits rehabilitation and provides key steps for Globe to continue to unlock opportunities for synergies with Bayan.

On December 18, 2015, the Court of Appeals has denied the plea of Manuel V. Pangilinan led Philippine Long Distance Telephone Co. (PLDT) to reverse its earlier decision allowing the National Telecommunications Commission (NTC) to continue its proceedings inconnection with the bid of Globe to take over Bayan. In a three-page resolution penned by Associate Justice Manuel Barrios, the CA’s Former Special Seventeenth Division denied the motion for reconsideration filed by PLDT urging the appellate court to set aside its March 26, 2015, ruling. The CA, in the said decision, denied the petition for certiorari filed by PLDT seeking the nullification of the orders issued on November 27, 2013; December 13, 2013; and July 3, 2014, by the respondent NTC. The orders allowed the continuation of the proceedings in connection with Globe’s and Bayan’s joint application for regulatory approval and denied the petitioner’s motion to dismiss the joint application. The CA said PLDT did not raise new issues that would warrant the reversal of its decision.

Details on these transactions have been extensively discussed in the disclosures filed with the SEC and PSE and may be accessed from the PSE and Company websites.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Issuer's Equity, Market Price, Dividends and Related Stockholder Matters

A. Capital Stock

	2015		2014	
	Shares	**Amount**	Shares	Amount
	(In Thousand Pesos and Number of Shares)			
Voting Preferred stock - ₱5 per share	**160,000**	**₱800,000**	160,000	₱800,000
Non-Voting Preferred stock - ₱50 per share	**40,000**	**2,000,000**	40,000	2,000,000
Common stock - ₱50 per share	**148,934**	**7,446,719**	148,934	7,446,719

Globe Telecom's issued and subscribed capital stock consists of:

	2015		2014	
	Shares	**Amount**	Shares	Amount
	(In Thousand Pesos and Number of Shares)			
Voting Preferred stock - ₱5 per share	**158,515**	**₱792,575**	158,515	₱792,575
Non-Voting Preferred stock - ₱50 per share	**20,000**	**1,000,000**	20,000	1,000,000
Common stock - ₱50 per share	**132,743**	**6,637,138**	132,733	6,636,654
Total capital stock		**₱8,429,713**		₱8,429,229

1. Preferred Stock

Non-Voting Preferred Stock

On February 10, 2014, the Globe Telecom's BOD approved the amendment of Articles of Incorporation (AOI) to reclassify 31 million of unissued common shares with par value of ₱50 per share and 90 million of unissued voting preferred shares with par value of ₱5 per share into a new class of 40 million non-voting preferred shares with par value of ₱50 per share.

On April 8, 2014, the stockholders approved the issuance, offer and listing of up to 20 million non-voting preferred shares, with an issue volume of up to ₱10 billion. The non-voting preferred shares shall be redeemable, non-convertible, non-voting, cumulative and may be issued in series.

On June 5, 2014, the Securities and Exchange Commission (SEC) approved the amendment of AOI to implement the foregoing reclassification of shares.

On August 8, 2014, the SEC approved the offer of non-voting preferred perpetual shares and on August 15, 2014, the 20 million non-voting preferred shares were fully subscribed and issued. Subsequently, the shares were listed at the Philippines Stock Exchange (PSE) on August 22, 2014.

Proceeds from preferred issuance were used to partially finance capital expenditures.

Non-voting preferred stock has the following features:

(a) Issued at ₱50 par;
(b) Dividend rate to be determined by the BOD at the time of issue;
(c) Redemption - at Globe's option at such times and price(s) as may be determined by the BOD at the time of issue, which price may not be less than the par value thereof plus accrued dividends;
(d) Eligibility of investors - Any person, partnership, association or corporation regardless of nationality wherein at least 60% of the outstanding capital stock shall be owned by Filipino
(e) No voting rights;
(f) Cumulative and non-participating;

(g) No pre-emptive rights over any sale or issuance of any share in Globe Telecom's capital stock; and
(h) Shares shall rank ahead of the common shares and equally with the voting preferred shares in the event of liquidation.

Voting Preferred Stock

Voting Preferred stock has the following features:

(a) Issued at ₱5 par;
(b) Dividend rate to be determined by the BOD at the time of issue;
(c) One preferred share is convertible to one common share starting at the end of the 10th year of the issue date at a price to be determined by the Globe Telecom's BOD at the time of issue which shall not be less than the market price of the common share less the par value of the preferred share;
(d) Call option - Exercisable any time by Globe Telecom starting at the end of the 5th year from issue date at a price to be determined by the BOD at the time of issue;
(e) Eligibility of Investors - Only Filipino citizens or corporations or partnerships wherein 60% of the voting stock or voting power is owned by Filipino;
(f) With voting rights;
(g) Cumulative and non-participating;
(h) Preference as to dividends and in the event of liquidation; and
(i) No preemptive right to any share issue of Globe Telecom, and subject to yield protection in case of change in tax laws.

The dividends for preferred shares are declared upon the sole discretion of the Globe Telecom's BOD.

2. Common Stock

The roll forward of outstanding common shares is as follows:

	2015		2014		2013	
	Shares	**Amount**	Shares	Amount	Shares	Amount
	(In Thousand Pesos and Number of Shares)					
At beginning of year	**132,733**	**₱6,636,654**	132,596	₱6,629,785	132,406	₱6,620,291
Exercise of stock options	**10**	**484**	137	6,869	190	9,494
At end of year	**132,743**	**₱6,637,138**	132,733	₱6,636,654	132,596	₱6,629,785

B. Market Information

The Company's common equity is traded at the Philippine Stock Exchange (PSE) under the ticker symbol GLO.

On August 2014, the Company issued Series A Non-Voting Perpetual Preferred shares. The shares are being traded in the Philippine Stock Exchange under the ticker GLOPP.

Below are the quarterly high and low prices in the last two (2) fiscal years.

COMMON SHARES		
	Price Per Share (PHP)	
Calendar Period	High	Low
2014		
First Quarter	1,785	1,605
Second Quarter	1,740	1,600
Third Quarter	2,008	1,623
Fourth Quarter	1,780	1,602
2015		

First Quarter	2,040	1,712
Second Quarter	2,702	2,062
Third Quarter	2,674	2,348
Fourth Quarter	2,372	1,750
NON-VOTING PREFERRED SHARES		
	Price Per Share (PHP)	
Calendar Period	High	Low
2014		
Third Quarter	507	485
Fourth Quarter	502	492
2015		
First Quarter	515	497
Second Quarter	530	507
Third Quarter	535	516
Fourth Quarter	528	518

The price information as of latest practicable trading date (as of March 16, 2016):

- ₱2,082 per common share
- ₱515 per non-voting preferred share

C. Holders

There are approximately 3,222 holders of common shares, 6 holders of voting preferred shares, and 11 holders of non-voting preferred shares as of 31 December 2015.

The following are the top 20 registered holders of the Company's securities:

Common Stock:

	Stockholder Name	No. of Common Shares	Percentage owned out of total outstanding common shares
1	Singapore Telecom Int'l. Pte. Ltd.	62,646,487	47.19%
2	Ayala Corporation	40,351,591	30.40%
3	PCD Nominee Corp. (Non-Filipino)	19,906,739	15.00%
4	PCD Nominee Corp. (Filipino)	9,028,201	6.80%
5	Guillermo D. Luchangco	24,000	0.02%
6	The First National Co., Inc.	21,001	0.02%
7	Cedar Commodities, Inc.	12,900	0.01%
8	GTESOP98053	10,000	0.01%
9	GTESOP98055	10,000	0.01%
9	GTESOP98058	10,000	0.01%
9	GTESOP98063	10,000	0.01%
9	GTESOP98054	10,000	0.01%
9	Bernadette Say Go	10,000	0.01%
9	GTESOP98056	10,000	0.01%
9	GTESOP98057	10,000	0.01%
9	GTESOP98059	10,000	0.01%
9	GTESOP98060	10,000	0.01%
9	GTESOP98061	10,000	0.01%
9	GTESOP98062	10,000	0.01%
9	GTESOP98064	10,000	0.01%
9	Florentino P. Feliciano	9,487	0.01%

10	R. Nubla Securities Inc.	8,405	0.01%
11	Ferdinand M. Dela Cruz	8,174	0.01%
12	Jose Tan Yan Doo	8,071	0.01%
13	Ma. Teresa V. Teng	8,015	0.01%
14	Alfonso S. Teh	6,000	0.00%
15	Pan Malayan Management & Investment Corp.	5,991	0.00%
16	Guillermo D. Luchangco	5,500	0.00%
17	Agro Resources & Development	5,330	0.00%
18	Ramon Nonato Aesquivel, Jr.	5,084	0.00%
19	Evelyn M. Macatangay	5,036	0.00%
20	Victor Gaw	4,910	0.00%

Voting Preferred Stock:

	Stockholder Name	No. of Preferred Shares	Percentage (of Voting Preferred Shares)
1	Asiacom Philippines, Inc.	158,515,016	100.00%
2	Ernest L. Cu	1 *	0.00%
3	Manuel A. Pacis	1 *	0.00%
4	Rex Ma. A. Mendoza	1 *	0.00%
5	Saw Phaik Hwa	1 *	0.00%
6	Romeo L. Bernardo	1 *	0.00%

** Nominee shares*

Non-Voting Preferred Stock:

	Stockholder Name	No. of Preferred Shares	Percentage (of Non-Preferred Shares)
1	PCD Nominee Corp. – Filipino	19,850,950	99.25%
2	PCD Nominee Corp. – Non-Filipino	113,800	0.57%
3	First Life Financial Co. Inc.	20,000	0.10%
4	Tan Ben Cuevo and/or Tan Imelda Toralba	4,000	0.02%
5	Yao Wilson Ang	3,000	0.02%
6	Robles Ma. Theresa Frasco	2,150	0.01%
7	Chong Darius Chua and/or See Katrina Ong	2,000	0.01%
8	Henry Dy Tan or Sherley Gargantos Tan	2,000	0.01%
9	Macabuhay Angelo De Guzman	1,000	0.01%
10	Lim Iris Veronica Go	600	0.00%
11	Teh Afonso S	500	0.00%

D. Dividends

Dividends declared by the Company on its stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

1. Stock Dividends

Stock dividends, which come in the form of additional shares of stock, are subject to approval by both the Company's Board of Directors and the Company's stockholders. No stock dividends have been distributed since the 25% stock dividend back in 2002.

2. Cash Dividends

Cash dividends are subject to approval by the Company's Board of Directors but no stockholder approval is required. Total cash dividends distributed per common share for the past 3 years are listed below.

a. Common shares

CASH DIVIDEND (Per Share)			
AMOUNT (Php)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
33.50	February 5, 2013	February 19, 2013	March 12, 2013
33.50	August 6, 2013	August 22, 2013	September 13, 2013
37.50	February 10, 2014	February 26, 2014	March 20, 2014
18.75	August 5, 2014	August 19, 2014	September 4, 2014
18.75	November 11, 2014	November 25,2014	December 11, 2014
20.75	February 4, 2015	February 18, 2015	March 4, 2015
20.75	May 12, 2015	May 26, 2015	June 11, 2015
20.75	August 3, 2015	August 17, 2015	September 2, 2015
20.75	November 6, 2015	November 24, 2015	December 4, 2015

b. Voting Preferred shares

AMOUNT (Php)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.15	November 8, 2013	November 22, 2013	December 8, 2013
0.17	November 11, 2014	November 25, 2014	December 11, 2014
0.21	November 6, 2015	November 24, 2015	December 4, 2015

c. Non-Voting Preferred shares

AMOUNT (Php)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
13.00	December 12, 2014	January 26, 2015	February 22, 2015
13.00	May 12, 2015	August 10, 2015	August 22, 2015
13.00	December 11, 2015	January 26, 2016	February 22, 2016

Cash Dividends Declared After Balance Sheet Date

On 5 February 2016, Globe's Board of Directors approved the declaration of the first quarter cash dividend of P22.00 per common share payable on March 4, 2016 to shareholders on record as of February 22, 2016. The first quarter cash dividend payment total is about ₱2.9 billion.

3. Restrictions on Retained Earnings

The total unrestricted retained earnings available for dividend declaration amounted to ₱5,203.49 million as of December 31, 2015. This amount excludes the undistributed net earnings of consolidated subsidiaries, accumulated equity in net earnings of joint ventures accounted for under the equity method, and unrealized gains recognized on asset and liability currency translations and unrealized gains on fair value adjustments. The Globe Group is also subject to loan covenants that restrict its ability to pay dividends (see Note 14).

E. Recent Sale of Unregistered or Exempt Securities, including recent issuance of securities constituting an exempt transaction

There were no private placements undertaken in the past three years.

F. Minimum Public Ownership

GLOBE TELECOM, INC.
Computation of Public Ownership as of December 31, 2015

	% to total I/O Shares	Number of Shares Common
Number of Issued and Outstanding Shares		132,742,767
Less:		
Directors		
Sub-total	***0.0969 %***	***128,579***
Officers		
Sub-total	***0.0585 %***	***77,630***
Principal Stockholders		
Asiacom Phils., Inc.		
Direct	- %	0
Singapore Telecom Int'l. Pte Ltd		
Direct	47.1939 %	62,646,487
Ayala Corporation		
Direct	30.3983 %	40,351,591
Sub-total	***77.5922 %***	***102,998,078***
Others		
Sub-total	***- %***	***-***
TOTAL	***77.7476 %***	***103,204,287***
Total Number of Shares Owned by the Public		**29,538,480**

PUBLIC OWNERSHIP PERCENTAGE
Total Number of Shares Owned by the Public

29,538,480 shares = **22.25%**
132,742,767 shares

Number of Issued and Outstanding Shares	=	132,742,767
Number of Outstanding Shares	=	132,742,767
Number of Treasury Shares	=	0
Number of Listed Shares		
Common Shares	=	132,742,767
Voting Preferred Shares	=	158,515,021
Non-Voting Preferred Shares	=	20,000,000
Number of Foreign-Owned Shares		
Common Shares	=	82,561,559
Preferred "A" Shares	=	0
Non-Voting Preferred Shares		113,800
Foreign Ownership Level (%)- on voting shares	=	28.35%
Foreign Ownership Level (%)- on all Outstanding s	=	26.56%
Foreign Ownership Limit (%)	=	40%

Item 6. Management's Discussion and Analysis of Operations

For The Financial Year Ended 2015

GROUP FINANCIAL HIGHLIGHTS

Results of Operations (Php Mn)	Globe Group					Bayan[1] (Standalone)
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Year	YoY Change (%)		
	31-Dec 2015	31-Dec 2015	31-Dec 2014	vs. Globe Conso	vs. Globe ex-Bayan	31-Dec 2015
Operating Revenues	**119,969**	**117,131**	**103,236**	**16%**	**13%**	**3,175**
Service Revenues	113,679	110,842	99,025	15%	12%	3,174
Mobile	85,105	85,105	78,069	9%	9%	-
Broadband	17,458	16,107	12,687	38%	27%	1,352
Fixed line Data	7,698	6,619	5,480	40%	21%	1,389
Fixed line Voice	3,418	3,011	2,789	23%	8%	433
Non-Service Revenues	6,290	6,289	4,211	49%	49%	1
Costs and Expenses	**74,162**	**72,345**	**63,965**	**16%**	**13%**	**2,153**
Cost of Sales	13,665	13,646	10,661	28%	28%	19
Operating Expenses	60,497	58,699	53,304	13%	10%	2,134
EBITDA	**45,807**	**44,786**	**39,271**	**17%**	**14%**	**1,022**
EBITDA Margin	**40%**	**40%**	**40%**			**32%**
Depreciation	**21,133**	**20,169**	**18,123**	**17%**	**11%**	**832**
EBIT	**24,674**	**24,617**	**21,148**	**17%**	**16%**	**190**
EBIT Margin	**22%**	**22%**	**21%**			**6%**
Non-Operating Charges	**1,207**	**(1,279)**	**1,765**	**-32%**	**-172%**	**(359)**
Net Income After Tax (NIAT)	**16,484**	**16,310**	**13,372**	**23%**	**22%**	**(165)**
Core Net Income[2]	**15,126**	**15,223**	**14,489**	**4%**	**5%**	**(5)**

[1]Standalone Bayan financial results, gross of intercompany transactions between Globe and Bayan
[2]Core net income is net income after tax (NIAT) but excluding foreign exchange and mark-to-market gains (losses), and non-recurring items

- Full year consolidated service revenues once again reached a new record high of ₱113.7 billion from ₱99.0 billion last year due to the anticipated rise in data consumption across Globe's mobile, broadband, and fixed line data businesses. Mobile revenues were up by 9% to ₱85.1 billion from last year's ₱78.1 billion, due to the continued solid growth on *Globe Postpaid* (+7%), *Globe Prepaid* (+8%) and the Company's mass market brand *TM* (+14%). This was likewise supported by the robust 20% mobile subscriber base expansion year-on-year to 52.9 million from 44.0 million last year. Broadband, fixed line data and fixed line voice revenues, likewise, sustained its double-digit growth year-on-year, posting a 38%, 40% and 23% year-on-year increase, respectively, driven by robust subscriber growth and increased demand for data connectivity for both its consumer and corporate clients. The strong revenue performance was also aided by the consolidation of Bayan results in the second half of the year. Even excluding the impact of Bayan's consolidation, consolidated gross service revenues were still up by a solid 12% year-on-year to ₱110.8 billion.

- Total operating expenses and subsidy increased by 14% year-on-year to ₱67.9 billion from ₱59.8 billion a year ago, as Globe continued to re-invest gains in revenues to support subscriber and data network expansion. The increase in operating expenses was driven by higher subscriber acquisition costs, given record-level gross acquisitions in 2015 and increased re-contracting volumes. Costs were also incurred to support the expansion of Globe's 3G, HSPA+ and LTE networks, as leases for sites, repairs and maintenance and services costs were all up year-on-year. This was likewise impacted by the consolidation of Bayan in the last two quarters of 2015. Even excluding Bayan, actual year-on-year increase on operating expenses and subsidy was at 11%.

- Consolidated EBITDA of the Globe Group reached another record high of ₱45.8 billion, besting last year's previous record of ₱39.3 billion, partly due to the consolidation of Bayan, which provided an EBITDA upside of ₱1.0 billion for the second half of 2015. EBITDA margin for 2015 was at 40%,

in line with this year's guidance and on par with last year's EBITDA margin, as the overall revenue gains fully covered for the increase in expenses.

- Total depreciation expenses for 2015 posted a 17% increase to ₱21.1 billion from the ₱18.1 billion reported in 2014, given asset additions related to Globe's capital expenditure programs in 2015 and the consolidation of Bayan's depreciation expenses in the second semester of the year, which amounted to ₱832 million. Furthermore, the growth in depreciation expenses was also due to relatively low depreciation charges in 2014, owing to the full depreciation of certain assets by the end of 2013.

- Overall, total operating costs including depreciation charges, rose to ₱89.0 billion or 14% higher than the ₱77.9 billion reported in 2014. Excluding Bayan's costs, total operating expenses increased by 11% year-on-year.

- Non-operating charges declined by 32% year-on-year mainly driven by the impact of one-time gains booked in the second half of 2015, coming from the sale of a 51% stake in Yondu to Xurpas, Inc.("Xurpas"), including the fair market valuation adjustment on Globe's remaining 49% stake in Yondu, and valuation adjustments upon the acquisition of a 98.6% stake in Bayan in July 2015. These one-time adjustments offset the impact of higher net interest expenses and foreign exchange losses during the year.

- The Globe Group closed the year with a record high consolidated net income of ₱16.5 billion, up a solid 23% from last year's previous record of ₱13.4 billion, driven by the strong EBITDA growth and lower non-operating charges. Excluding the non-recurring expenses, foreign exchange losses and one-time gains, core net income after tax reached ₱15.1 billion as of end-December 2015, up a solid 4% from the ₱14.5 billion reported in 2014.

- As of the end-December 2015, total cash capital expenditures stood at about ₱32.1 billion (approximately $704 million), 51% higher than last year's level of ₱21.2 billion. The increase in capital expenditures was partially driven by the delay in capex cash flows in the latter part of 2014, which spilled into 2015. To date, Globe has a total of 28,336 base stations, including over 18,300 4G[1] base stations to support the requirements of its subscribers for 2G, 3G and 4G services.

[1] *Includes HSPA+, WiMax and LTE*

GROUP OPERATING REVENUES BY SEGMENT

Operating Revenues By Business (Php Mn)	Globe Group					Bayan[1] (Standalone)
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Dec 2015	31-Dec 2015	31-Dec 2014	vs. Conso	vs. Globe ex-Bayan	31-Dec 2015
Mobile	**89,980**	**89,980**	**81,050**	**11%**	**11%**	**-**
Service Revenues	85,105	85,105	78,069	9%	9%	-
Non-Service Revenues	4,875	4,875	2,981	64%	64%	-
Fixed Line and Broadband	**29,989**	**27,151**	**22,186**	**35%**	**22%**	**3,175**
Service Revenues	28,574	25,737	20,956	36%	23%	3,174
Non-Service Revenues	1,415	1,414	1,230	15%	15%	1
Total Operating Revenues	**119,969**	**117,131**	**103,236**	**16%**	**13%**	**3,175**

[1]Standalone Bayan financial results, gross of intercompany transactions between Globe and Bayan

The Globe Group ended the year with total operating revenues of close to ₱120.0 billion, up 16% from the ₱103.2 billion recorded last year. This was driven by strong service revenue growth, which was up 15% year-on-year to reach ₱113.7 billion from ₱99.0 billion a year ago.

Mobile service revenues, which accounted for 75% of consolidated service revenues for the year just ended, rose to ₱85.1 billion, up 9% from last year's level of ₱78.1 billion, due to the strong revenue contributions from mobile data (+55%) and the continued subscriber expansion across all mobile brands.

Globe's broadband and fixed line businesses which comprise 25% of consolidated service revenues continued its double digit growth year-on-year due to robust broaband subscriber expansion and the continued demand for data connectivity across consumers and corporates. Broadband revenues stood at ₱17.5 billion as of the end of December this year from ₱12.7 billion last year. Globe ended the year with 4.3 million broadband subscribers, up by 55% from 2014.

Mobile non-service revenues increased year-on-year by 64%. Fixed line and broadband non-service revenues, likewise showed an increase compared to the previous year by 15% on the back of strong broadband acquisitions.

MOBILE BUSINESS

Mobile Service Revenues (Php Mn)	For the Year Ended		
	31-Dec 2015	31-Dec 2014	YoY Change (%)
Service			
Voice [1]……..	36,862	34,684	6%
SMS[2] ……..	26,136	29,079	-10%
Mobile Browsing and Other Data[3]……	22,107	14,306	55%
Mobile Service Revenues *…….	**85,105**	**78,069**	**9%**

[1] Mobile voice service revenues include the following:

a) Prorated monthly service fees on consumable minutes of postpaid plans;
b) Subscription fees on unlimited and bucket voice promotions including the expiration of the unused value of denomination loaded;
c) Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments, or CERA, net of loyalty discounts credited to subscriber billings; and
d) Airtime fees for intra network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts; and revenues generated from inbound international and national long distance calls and international roaming calls; and
e) Mobile service revenues of GTI.

Revenues from (a) to (e) are reduced by any payouts to content providers.

[2] Mobile SMS revenues consist of local and international revenues from value-added services such as inbound and outbound SMS and MMS, infotext, and subscription fees on unlimited and bucket prepaid SMS services, net of any interconnection or settlement payouts to international and local carriers and content providers.

[3] Mobile browsing and other data service revenues consist of local and international revenues from value-added services such as mobile internet browsing and content downloading, mobile commerce services, other add-on VAS, and service revenues of GXI and EGG, net of any interconnection or settlement payouts to international and local carriers and content providers.

Mobile Voice

Mobile voice revenues, which accounted for 43% of total mobile service revenues, grew by 6% to ₱36.9 billion from ₱34.7 billion in 2014, due to the continued popularity of unlimited and bulk domestic voice subscriptions, offsetting the decline in pay-per-use domestic voice and international voice services.

Globe remains the only operator in the country that offers per-second voice charging with Globe's *Super Sakto Calls* and TM's *Sulit Segundo* which allow subscribers to make a local call for only ₱0.15 per second. The Company continues to provide attractive and affordable bulk voice offers such as *Tawag 236* for 20-minute consumable calls for only ₱20 for *Globe Postpaid* and *Globe Prepaid* subscribers and *TM's TodoTawag 15/15* service for 15-minute on-net call for only ₱15. *TM* subscribers may also subscribe to *SuliTawag* for only ₱5 for 3-minute Globe and TM network calls and TM *Dagdag Call* worth ₱5 which is an add-on service to subscribers registered to TM's text promotions that provides 3-minute on-net calls. Likewise, *GoCall100* was made available via GoSakto which provide *Globe Prepaid* subscribers 500 minutes of on-net calls to Globe/TM for only ₱100 for 7 days. Meanwhile, *TM* subscribers may choose *Unlicall15* which gives its subscribers unlimited calls to all Globe and TM subscribers for as low as ₱15 valid for 1 day.

Meanwhile, for Filipinos who wish to stay connected with their loved ones abroad, Globe continues to offer its pioneering per-second charging for international voice calls, *IDD Sakto Calls* for both *Globe Postpaid* and *Globe Prepaid* subscribers. *Globe Prepaid's GoTipIDD* service remains to be the lowest per-minute IDD rates in the market. In addition, Globe also provides a bucket IDD service to popular and selected overseas destinations with its *IDD Tingi* promotion, while offering its *TipIDD* card at various Globe distribution channels. The Company's international voice services also include *Super IDD*, an unlimited call service for 24 hours to select destinations worldwide, and *Go IDD* for IDD calls to the US mainland, Canada, China, Hawaii, Hong Kong, Singapore, and Thailand for as low as ₱1.50 per minute for only ₱200, valid for 30 days. Likewise, *Globe Duo International* was made available

in the market which provides registered *Globe Postpaid* and *Globe Prepaid* subscribers with virtual US landline numbers which they can use to communicate with their loved ones in the USA. Families and friends in the USA in turn may call their loved ones back in the Philippines and be charged at domestic US rates. This service was further expanded to cover Korea, Canada and UK with the launch of *Globe DUO Korea, Globe DUO Canada* and *Globe DUO UK* where it assigns a Korean, Canadian or UK number to a Globe/TM mobile number in the Philippines which subscribers may use to call friends and loved ones in Korea, Canada and UK directly while enjoying local (Korea/Canada/UK) domestic calling rates. In the same manner, incoming calls from Korea, Canada and UK to Duo numbers registered in the Philippines are also charged at local Korean, Canadian and UK rates. *Globe Duo Korea, Globe Duo Canada* and *Globe Duo UK* are available to *Globe Postpaid, Globe Prepaid,* and *TM* subscribers. In addition during the last quarter of 2013, *TM* launched *TipIDD30* which offer four (4) minutes of international calls to Saudi, UAE, Kuwait, Bahrain, Italy, UK, Australia and Japan for only ₱30 a day. In 2014, *Globe Duo International* was again expanded to include Japan and Spain with the launch of *Duo Japan* and *Duo Spain*, which allows calls from Japan or Spain to the Philippines, via a Japanese and Spain number assigned to a Globe or TM mobile number, to be charged on local rates.

The Company also provides its subscribers with the best possible mix of voice, SMS, and mobile browsing services through its combo packages. For *Globe Prepaid*, subscribers have the choice to avail of *GoUnli* offers, which provides unlimited SMS to all networks as well as unlimited on-net calls, and unlimited use of Facebook or *Go AllNet* promos*,* which provides unlimited SMS to all networks, plus calls to Globe/TM and calls to all networks and consumable mobile browsing. The *GoUnli25*, provides unlimited texts and calls to Globe/TM, unlimited Facebook plus a choice of one free app (*Twitter, Instagram, Google, Yahoo, Viber, Foursquare, WeChat*) for ₱25/day; plus ₱5 users can add unlimited access to 2 more sites (Tumblr, Yahoo, Google, Viber, Foursquare, Snapchat) or add ₱10 for unlimited access to 5 more sites (Sulit, Instagram, Yahoo, Google, Viber, Foursquare, WeChat, Kakao snapchat, Pinterest). Meanwhile, *GoUNLI30* gives its subscriber unlimited calls to Globe/TM and unlimited allnet texts, plus free unlimited chat with the best chat apps for only ₱30. Subscribers can call their friends abroad using *Viber*, enjoy real-time IM conversations via *FB Messenger*, send cute, animated stickers using *Kakao*, and even leave personalized walkie-talkie voice messages using *WeChat.* Other chat apps like *Whatsapp, Line* and *GMessage* can also be used for free, with no Wi-Fi needed. *GoUnli20* was likewise introduced to the market which offers unlimited calls to Globe and TM, 20 texts to all networks, and 15MB of mobile data, good for 1 day. *Globe Prepaid* subscribers may also opt to subscribe to *GoUnli50,* which offers unli calls to Globe/TM, unli all-net texts, and 50MB of surfing for 3 days for only ₱50. Meanwhile, *Go All-Net* promotions include *GoAllNet25* which gives its subscribers unlimited texts to all networks, 75 mins of calls to Globe/TM, 5 mins of calls to all networks and 5MB Facebook for ₱50 good for 1 day. Also available are *GoAllNet70, GoAllNet200, GoAllNet300,* and *GoAllNet500* for all-net offers valid for 3, 7, 15 and 30 days, respectively. *SuperAllTxtPlus20* which provides its customers 250 local texts to All networks, plus 10 minutes voice calls (Globe/TM) for one day.

The Company likewise offers *Globe Prepaid* subscribers with the option to subscribe to *Super Unli All Txt 25*, which allows unlimited calls and SMS to all networks, 10 minutes of calls to Globe or TM numbers, and 1 hour of mobile internet for only ₱25/day. Also availalbe is SuperAllTxtPlus 20 which provides, 250 all network texts plus 10 minutes Globe/TM calls or *GoTXT19Plus,* whereby subscribers can send unlimited texts to all networks, make 20 minutes of calls to Globe/TM, and surf up to 15MB for only ₱19 valid for 1 day.

For *TM* on the other hand, subscribers can choose from a wide array of unlimited and bucket offers which will best fit their budget and lifestyle. *TM* subscribers can avail of *Combo10* which offer unlimited on-net SMS, 10-minute calls to TM/Globe plus 50 all-net texts for only ₱10 a day or avail of *Combo15* to get unlimited on-net SMS, 50 all-network text service, and 10 consumable minutes within the TM and Globe networks for 2 days and *Combo20* if they want to get unlimited on-net SMS and 50 all network SMS and 20 minutes on-net calls valid for three (3) days. Bucket text and call services are likewise available for as low as ₱15 for an unlimited on-net SMS and bulk on-net voice calls with *Astigcombo15* which gives unlimited on-net texts and 50 minutes on-net calls for ₱15 a day*. Unlitawag15* remains available which provides unlimited calls to Globe/TM. In 2015, TM introduced the *Extend all-you-can promo* which gives all TM subscribers the option to extend all TM call and text promos up to 30 times by simply texting “EXTEND” to 8888 before their current promo expires. *ComboAll1*0 was likewise introduced to the market which provides unlimited texts and 50 minutes of calls to *TM/Globe* plus 50 texts to all networks for only ₱10 per day.

Mobile SMS

Mobile SMS revenues, which accounted for 31% of total mobile service revenues, closed the year at ₱26.1 billion, lower than the ₱29.1 billion recorded in the same period last year. The year-on-year decline in SMS revenues was due to the impact of increasing popularity of over-the-top (OTT) chat applications such as *Facebook Messenger*, *Whatsapp*, *Viber* and other chat applications, offering avenues for messaging to our subscribers outside of SMS services.

Globe showcases a comprehensive line up of mobile SMS services ranging from unlimited and bucket text services. Globe continues to provide its prepaid subscribers with all-day unlimited on-net SMS with *UnliTxt* and *AstigTxt,* respectively. *Globe Postpaid* and *Globe Prepaid* subscribers may get 30 days of unlimited on-net text service by subscribing to *SuperTxt*. TM subscribers can likewise subscribe to other variants of the *AstigTxt* offering for unlimited on-net SMS valid for 2 days, 3 days, or 5 days. For on-net bucket SMS offers, Globe continues to provide *SuliTxt* which allows 100 and 25 text messages for a single day subscription. The Company also offers all-network text services such as *My SuperTxt All*, an unlimited text service for 30 days available for postpaid subscribers and *UnliTxtAll20* for a 1-day unlimited SMS to all networks for TM subscribers. All network bucket text services are likewise available with *Globe Prepaid's SuperAllTxt* for 250 SMS and *TM's AstigTxtAll* for 150 SMS, both valid for a day. Meanwhile, in response to the market's clamor for prepaid offers with longer validity periods, *Globe Prepaid* introduced via GoSakto *GoUnlitxt49* which offers its subscribers unlimited on-net texts to *Globe*/*TM* for only ₱49. Likewise, *AstigItxt20* was introduced in the market which gives TM subscribers 30 international and all-network texts for only P20 valid for 1 day. In 2014, TM introduced *UnliAllNet10* which provides its subscribers with unlimited texts to all networks for ₱10 a day. *Dagdagtxt* for additional 100 all-network texts added to an UnliCall promo for only ₱5 a day was likewise launched. With TM's continued dedication of giving its subscribers more wonderful offers, TM introduced *UnliTxt10 (T10)* during the third period of 2014 which provides unlimited texts to TM/Globe subscribers for two (2) days for only ₱10. Also, for a minimal price of ₱5, TM subscribers may opt to add to the *UnliTxt10* promo 15 minutes of calls to TM/Globe or unlimited text to TM/Globe to the *UnliTawag15* promo. In 2015, TM introduced the *Extend all-you-can promo* which gives all TM subscribers the option to extend all TM call and text promos up to 30 times by simply texting "EXTEND" to 8888 before their current promo expires.

Mobile Browsing and Other Data

Mobile browsing and other data revenues, which accounted for 26% of total mobile service revenues, stood at ₱22.1 billion as of end-December 2015, up by an impressive 55% from ₱14.3 billion a year ago. The significant growth in mobile data revenues was driven by the increasing popularity of the *GoSurf* promos, which provide premium content such as Spotify and free games, among others, along with their data subscriptions, the positive outcome of the sustained free Facebook and free Viber promotions, and enhanced network experience from our expanded 3G, HSPA+ and LTE networks.

Over the years, Globe has pioneered efforts in introducing product and promotions that cater to the customer's digital preferences, enabling Globe to be the brand of choice in the world of data. This was done through collaborative partnerships with global giants in the world of content. In 2012, the Company partnered with internet giant Google to provide free access to Google mobile services. Taking this a step further, Globe worked with Google to provide its subscribers the ability to charge purchases of applications to their postpaid bill or prepaid load, bypassing the need for credit cards and enhancing the convenience for Globe and TM customers. Likewise, the Company was able to tailor-made lifestyle packages for all its subscribers to meet their social networking needs and crowd-sourced content (via *Facebook* and *Wattpad*), chatting and digital communication (*Viber*), music (*Spotify*), sports (*NBA*) and media (*HOOQ* and *Walt Disney*).

Globe's mobile browsing services include the new consumable mobile internet plan *"GoSurf"*which gives its subscribers bulk megabytes of mobile data consumable per kilobyte for as low as ₱10/day. The *GoSurf* data plans were introduced to the market in 2014, with the Company's strategy to shift from unlimited time-based data plans to volume-based consumable plans and improve the mobile data experience of its subscribers. Globe and TM subscribers can choose from a variety of *GoSurf* consumable data plans, ranging from ₱10 for 30 MB per day to ₱2,499 for 15 GB per month. With every *GoSurf* data plan, subscribers can get free access to *Spotify*, one of the world's most popular music streaming services, to stream music all day, listen to their favorite songs and create playlists

from *Spotify*'s over 30 million songs and share them with the world – anytime, anywhere. Subscribers who register to *GoSurf99* and below get free music streaming on *Spotify Basic*, while those who register to *GoSurf299* and above get free music streaming on *Spotify Premium*. With a *Spotify Premium* account, users can enjoy ad-free listening experience, play any song on-demand, listen to the highest audio quality, and download music and listen even on offline mode. During the first quarter of 2015, the *GoSurf* offers were improved in order to include *HOOQ* (a choice between *GoSurf* with *Spotify Basic* or *GoSurf* with *Spotify Premium* or *HOOQ*) available to Prepaid, Postpaid and Tattoo. With the Company's partnership with *HOOQ*, (a start-up joint venture between Singtel, Sony Pictures Television and Warner Bros. Entertainment), all Globe customers will get to enjoy unlimited online streaming access, offline viewing option and download to thousands of movies and TV series from Hollywood partners (Sony Pictures Television and Warner Bros. Entertainment) and major local studios (ABS-CBN, GMA, Viva Communications, Regal Entertainment), via any device including computers, smartphones and tablets. All *GoSurf* plans are automatically bundled with the "*Globe No Bill Shock Guarantee",* so subscribers who exceed their monthly MB allocations will never pay more than ₱1,500 for *GoSURF* plans 99 to 999 and ₱3,000 for *GoSURF* plans 1799 and 2499. Also during the first half of the year, *GoSurf* offers were even made better giving its subscribers bigger data volume allocation and free games. New *GoSurf299* now provides 1.5 GB plus 1GB for worry-free gaming and *Premium Spotify* or *HOOQ* valid for 30 days; and *GoSurf499* now offers 3GB plus 1GB for worry-free gaming and *Premium Spotify* or *HOOQ* valid for 30 days.

Meanwhile, unlimited chat offers (*UnliChat25* valid for 1 day and *UnliChat299* valid for 30 days*)* are also available for *Globe Prepaid* subscribers. Say more with stickers, emoticons, voice messages, and IM conversations with *GMESSAGE*, *Viber, FB Messenger, KakaoTalk, WeChat, WhatsApp*, and *LINE* even without a WiFi connection. For unlimited access to Facebook, *Super Facebook* and *TM Astig Facebook* are available for only ₱10 a day for its *Globe Prepaid* and *TM* subscribers. Furthermore, *Globe Prepaid* and *TM* subscribers who want a full Viber experience with unlimited high-definition voice calls and unlimited chat can avail of *Viber20* for ₱20 a day and those who want unlimited *Viber* chat only can either avail of *Viber10*, a one day variant for only ₱10 or *Viber30* for five days unlimited *Viber* chat for ₱30. Aside for these, *Globe Prepaid* or *TM* customer may opt to avail of site bundles to enjoy 24-hour unlimited access to various websites of their choice for only ₱20 per day such as *Social20* (24-hour unlimited access to m.facebook.com, multiply.com/m and mobile.twitter.com); *Fun20* (24-hour unlimited mobile entertainment when you access m.youtube.com and m.facebook.com), and *Mail20* (24-hour unlimited access to *Facebook*, *Yahoo Mail*, *Gmail* and *Jobstreet*). In addition, "*Piso Videos*" was likewise introduced in the latter part of 2014 to provide *Globe* and *TM* subscribers' access to videos on their cellphones for as low as ₱1 per video.

In addition, starting June 18, 2015, all Globe Postpaid, Prepaid and TM customers can charge their Windows Mobile Store purchases straight to their postpaid bill or prepaid load. This was made possible with the Company recent expansion of its Direct Carrier Billing (DCB) service to include customers on Microsoft Lumia smartphones running on the Windows operating system (OS). The new Windows Mobile Store direct carrier billing service gives Microsoft Lumia and Windows phone users an easy, convenient, and secure channel to download and purchase their choice of mobile applications and in-app content without the need for a credit card.

Moreover, the Company continues its drive to position the Philippines as the Digital Lifestyle Capital of the World by giving customers free access to *Facebook* and *Viber* with their favorite Globe call, text, and surf promos. Starting September 1, 2015, all *Globe Postpaid*, *Prepaid*, *TM* and *Tattoo* customers can enjoy free access to *Facebook* and *Viber* when subscribed to promos including *GoSurf* variants and other existing call and text promos such as *GoUnli*, *AllNetcombo* and *TMSulitxt*, among others without the need for a Wi-Fi connection. *Globe Prepaid* and *TM* customers subscribed to their promos will automatically get free access *Facebook*. Postpaid customers on the other hand, can opt-in by texting free FB ON to 8888. Alongside *Facebook*, the browsing experience is made even better with free access to Viber. Customers can enjoy sending stickers, chatting with friends and groups, and staying connected with other *Viber* users around the world. Those registered to a Globe text promo can get Free Viber chat, which includes sending and receiving messages, as well as stickers, doodles, and photos. Exploring public chat is also free. When registered to a call or surf promo, customers can enjoy Free Viber chat, complete with voice and video calls. Postpaid customers can instantly enjoy Free Viber call and chat for the entire promo duration.

In addition, as part of its commitment to enable the Filipino digital lifestyle, the Company launched *Spotify 5* (1 day) and *Spotify 99* (30 days) last December 15, 2015 to allow access to *Spotify* more

affordable over the holiday season. Globe subscribers can avail for a limited time only of *Spotify Premium* for only ₱5 valid for 1 day or ₱99 valid for 30 days . With *Spotify Premium*, users can listen to songs offline, play songs on demand, enjoy ad-free listening, listen to amazing sound quality, and play songs on home speakers. To register, Globe prepaid, postpaid, and TM customers can text *SP5* for 1-day Premium access (promo until Jan. 11, 2016 only*)* or *SP9930D* 30-day access (promo until march 11, 2016 only) to 8888. Spotify can also be enjoyed for free with any of the GoSurf data plans, starting at *GoSurf10* for *Spotify Basic*.

The key drivers for the mobile business are set out in the table below:

	For the Year Ended		
	31-Dec 2015	**31-Dec 2014**	**YoY Change (%)**
Cumulative Subscribers (or SIMs) Net (End of period)……..	**52,933,455**	**44,040,844**	**20%**
Globe Postpaid [1]…….	2,401,351	2,262,257	6%
Prepaid ……...	50,532,104	41,778,587	21%
Globe Prepaid ……	22,861,549	19,281,720	19%
TM ……	27,670,555	22,496,867	23%
Net Subscriber (or SIM) Additions……...	**8,892,611**	**5,565,714**	**60%**
Globe Postpaid.……..	139,094	236,719	-41%
Prepaid ……...	8,753,517	5,328,995	64%
Globe Prepaid ……	3,579,829	1,445,279	148%
TM ……	5,173,688	3,883,716	33%
Average Revenue Per Subscriber (ARPU)			
ARPU [2]			
Globe Postpaid ……	1,139	1,164	-2%
Prepaid			
Globe Prepaid……...	122	130	-6%
TM……...	73	79	-8%
Subscriber Acquisition Cost (SAC)			
Globe Postpaid……..…	8,878	8,700	2%
Prepaid			
Globe Prepaid……...	16	26	-38%
TM……...	12	14	-14%
Average Monthly Churn Rate (%)			
Globe Postpaid……	3.1%	2.3%	
Prepaid			
Globe Prepaid……...	5.9%	6.4%	
TM……...	6.5%	7.0%	

[1] *As of 4Q 2015, Globe had a total of 3.02 million wireless postpaid subscribers which include 2.4 million mobile telephony and 0.62 million wireless broadband customers. This is higher compared to the 2.95 million wireless postpaid subscribers as of 3Q 2015. Mobile telephony revenues are reflected under "Mobile Service Revenues" while wireless broadband revenues are included under "Broadband."*

[2] *ARPU is computed by dividing recurring gross service revenues (gross of interconnect expenses) segment by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period.*

Globe closed the year with a total mobile subscriber base of 52.9 million, up 20% from 44.0 million subscribers last year. Fourth quarter's gross subscriber acquisitions registered a new quarterly-high of 11.6 million subscribers, 3% higher than the last quarter's previous record-level performance and 14%

higher than the fourth quarter of 2014. This was mainly driven by the sustained strong acquisitions of the Company's prepaid (*Globe Prepaid*) and mass market brands (*TM)*. Combined, *Globe Prepaid* and *TM* gross acquisitions comprised 98% of acquired SIMs during the period. The increase in gross additions was boosted by continued success of the *myLifestyle plans* bundled with the latest devices from Apple™ and Samsung (*iPhone 6s/iPhone 6s Plus/ Samsung S6 Edge Plus, Note 5*). With the improvement of overall churn rates in 2015 to 6.11% from 6.46% in 2014, full year net incremental subscribers were up 60% year-on-year increase from 5.6 million in 2014 to a robust 8.9 million net additions this period.

The succeeding sections cover the key segments and brands of the mobile business – *Globe Postpaid, Globe Prepaid* and *TM*.

Globe Postpaid

Globe Postpaid remained the leader in the postpaid segment of the market given the continued growth in acquisitions of high-quality subscribers throughout the year, closing 2015 with over 2.4 million subscribers from nearly 2.3 million last year. The success of the *MyLifestyle* plan bundled with a wide range of the latest devices, as well as the innovative deals and promotions launched in 2015, helped boost gross additions to reach a new record high of 982,457 in 2015, 18% higher than the previous record of 835,290 reported a year ago. Full year net incremental postpaid subscribers stood at 139,094, 41% lower than 2014 level of 236,719, due to the higher churn rate in 2015 (3.1%) against last year's 2.3%.

In line with the strategy to grow the postpaid business, *Globe Postpaid* has successfully unveiled its best-ever offers for the new *iPhone 6s* and *iPhone 6s Plus* last November 2015, giving its customers the most complete digital experience with a full-packed postpaid plan bundle with a lower monthly plan at a shorter contract period. The iPhone 6s 16GB was made available at Plan 1799 with ₱450 monthly cashout while iPhone 6s Plus 16GB at Plan 1799 with ₱650 monthly cashout, both on a 24-month contract period. With Plan 1799, customers can enjoy the best-value postpaid plan package with bigger data allocation and free access to exclusive content for a complete digital experience. Under the postpaid plan bundle, customers get 10GB (until Dec. 31, 2015 only) of mobile data per month for worry-free connectivity, access to non-stop music, movies, and games with free access to Spotify Premium, HOOQ and top mobile games for 3 months, free access to Facebook, Viber and Instagram for 24 months, and unlimited calls to Globe and TM and unlimited texts to all networks all for 24 months. Customers also get exclusive deals together with their postpaid plans that include free Gadget Care for 30 days; free 1GB of Globe Cloud storage for 24 months.

Globe Postpaid ARPU of ₱1,139 was slightly lower by 2% from last year's level of ₱1,164.

Globe Postpaid subscriber acquisition cost (SAC) increased year-on-year by 2% from last year's ₱8,700 to ₱8,878 in 2015, driven by the successful launch of *iPhone 6S, iPhone 6S Plus* and *Samsung Note 5* in the fourth quarter of the year. On a quarterly basis, *Globe Postpaid* SAC increased by 17% to ₱10,384 from ₱8,895 in the third quarter of the year. *Globe Postpaid* SAC remain recoverable within the 24-month contract of the postpaid plans.

Prepaid

Globe's prepaid segment, which includes the *Globe Prepaid* and *TM* brands, accounts for 95% of its total mobile subscriber base. As of end-December 2015, cumulative prepaid subscribers stood at about 50.5 million, 21% better than last year's level of 41.8 million.

A prepaid subscriber is recognized upon the activation and use of a new SIM card. The subscriber is provided with 60 days (first expiry) to utilize the preloaded SMS value. If the subscriber does not reload prepaid credits within the first expiry period, the subscriber retains the use of the mobile number but is only entitled to receive incoming voice calls and text messages for another 120 days (second expiry). The second expiry is 120 days from the date of the first expiry. However, if the subscriber does not reload prepaid credits within the second expiry period, the account is permanently disconnected and considered part of churn. The first expiry periods of reloads vary depending on the denominations, ranging from 3 days for ₱10 and lower to 60 days for load ranging from ₱150 – ₱250 to maximum of 120 days for over ₱300 reloads. The first expiry is reset based on the longest expiry period among

current and previous reloads. Under this policy, subscribers are included in the subscriber count until churned.

In 2009, the National Telecommunications Commission (NTC) published Memorandum Circular 03-07-2009 which promulgates the extension of the validity periods of prepaid reloads effective July 19, 2009. Under the new pronouncement, the first expiry periods now range from 3 days for ₱10 or below to 120 days for reloads amounting to ₱300 and above. The second expiry remains at 120 days from the date of the new first expiry periods.

The succeeding sections discuss the performance of the *Globe Prepaid* and *TM* brands in more detail.

a. Globe Prepaid

Globe Prepaid gross acquisitions slightly increased by 1% in the fourth quarter to 4.9 million against the 4.8 million gross additions in the previous quarter, bringing the full year gross additions to 18.6 million, 17% higher than the 15.9 million recorded in 2014. The strong acquisitions were driven by the brand's aggressive acquisition efforts, value for money promotions, the successful Free Facebook + Viber campaign in the first quarter of the year and the popularity of *GoSurf* data bundles. With the decline in churn in 2015 of 5.9% from 6.4% in 2014, full year net incremental subscribers increased by 148% to reach 3.6 million this period from 1.4 million in 2014.

During the fourth quarter of 2015, the free Facebook + Viber campaign was extended until March 31, 2016. In addition, the Company partnered with the global phone manufacturer OPPO in order to drive increase in the mobile internet penetration in the country. The partnership between Globe and OPPO began with the launch of the OPPO Mirror 5 which was offered with a free Globe Prepaid SIM plus 100MB data per month for two months. Also, customers availing themselves of the 5-inch screened, metal-clad OPPO R7 Lite in a prepaid kit get a free Globe Prepaid SIM loaded with 100MB data per month for two months.

Globe Prepaid ARPU declined year-on-year from ₱130 in 2014 to only ₱122 in 2015. *Globe Prepaid* SAC, likewise, were significantly lower year-on-year by 38%,and *Globe Prepaid* SAC remained recoverable within a month's ARPU.

b. TM

TM generated its highest gross acquisitions in 2015, registering 24.8 million new SIMs, up 18% year-on-year from the 21.1 million last year. Similar to *Globe Prepaid*, the free Facebook + Viber promo and sustained aggressive acquisition efforts boosted acquisitions throughout the year. Coming from the very strong acquisition coupled with the decline in churn rates in 2015 from 7.0% to 6.5%, full year net incremental subscribers improved by 33% from 3.9 million in 2014 to 5.2 million in 2015.

TM ARPU was down by 8% year-on-year with the continued shift from regular pay-as-you-use service to unlimited and value offers. *TM* SAC was down year-on-year by 14%, and remained recoverable within a month's ARPU.

GCash

GCash continues to establish its presence in the mobile commerce industry. GCash's initial thrust towards money-transfers, purchase of goods and services from retail outlets, and sending and receiving domestic and international remittances has spurred alliances in the field of mobile commerce. From a regular remittance service back in 2004, GCash has evolved into a total mobile money solution that carries a wide portfolio of payment options for its customers. Today, GCash allows Globe and TM subscribers to send money, pay bills, buy load, enjoy rebates, shop online, play games, and donate to to their favorite institution using their mobile phone. To keep the momentum, GCash continues to improve its existing portfolio of services and introduce groundbreaking services to extend reach to a bigger segment of customers.

In 2011, Globe increased the number of establishments that offer GCash as an alternative and efficient payment mode. Quick Delivery tapped GCash to be its newest payment mode to make it easier, safer and more convenient to order food from Metro Manila's top restaurants, specialty stores, and even wine merchants. The largest local chain of movie theaters, SM Cinema, was able to launch the first mobile ticketing service in the country through GCash, allowing moviegoers to purchase tickets online, pay via GCash, and redeem movie tickets at the cinemas using their mobile phones. GCash likewise strengthened its presence in the mobile money transfer business by establishing partnerships with various institutions. Globe partnered with Ericsson to integrate GCash into the new Ericsson Money Services making GCash one of the first partners for this innovative end-to-end mobile money solution. The Company also inked a partnership with US-based IDT Corporation which will enable GXI to strengthen its GCash Remit's international remittance service by facilitating connectivity between traditional money transfer operators and GCash utilizing IDT's economical corridor routing, transaction settlement and foreign currency exchange services. Globe, through GXI, also partnered with Japan's Softbank Corp. through its subsidiary SBPS for an affordable, convenient, and secure remittance service that will allow Filipinos living and working in Japan to remit money to the Philippines via the GCash platform. The Company likewise set up a partnership with Xpress Money, a leading global instant money transfer brand, to further extend the latter's strong payout network in the Philippines. With this tie-up, beneficiaries of Xpress Money Cash Pick Up remittances can now claim their money from the network of GCash Remit outlets nationwide.

The efficiency of GCash's mobile cash transfer system was recognized by various government agencies and socially-oriented organizations such as DSWD (Department of Social Welfare and Development), Simbahang Lingkod ng Bayan (SLB), and the United Nations World Food Programme (WFP). In 2011, GCash Remit was tapped by DSWD and Land Bank of the Philippines for the distribution of the government's Conditional Cash Transfers (CCT). The GCash platform was also utilized by SLB, a church-based, Jesuit-led organization, as a donation channel for its relief operations for typhoon victims. The WFP meanwhile named GCash as a benchmark for their operations worldwide. WFP is the world's largest humanitarian agency fighting hunger worldwide. To improve its efficiency in delivering assistance, WFP has tapped Globe through its GCash mobile technology platform for the fast, secure and low-cost delivery of financial assistance to families who were severely affected by calamities. The partnership flourished with Globe providing the necessary platform to facilitate the Cash-for-Work program and other relief and recovery operations by the WFP.

In 2012, Globe launched GCash PowerPay+ to provide an additional channel to facilitate mobile transactions. GCash PowerPay+ is a funds disbursement service linked to a Globe or TM SIM and comes with an optional insurance coverage. With GCash PowerPay+,users enjoy mobile money services like sending money, buying Globe or TM airtime load with a 10% rebate, and paying bills at the speed of a text message without the need to cash-in to one's GCash account. It also allows 24/7 withdrawal from any of the Automated Teller Machines (ATMs) nationwide, cashless shopping through Megalink, BancNet and ExpressNet point of sale and financial assistance for accidental death and burial assistance, life cover, residential fire, and ATM theft. Globe has also launched GCash Remit Service to provide mobile subscribers a quick, affordable and convenient way to send and receive domestic and international remittances. Meanwhile, for electronic banking services, GCash secured a partnership with Philippine Savings Bank (PSBank), the thrift banking arm of the Metrobank Group, to enhance its electronic banking channels. Through GCash, PSBank accountholders can do various financial transactions such as payments, account inquiries and reloading from their PSBank account to their enrolled GCash wallet and vice-versa. In the same manner, Globe partnered with UnionBank of the Philippines (UnionBank) for its eMoneyXchange service that will allow customers to link their UnionBank accounts to their GCash mobile wallets enabling UnionBank clients with EON, E-Wallet, ePayCard and

UnionBank regular savings and checking accounts to transfer funds to and from their GCash wallets through their UnionBank account via SMS. To further complement its mobile wallet functions, Globe partnered with American Express® to launch the GCash American Express® Virtual Card. The prepaid virtual card is linked to a subscriber's GCash mobile wallet and allows users to shop conveniently online from both local and international sites that accept American Express. Further, it gives the user a personalized US shipping address to allow delivery of purchases right at their doorstep via My Shopping Box. My Shopping Box is an online package-forwarding service that offers cost effective shipping solutions for online shoppers and merchants. It also provides a personalized US address where packages can be forwarded to, and flexible shipping options by air or sea, depending on the user's needs. Also, GCash American Express Virtual Pay, allows gamers to purchase credits for their Xbox, PlayStation (plus other consoles) even if they don't have credit cards. GCash American Express Virtual Pay offers an alternative payment solution to gamers.

In 2013, Globe achieved another milestone with its partnership with Home Development Mutual Fund (HDMF) or the PAG-IBIG Fund to allow their over 12.6 million members to transact with Pag-ibig via GCash, making it easy and more convenient for them to facilitate their Pag-Ibig transactions. Also, GCash can now be used to purchase load even for other mobile networks via *143#. In addition, real property tax payments can now be done via GCash available in Quezon City and Valenzuela; buy through blink coupon codes for subscribers to experience unlimited Movie and TV show streaming; or convert Gcash to rewards points.

In 2014, GCash can also be used at Puregold to pay for groceries, bills and for cash remittances. All GCash subscribers and Puregold's Tindahan ni Aling Puring members composed of sari-sari store owners, carinderia operators, food resellers, and bulk buyers can avail of any GCash service at any Puregold outlet (Cash-in/Cash-out, Domestic Remittance - Send and Receive Money, International Remittance, Bills Payment, and POS Payment). Also, Gcash launched Globe Charge, a mobile point-of-sale (mPOS) service last March 27, 2014 which turns the subscriber's smartphone into a credit card terminal that enables them to accept debit and credit card payments.

GCash has also maximized the exponential growth of financial cards as the preferred mode of payment. With this, GCash unveiled its very own GCash MasterCard that is ideal for those who do not yet own a credit card or a debit card. The GCash MasterCard is a reloadable prepaid card that one can easily use to swipe and pay just like any other credit card. Linked to one's GCash account, it can be used to shop and pay across 33 million MasterCard-enabled establishments worldwide.

In March 2015, Gcash partnered with GrabTaxi to allow its drivers to receive reimbursements through the GCash GrabTaxi card.

During the second quarter of 2015, G-Xchange Inc. and IXBase, Inc., an IT solutions provider forged a partnership during the period to make Gcash as the disbursement facility capturing 20k employees from various VISMIN companies. Likewise, Globe Charge and GCash MasterCard was made available in Boracay during the second quarter. Partner merchants in Boracay can now accept card payments via the Globe Charge and also customers can enjoy exclusive partner merchant deals with the use of Gcash Mastercard.

In the third quarter of the year, the Company launched the GCash beep Mastercard, the first value-added card to be beep ready, allowing cardholders to load and pay for their MRT and LRT trips easily. Globe GCash beep Mastercard is not only a reloadable contactless tap and go card for LRT/MRT passengers but is also accepted as a payment option in popular online shopping sites and in almost 33 million establishments worldwide which recognize the mastercard brand. At the same time, because it has a GCash account, it can be used to buy prepaid Globe/TM phone load, send money to any Globe/TM user for free, receive remittance, and even withdraw cash from any automated teller machine (ATM). The GCash beep Mastercard allows balance and transaction monitoring to ensure that everything is properly recorded.

As of end-December 2015, GCash now has the largest remittance network in the country with 8,239 active GCash remittance partners and 11,839 cash-in and cash-out outlets nationwide.

FIXED LINE AND BROADBAND BUSINESS

Service Revenues (Php Mn)	Globe Group					Bayan (Standalone)
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Dec 2015	31-Dec 2015	31-Dec 2014	vs. Conso	vs. Globe ex-Bayan	31-Dec 2015
Service						
Broadband [1]	17,458	16,107	12,687	38%	27%	1,352
Fixed line Data [2]	7,698	6,619	5,480	40%	21%	1,389
Fixed line Voice [3]	3,418	3,011	2,789	23%	8%	433
Fixed Line & Broadband Service Revenues	**28,574**	**25,737**	**20,956**	**36%**	**23%**	**3,174**

[1] Broadband service revenues consist of the following:

a) Monthly service fees of wired, fixed wireless, and fully mobile broadband data only and bundled voice and data subscriptions;
b) Browsing revenues from all postpaid and prepaid wired, fixed mobile and fully mobile broadband packages in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;
c) Value-added services such as games; and
d) Installation charges and other one-time fees associated with the service.

[2] Fixed line data service revenues consist of the following:

a) Monthly service fees from international and domestic leased lines;
b) Other wholesale transport services;
c) Revenues from value-added services; and
d) One-time connection charges associated with the establishment of service.

[3] Fixed line voice service revenues consist of the following:

a) Monthly service fees;
b) Revenues from local, international and national long distance calls made by postpaid, prepaid fixed line voice subscribers and payphone customers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid and payphone call card discounts;
c) Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe's network;
d) Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;
e) Installation charges and other one-time fees associated with the establishment of the service; and
Revenues from DUO and SUPERDUO (Fixed line portion) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

Broadband

	Globe Group					Bayan
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Dec 2015	31-Dec 2015	31-Dec 2014	vs. Globe Conso	vs. Globe ex-Bayan	31-Dec 2015
Cumulative Broadband Subscribers						
Wireless [1]	3,670,647	3,670,647	2,350,991	56%	56%	-
Wired	647,496	491,160	437,132	48%	12%	156,336
Total (end of period)	**4,318,143**	**4,161,807**	**2,788,123**	**55%**	**49%**	**156,336**

[1] *Includes fixed wireless and fully mobile broadband subscribers.*

The Globe Group's fixed line and broadband revenues ended the year with ₱28.6 billion, up 36% compared to 2014 as a result of the strong growth in its customer base, which reached to 4.3 million subscribers as of end-December 2015. The remarkable revenue growth and customer uptake throughout the year was partially driven by the various broadband products and packages bundled with exclusive access to entertainment content (HOOQ, NBA League Pass, Disney).

Another contributor to this year's positive year-on-year growth was Bayan's consolidation starting the third quarter of 2015. Excluding the impact of Bayan's consolidation, total Globe's fixed and broadband revenues reached ₱25.7 billion as of end December of 2015, still a remarkable 23% increase from a year ago.

As part of its efforts to uplift the state of internet services in the country by giving customers access to a faster internet experience with lower monthly service fees (MSF), the broadband business unveiled during the fourth quarter of the year, its new roster of home broadband plans powered by fiber-to-the-home (FFTH) technology, providing customers the fastest fiber connection speeds at home now available at a more affordable price. With the new Globe Platinum Broadband Plans, home broadband customers can enjoy a broadband plan with internet speeds of up to 50Mbps at Plan 2499, 100Mbps at Plan 3499, 200Mbps at Plan 4499, 500Mbps at Plan 7499, and 1Gbps at Plan 9499.

Fixed Line Data

Service Revenues (Php Mn)	Globe ex-Bayan		
	For the Year Ended		
	31-Dec 2015	31-Dec 2014	YoY Change (%)
Fixed line Data			
International	1,290	1,101	17%
Domestic	2,942	2,546	16%
Others [1]	2,387	1,833	30%
Total Fixed line Data Service Revenues	**6,619**	**5,480**	**21%**

[1] *Includes revenues from value-added services such as internet, data centers and bundled services.*

The *fixed line data* segment (excluding Bayan) continued its revenue growth with ₱6.6 billion, 21% higher year-on-year and 4% growth quarter-on-quarter fueled by strong demand for domestic and international leased line services, sustained circuit base expansion, and the increasing popularity of cloud-based services, such as data storage and solutions-based cloud computing. Likewise, including Bayan's result as of end-December of 2015, the *fixed line data* segment showed a 40% growth year-on-year.

Fixed Line Voice

	Globe Group					Bayan
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Dec 2015	31-Dec 2015	31-Dec 2014	vs. Conso	vs. Globe ex-Bayan	31-Dec 2015
Cumulative Voice Subscribers – Net (End of period) [1]	1,136,290	950,158	762,181	49%	25%	186,132

[1] *Includes DUO and SuperDUO subscribers*

Globe's total *fixed line voice* revenues likewise improved year-on-year by 23% due mainly to expansion in subscriber base, both organically given the popularity of bundled broadband plans and the impact of Bayan consolidation starting the third quarter of 2015. Even without the aid of Bayan's results, Globe's fixed line voice still grew by 8% from a year ago.

OTHER GLOBE GROUP REVENUES

International Long Distance (ILD) Services

ILD Revenues and Minutes	Globe Group		
	For the Year Ended		
	31-Dec 2015	31-Dec 2014	YoY Change (%)
Total ILD Revenues (Php Mn) ……...	**10,037**	**11,100**	**-10%**
Average Exchange rates for the period (Php to US$1)……	45.290	44.348	2%

Both Globe and Innove offer ILD voice services which cover international call services between the Philippines to 236 destinations with 736 roaming partners. This service generates revenues from both inbound and outbound international call traffic, with pricing based on agreed international termination rates for inbound traffic revenues and NTC-approved ILD rates for outbound traffic revenues.

On a consolidated basis, ILD voice revenues from the mobile and fixed line businesses declined year on year by 10% attributed to the impact of the migration of international traffic through alternative channels that make use of internet-based applications (viber, skype, line, yahoo, etc.). On a sequential basis, ILD revenues also declined by 6%.

Meanwhile, Globe sustained its promotion on OFW SIM packs and the discounted call rate offers such as *IDD Sakto* Calls (per-second IDD), *TipIDD* card, and *IDD Tingi* – the first bulk IDD service which can be purchased via registration and through AMAX retailers nationwide. In addition, *The Filipino Seafarer SIM* enables Filipino seafarers around the world to keep in touch with their loved ones back home at cheaper rates for as low as US$0.20 per minute while sending SMS for only US$0.10 per sms. Subscribers who will avail of the SIM will get two numbers in one SIM – an international mobile number and a Philippine Globe mobile number. Globe and TM subscribers calling the Globe Seafarer SIM are only charged at local rates. The *Globe Local UK SIM card* alternatively gives Filipinos one affordable rate of only 10 pence for each call or text sent to Globe or TM number in the Philippines as well as calls and text to all UK networks. Subscribers also pay only 10 pence for every MB of mobile internet. Moreover, *Globe local Italy SIM* was later introduced to give Filipino communities in Italy can now enjoy calls to Globe in the Philippines for just five Euro cents per minute, the lowest among all Italian mobile operators.

During the first quarter of 2015, Globe launched $1 calls from US to the Philippines allowing Filipinos with relatives in the USA to enjoy calling their loved ones and friends here in the Philippines for only $1

for 100 minutes. Likewise, The Company partnered with Du in the United Arab Emirates to provide OFWs with the best call rate to Globe and TM in the Philippines. Cost of 36 fils per minute is 20% cheaper than the regular rate of 45 fils per minute. Du has almost 50% market share in the UAE with 6.5 million mobile subscribers.

In the second quarter of 2015, the Company launched *Globe Prepaid Roam Surf,* a flat rate offer for unlimited data roaming service to its prepaid customers. This offer allowed prepaid customers to access the internet abroad for an entire 24-hour cycle, making their data connectivity experience more seamless and worry-free. *Roam Surf* for Globe Prepaid offers customers the ability to choose from three variants, ₱599 for 24 hours, ₱1797 for 3 full days and ₱2995 for 5 full days. Customers can dial *143# and access the International and Roaming menu to register to the service without having to memorize registration keywords.

In the third quarter of 2015, the Company widen its global footprint and reaches out to more Filipinos around the world through its new partnership with global telecommunications operator, Orange, to launch the new Libon Out "Philippines with Globe" package offer. Libon was developed by Orange Group, headquartered in Paris, France. The Libon app features "Libon Out" calls with rechargeable minutes to make international calls to over 140 destinations around the world. Filipinos from around the world using the Libon app, an all-in-one communication application for iPhone and Android that provides free unlimited Libon to Libon HD calls, chats, and voicemail to a variety of international destinations, can enjoy a "Libon Out" package for only US$25.99, inclusive of 1,000 minutes of calls or ₱1.30 per minute rate to any Globe and TM number in the Philippines. This is 67% lower compared to other app-to-Globe per minute rate. From August 26 to September 9, 2015, customers who register to the Libon app will also enjoy free 100 minutes of calls to Globe and TM numbers in the Philippines to celebrate the partnership.

In addition, Globe reinforces its partnership with Japan's Brastel Co., Ltd., International Communication Operator through the launch of a new co-branded OTT service which allows users to save up to 68% in calling rates. Globe and Brastel entered into a business alliance agreement in February this year as strategic partners in Japan to offer a co-branded reloadable calling card for calls to Globe and TM numbers in the Philippines at a preferential rate. Starting August 1, 2015, Globe and TM customers have access to affordable calls via Brastel's 050 Free application with rates of just 10 yen per minute, from its current price of 32 yen per minute when calling from a mobile with 0091 prefix.

Roam Unli Call & Text available to Globe Postpaid subscribers were recently upgraded givng its subscribers unlimited calls and texts while roaming in Australia, India, Indonesia, Singapore, Thailand, and UAE (₱499 perday; ₱1399 for 3days and ₱2299 for 5days).

In the last quarter of 2015, Globe with its partnership with Maxis Malaysia, launched a collect calling service to the 600 thousand overseas Filipinos in Malaysia via Ree IDD. Also in order to expand its Duo International's subscriber base, the Company together with the Philippine National Bank (PNB) offered PNB's 300 thousand overseas Filipino remittance customers a 90% off discount when they try the *Duo International* service. A free Globe prepaid sim was also given to remittance beneficiaries in the Philippines to strengthen the Globe calling circle.

GROUP OPERATING EXPENSES

Globe ended the year with total costs and expenses, including depreciation charges at ₱89.0 billion or 14% higher from ₱77.9 billion a year ago, largely driven by higher marketing spend, rent expense, and services and other costs. Higher spending across all other expense accounts was largely to support management strategies, business, subscriber and data-network expansion.

(Php Mn)	Globe Group					Bayan[1] (Standalone)
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Dec 2015	31-Dec 2015	31-Dec 2014	vs. Conso	vs. Globe ex-Bayan	31-Dec 2015
Cost of Sales	13,665	13,646	10,661	28%	28%	19
Less: Non-service Revenues	6,290	6,289	4,211	49%	49%	1
Subsidy	**7,375**	**7,357**	**6,450**	**14%**	**14%**	**18**
Interconnect	9,008	8,976	8,430	7%	6%	52
Selling, Advertising and Promotions	6,283	6,087	5,470	15%	11%	197
Re-contracting	3,311	3,311	2,531	31%	31%	-
Staff Costs	9,761	9,317	8,666	13%	8%	444
Utilities, Supplies & Other Administrative Expenses	4,785	4,612	4,482	7%	3%	173
Rent	4,932	4,691	4,116	20%	14%	558
Repairs and Maintenance	4,796	4,496	4,100	17%	10%	300
Provisions	3,037	2,970	3,610	-16%	-18%	114
Services and Others	14,584	14,239	11,899	23%	20%	296
Operating Expenses	**60,497**	**58,699**	**53,304**	**13%**	**10%**	**2,134**
Depreciation and Amortization	**21,133**	**20,169**	**18,123**	**17%**	**11%**	832
Costs and Expenses	**89,005**	**86,225**	**77,877**	**14%**	**11%**	**2,984**

[1]*Standalone Bayan financial results, gross of intercompany transactions between Globe and Bayan*

Interconnect

Interconnect charges for the year rose by 7% to ₱9.0 billion from the ₱8.4 billion in 2014, due to increased internetwork usage from all-network bundle promo offers, notably from the efforts in TM to drive acquisition and usage of its SIMs.

Subsidy

Subsidy expenses grew 14% to ₱7.4 billion from ₱6.5 billion reported a year ago as a result of record-breaking levels of postpaid acquisitions, in both mobile and broadband, as well as, the popularity of high-end smartphones, like the *iPhone 6s* and *iPhone 6s Plus*, which was launched in the fourth quarter of 2015.

Marketing

Accounting for 9% of total operating expenses and subsidy, selling, advertising, and promotion expenses grew 15% to ₱6.3 billion from ₱5.5 billion a year ago, driven by an increase in commissions following higher gross acquisitions in mobile postpaid and broadband for the year. In addition, advertising and promotional expenses also grew due to increased media placements, more intensive product launches *(Apple™ iPhone 6s* and *iPhone 6s Plus, Samsung S6 edge+)*, partnerships (*YouTube, Disney, HooQ, NBA, free FB & Viber, Wattpad*), and sponsorships (*Madonna, Slipstream, Ironman, Starwars*). Included in the total marketing spend for the year is costs related to Bayan's operations amounting to ₱196 million; excluding Bayan's costs, selling, advertising, and promotion expenses would have risen by 11% year-on-year.

Re-contracting

Globe's re-contracting costs for the year likewise grew to ₱3.3 billion, a 31% year-on-year increase from the ₱2.5 billion re-contracting costs posted last year, owing to the increased volume of re-contracting subscribers. Re-contracting costs for the year accounted for almost 5% of total operating expenses and subsidy.

Staff Costs

Staff costs increased 13% from ₱8.7 billion in 2014 to ₱9.8 billion in 2015 mainly due to the 5% growth in average headcount, higher corporate and sale incentives, and the consolidation of Bayan results in the second half of the year. Excluding the impact of Bayan, staff costs would have grown 8% from last year's level. Staff costs accounted for 14% of total operating expenses and subsidy for the year.

Utilities, Supplies and Other Administrative Expenses

Utilities, supplies, and other administrative expenses, which contribute 7% of total operating expenses and subsidy, also reported an increase of 7%, totaling ₱4.8 billion, a 7% increase from the ₱4.5 billion in 2014. The increase was mainly driven by increased utility costs due to higher electricity consumption and increased travel costs from local transportation expenses for product launches and events. This was partially offset by lower fuel requirements, lower fuel prices, and lower supplies costs.

Rent

Rent expenses for the year 2015 was at ₱4.9 billion a 20% increase from ₱4.1 billion reported in 2014. This accounts for 7% of total operating expenses and subsidy. The growth in lease expenses was driven by the expansion of the network and the increase in renewed lease rates on our cell sites. This was also partly increased by the consolidation of Bayan in the second half of the year. Excluding Bayan, rent expenses would have grown 14% to ₱4.7 billion.

Provisions

This account includes provisions related to trade, non-trade and traffic receivables and inventory. Overall, provisions account for 4% of total operating expenses and subsidy. Total provisions for the year declined to ₱3.0 billion, 16% lower than the ₱3.6 billion reported in 2014. The decrease in provisions in 2015 were mostly due to lower inventory obsolescence, as last year's provisions included obsolescence of Blackberry and other old handset models. The decline was also driven a reversal in provisions for traffic related to other networks.

Repairs and Maintenance

Repairs and maintenance costs for the year stood at ₱4.8 billion, a 17% increase from the ₱4.1 billion reported a year ago. This was driven by maintenance costs for licenses of product bundles that contain entertainment suites (*HOOQ, Disney, iConcert, Youtube*). In addition, Globe also incurred higher communication equipment maintenance, as well as corrective and preventive maintenance on various relocations. All in all, repairs and maintenance accounted for 7% of total operating expenses and subsidy.

Services and Others

Accounting for 21% of total operating expenses and subsidy, services and expenses grew 23% to ₱14.6 billion from ₱11.9 billion driven by higher contracted and consultancy fees as well as increased customer contact center charges from higher volume of customer calls. In addition, there were also increased costs for taxes and permits in relation to purchases of subsidiaries. These were partially offset by a decline in network taxes and licenses.

Depreciation and Amortization

Depreciation and amortization expenses for the year grew 17% to ₱21.1 billion from ₱18.1 billion reported in 2014. Of the ₱3.0 billion increase in depreciation and amortization, around ₱832 million is attributable to Bayan. The remaining ₱2.0 billion was largely driven by increased depreciation costs following asset additions throughout the year, given our capital expenditure programs in 2015.

OTHER INCOME STATEMENT ITEMS

Other income statement items include net financing costs, net foreign exchange gain (loss), interest income, and net property and equipment-related income (charges) as shown below:

(Php Mn)	Globe Group					Bayan[1] (Standalone))
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Dec 2015	31-Dec 2015	31-Dec 2014	vs. Globe Conso	vs. Globe ex-Bayan	31-Dec 2015
Financing Costs						
Interest Expense	(2,774)	(2,737)	(2,326)	19%	18%	(152)
Loss on derivative instruments	-	-	-	-	-	(7)
Swap costs and other financing	(142)	(142)	(240)	-41%	-41%	-
Foreign Exchange Loss (net)	(457)	(236)	-	-	-	(222)
	(3,373)	**(3,115)**	**(2,566)**	**31%**	**21%**	**(381)**
Other Income						
Gain on derivative instruments	20	27	71	-72%	-62%	-
Foreign Exchange gain (net)	-	-	1	-100%	-	-
Interest Income	519	632	683	-24%	-7%	1
Others – net	1,627	1,177	46	3437%	2458%	21
Total Income (Other Expenses)	**(1,207)**	**(1,279)**	**(1,765)**	**-32%**	**-28%**	**(359)**

[1]*Standalone Bayan financial results, gross of intercompany transactions between Globe and Bayan*

The Globe Group's non-operating charges declined by 32% year-on-year mainly driven by the impact of one-time gains booked in the second half of 2015, coming from the sale of a 51% stake in Yondu to Xurpas, Inc. ("Xurpas"), including the fair market valuation adjustment on Globe's remaining 49% stake in Yondu, and valuation adjustments upon the acquisition of a 98.6% stake in Bayan in July 2015. These one-time adjustments offsets the impact of higher net interest expenses and foreign exchange losses during the year.

(See related discussion on derivative instruments and swap costs in the Foreign Exchange and Interest Rate Exposure section).

Liquidity and Capital Resources

	Globe Group		
	31-Dec 2015	31-Dec 2014	YoY Change (%)
Balance Sheet Data (Php Mn)			
Total Assets ……..	195,680	179,507	9%
Total Debt ……	72,229	65,276	11%
Total Stockholders' Equity……	59,398	54,538	9%
Financial Ratios (x)			
Total Debt to EBITDA ……	1.51	1.66	
Debt Service Coverage……	5.18	2.92	
Interest Cover (Gross) ……	12.24	13.22	
Debt to Equity (Gross) ……	1.22	1.20	
Debt to Equity (Net) [1] ……..	1.02	0.89	
Total Debt to Total Capitalization (Book) ……	0.55	0.54	
Total Debt to Total Capitalization (Market) ..……	0.22	0.21	

[1] *Net debt is calculated by subtracting cash, cash equivalents and short term investments from total debt.*

Globe's balance sheet and cash flows remain strong with ample liquidity and gearing comfortably within bank covenants.

Globe Group's consolidated assets as of 31 December 2015 amounted to ₱195.7 billion compared to ₱179.5 billion in 2014. Consolidated cash, cash equivalents and short term investments (including investments in assets available for sale and held to maturity investments) was at ₱11.8 billion as of end December of 2015 compared to ₱16.8 billion as of end December 2014.

Globe ended the year with gross debt to equity ratio on a consolidated basis at 1.22:1 and is well within the 2:1 debt to equity limit dictated by Globe's debt covenants. Meanwhile net debt to equity ratio was at 1.02:1 as of end December 2015 and 0.89:1 as of end December 2014.

Globe's current ratio was at 0.72:1 as of 31 December 2015 and 0.77:1 as of 31 December 2014, which are at par with industry standards. While Globe's average current ratio was below the SEC's minimum of 1:1, Globe believes it has more than sufficient cash flows from operations to meet its debt maturities, currently and prospectively.

The financial tests under Globe's loan agreements include compliance with the following ratios:

- Total debt to equity not exceeding 2:1;
- Total debt to EBITDA not exceeding 3:1;
- Debt service coverage [1] exceeding 1.3 times; and
- Secured debt ratio [2] not exceeding 0.2 times.

As of 31 December 2015, Globe is well within the ratios prescribed under its loan agreements.

[1] Debt service coverage ratio is defined as the ratio of EBITDA to required debt service, where debt service includes subordinated debt but excludes shareholder loans.
[2] Secured debt ratio is defined as the ratio of the total amount for the period of all present consolidated obligations for payment, whether actual or contingent which are secured by Permitted Security Interest as defined in the loan agreement to the total amount of consolidated debt.

Consolidated Net Cash Flows

(Php Mn)	Globe Group		
	31-Dec 2015	31-Dec 2014	YoY change (%)
Net Cash from Operating Activities……	35,952	36,455	-1%
Net Cash from Investing Activities……	(32,560)	(20,216)	61%
Net Cash from Financing Activities……	(8,406)	(6,942)	21%

Net cash flows provided by operating activities for the year just ended were at nearly ₱36.0 billion, slightly lower by 1% year on year.

Meanwhile, net cash used in investing activities amounting to ₱32.6 billion, was 61% higher than last year. Consolidated cash capital expenditures as of end of December 2015 amounted to ₱32.1 billion, up by 51% from last year's ₱21.2 billion.

(Php Mn)	Globe Group		
	31-Dec 2015	31-Dec 2014	YoY change (%)
Capital Expenditures (Cash) [1]……	32,130	21,235	51%
Increase (decrease) in Liabilities related to Acquisition of PPE…	(1,728)	5,749	-130%
Total Capital Expenditures[2]……	**30,402**	**26,984**	**13%**
Total Capital Expenditures / Service Revenues [2] (%)……	**27%**	**27%**	

[1] Cash capital expenditures-property & equipment and intangibles as of report date
[2] Consolidated capital expenditures include property and equipment, intangibles and capitalized borrowing costs acquired as of report date regardless of whether payment has been made or not.

Consolidated net cash from financing activities amounting to ₱8.4 billion was 21% higher from last year. Consolidated total debt, likewise, increased by 11% from ₱65.3 billion at the end of 2014 to reach ₱72.2 billion at the end of December 2015.

54% of US$ consolidated loans have been effectively converted to PHP via US$200Mln in currency hedges. After swaps, effectively 11% of total debt is in USD.

Below is the schedule of debt maturities for Globe for the years stated below based on total outstanding debt as of 31 December 2015:

Year Due	Principal * (US$ Mn)
2016 ……	170
2017……	222
2018……	165
2019 ……	236
2020 through 2025……	746
Total……	**1,539**

** Principal amount before debt issuance costs.*

On March 9, 2015, Globe Telecom signed a Php7 Billion Term Loan with Philippine National Bank. The proceeds of the loan were used to partially finance Globe's capital expenditures and general corporate requirements.

On October 1, 2015, Globe Telecom signed a USD45 Million Term Loan and a Php5 Billion Term Loan with Metrobank. The proceeds of the loans were used to finance Globe's capital expenditures.

Stockholders' equity as of end of December 2015 was higher by 9% from ₱54,538 million in 2014 to ₱59,398 million this period. Globe's capital stock consists of the following:

Voting Preferred Shares
Voting Preferred stock at a par value of ₱5 per share of which 158.5 million shares are outstanding out of a total authorized of 160 million shares.

The dividends for voting preferred stock are declared upon the sole discretion of the Globe Telecom's BOD.

To date, none of the voting preferred shares have been converted to common shares.

Non-Voting Preferred stock
Non-Voting Preferred stock at a par value of ₱50 per share of which 20 million shares are issued out of a total authorized of 40 million shares.

Common Shares
Common shares at par value of ₱50 per share of which 132.7 million are issued and outstanding out of a total authorized of 149 million shares.

Cash Dividends
The dividend policy of Globe Telecom as approved by the Board of Directors is to declare cash dividends to its common stockholders on a regular basis as may be determined by the Board. The dividend payout rate is reviewed annually by the Board of Directors, taking into account the company's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

On November 8, 2011, the Board of Directors amended the Company's dividend policy to be based on core instead of reported net income. Pay-out range remains at 75% to 90%. This is to ensure that dividends will remain sustainable and yields competitive despite the expected near-term decline in net income that would result from the accelerated depreciation charges related to assets that will be decommissioned as part of the Company's network and IT transformation programs. As currently defined, core net income excludes all foreign exchange, mark-to-market gains and losses, as well as non-recurring items.

On August 6, 2013, the Board of Directors approved the proposed change in the frequency of the cash dividend distribution from semi-annual to quarterly. On December 10, 2013, the Company announced that the quarterly cash dividend distribution will be implemented beginning in the third quarter of 2014.

On May 12, 2015, the Board of Directors of the company has approved the declaration of the second quarter cash dividend of ₱20.75 per common share payable on June 11, 2015 to shareholders on record as of May 26, 2015. The second quarter cash dividend payment total is about ₱2.75 billion. On an annualized basis, this represents about 76% of 2014 core net income.

On the same date, the BOD approved the declaration of the second semi-annual cash dividend for holders of its non-voting preferred shares on record as of August 10, 2015. The amount of the cash dividend shall be at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price of ₱500.00 per share on a 30/360 day basis for the six-month dividend period. Total amount of the cash dividend was paid on August 22, 2015.

On August 3, 2015, the Board of Directors of the company has approved the declaration of the third quarter cash dividend of ₱20.75 per common share payable on September 2, 2015 to shareholders on record as of August 17, 2015. The third quarter cash dividend payment total is about ₱2.75 billion. On an annualized basis, this represents about 76% of 2014 core net income.

On November 6, 2015, Globe's Board of Directors approved the declaration of annual cash dividend payable to voting preferred stockholders of record as of November 24, 2015. The amount of the cash dividend will be based on the average 30-day PDST-R2, as computed by the Philippine Dealing and Exchange Corporation plus 2%. Total dividends was paid on December 4, 2015.

On December 11, 2015, Globe's Board of Directors approved the declaration and payment of cash dividends for the Company's non-voting preferred shares. The amount of the cash dividend shall be at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price

of P500.00 per share on a 30/360 day basis for the six-month dividend period. The Record Date is on January 26, 2016 and Payment Date is on February 22, 2016.

Return on Average Equity (ROE)

Consolidated Return on Average Equity (ROE) registered at 29% as of end-December 2015, compared to 28% in 2014 using net income and based on average equity balances for the year ended. Using annualized core net income excluding the effects of non-recurring expenses, foreign exchange loss, one-time gains on net income, return on average equity for the year just ended was at 27% compared to 30% of 2014.

Earnings Per Share (EPS)

Consolidated basic earnings per common share were ₱120.11 and ₱98.64, while consolidated diluted earnings per common share were ₱119.92 and ₱98.41 as of end-December 2015 and 2014, respectively.

Financial Risk Management

FOREIGN EXCHANGE EXPOSURE

Foreign exchange risks are managed such that USD inflows from operations (transaction exposures) are balanced or offset by the net USD liability position of the company (translation exposures). Globe Group's objective is to maintain a position which results in, as close as possible, a neutral effect to the P&L relative to movements in the foreign exchange market.

Transaction exposures

Globe has natural net US$ inflows arising from its operations. Consolidated foreign currency-linked revenues[1] were at 13% and 16% of total service revenues for the periods ended 31 December 2015 and 2014, respectively. In contrast, Globe's foreign-currency linked expenses were at 10% and 9% of total operating expenses for the same periods ended, respectively.

The US$ flows are as follows:

	2015
US$ and US$ Linked Revenues	₱14.77 billion
US$ Operating Expenses	₱ 5.09 billion
US$ Net Interest Expense	₱ 0.20 billion

Due to these net US$ inflows, an appreciation of the Peso has a negative impact on Globe's Peso EBITDA. Globe occasionally enters into forward contracts to hedge against a peso appreciation.

Realized loss from forward contracts that matured in 2015 amounted to ₱32.06 million.

There were no outstanding forward contracts as of December 2015.

[1]Includes the following revenues:
(1) billed in foreign currency and settled in foreign currency, and
(2) billed in Pesos at rates linked to a foreign currency tariff and settled in Pesos

Translation Exposures

Globe's foreign exchange translation exposures results primarily from movements of the Philippine Peso (Php) against the U.S. Dollars (USD) with respect to USD-denominated financial assets, USD-denominated financial liabilities and certain USD-denominated revenues. Majority of revenues are generated in Php, while substantially all of capital expenditures are in USD.

Globe also has US$ assets and liabilities which are revalued at market rates every period. These are as follows:

	December 2015
US$ Assets	US$177 million
US$ Liabilities	US$734 million
Net US$ Liability Position	US$557 million

The movement on the effect on income before income tax is a result of a change in the fair value of derivative financial instruments not designated in a hedging relationship and monetary assets and liabilities denominated in US dollars, where the functional currency of the Group is Philippine Peso. Although the derivatives have not been designated in a hedge relationship, they act as a commercial hedge and will offset the underlying transactions when they occur. The movement in equity arises from changes in the fair values of derivative financial instruments designated as cash flow hedges.

The Globe Group's foreign exchange risk management policy is to maintain a hedged financial position, after taking into account expected USD flows from operations and financing transactions. Globe Telecom enters into short-term foreign currency forwards and long-term foreign currency swap contracts in order to achieve this target.

Globe entered into cross currency swaps amounting to US$125 million in 2013, US$165 million in 2014 and US$200 million in 2015 to hedge the FX and interest rate risk on some of its USD loans. The MTM of the swap contracts stood at a gain of ₱992 million as of end-December 2015.

Globe entered into principal only swaps amounting to US$45Mln in 4Q 2015 to hedge the foreign exchange risks on its USD loans. The MTM of the swap contracts stood at a loss of ₱4 million as of end-December 2015.

INTEREST RATE EXPOSURE

Interest rate exposures are managed via targeted levels of fixed versus floating rate debt that are meant to achieve a balance between cost and volatility. Globe's policy is to maintain between 44-88% of its peso debt in fixed rate, and between 31-62% of its US$ debt in fixed rate.

There were no outstanding interest rate swap contracts as of December 2015.

As of end-December 2015, 78% (excluding short-term debt) of peso debt is fixed, while 55% of USD debt is fixed after swaps.

CREDIT EXPOSURES FROM FINANCIAL INSTRUMENTS

Outstanding credit exposures from financial instruments are monitored daily and allowable exposures are reviewed quarterly.

For investments, the Globe Group does not have investments in foreign securities (bonds, collateralized debt obligations (CDO), collateralized mortgage obligations (CMO), or any instruments linked to the mortgage market in the US). Globe's excess cash is invested in short term bank deposits.

The Globe Group also does not have any investments or hedging transactions with investment banks. Derivative transactions as of the end of the period are with large foreign and local banks. Furthermore, the Globe Group does not have instruments in its portfolio which became inactive in the market nor does the company have any structured notes which require use of judgment for valuation purposes.

VALUATION OF DERIVATIVE TRANSACTIONS

The company uses valuation techniques that are commonly used by market participants and that have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The company uses readily observable market yield curves to discount future receipts and payments on the transactions. The net present value of receipts and payments are translated into Peso using the foreign exchange rate at time of valuation to arrive at the mark to market value. For derivative instruments with optionality, the company relies on valuation reports of its counterparty banks, which are the company's best estimates of the close-out value of the transactions.

Gains (losses) on derivative instruments represent the net mark-to-market (MTM) gains (losses) on derivative instruments. As of 31 December 2015, the MTM value of the derivatives of the Globe Group amounted to a gain of P1,011 million while net loss on derivative instruments arising from changes in MTM reflected in the consolidated income statements amounted to P12 million.

To measure riskiness, the Company provides a sensitivity analysis of its profit and loss from financial instruments resulting from movements in foreign exchange and interest rates. The interest rate sensitivity estimates the changes to the following P&L items, given an indicated movement in interest rates: (1) interest income, (2) interest expense, (3) mark-to-market of derivative instruments. The foreign exchange sensitivity estimates the P&L impact of a change in the USD/PHP rate as it specifically pertains to the revaluation of the net unhedged liability position of the company, and foreign exchange derivatives.

1. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

Contingencies

a. On October 10, 2011, the NTC issued Memorandum Circular No. 02-10-2011 titled Interconnection Charge for Short Messaging Service requiring all public telecommunication entities to reduce their interconnection charge to each other from P0.35 to P0.15 per text, which Globe Telecom complied as early as November 2011. On December 11, 2011, the NTC One Stop Public Assistance Center (OSPAC) filed a complaint against Globe Telecom, Smart and Digitel alleging violation of the said MC No. 02-10-2011 and asking for the reduction of SMS off-net retail price from P1.00 to P0.80 per text. Globe Telecom filed its answer maintaining the position that the reduction of the SMS interconnection charges does not automatically translate to a reduction in the SMS retail charge per text.

On November 20, 2012, the NTC rendered a decision directing Globe Telecom to:
1. Reduce its regular SMS retail rate from P1.00 to not more than P0.80;
2. Refund/reimburse its subscribers the excess charge of P0.20; and
3. Pay a fine of P200.00 per day from December 1, 2011 until date of compliance.

On May 7, 2014, NTC denied the Motion for Reconsideration (MR) filed by Globe Telecom last December 5, 2012 in relation to the November 20, 2012 decision. Globe Telecom's assessment is that Globe Telecom is in compliant with the NTC Memorandum Circular No. 02-10-2011. On June 9, 2014, Globe Telecom filed petition for review of the NTC decision and resolution with the Court of Appeals (CA).

The CA granted the petition in a resolution dated September 3, 2014 by issuing a 60-day temporary restraining order against Memorandum Circular 02-10-2011 by the NTC. On October 15, 2014, Globe Telecom posted a surety bond to compensate for possible damages as directed by the CA.

b. On 22 May 2006, Innove received a copy of the Complaint of Subic Telecom Company (Subictel), Inc., a subsidiary of PLDT, seeking an injunction to stop the Subic Bay Metropolitan Authority and Innove from taking any actions to implement the Certificate of Public Convenience and Necessity granted by SBMA to Innove. Subictel claimed that the grant of a CPCN allowing Innove to offer certain telecommunications services within the Subic Bay Freeport Zone would violate the Joint Venture Agreement (JVA) between PLDT and SBMA.

The Supreme Court ordered the reinstatement of the case and has forwarded it to the NTC Olongapo for trial. The case is now being tried before the Olongapo RTC.

c. PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City. In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order 100 preventing BCC from performing further acts to interfere with Innove's installations in the Bonifacio Global City.

In the case filed by PLDT against the NTC in Branch 96 of the Regional Trial Court (RTC) of Quezon City, where PLDT sought to obtain an injunction to prevent the NTC from hearing the case filed by Innove, the RTC denied the prayer for a preliminary injunction and the case has been set for further hearings. PLDT has filed a Motion for Reconsideration and Globe Telecom has intervened in this case. In a resolution dated October 28, 2008, the RTC QC denied BCC's motion for the issuance of a temporary restraining order (TRO). The case is still pending with the QC RTC.

In the case filed by BCC against FBDC, Globe Telecom and Innove, Bonifacio Communications Corp. before the Regional Trial Court of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a Temporary Restraining Order and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On 30 March 2012, the RTC of Pasig, as prayed for, dismissed the complaint on the aforesaid grounds. Dissatisfied with the decision of the RTC, BCC and PLDT elevated the case to the Court of Appeals. On 18 May 2012, The Court of Appeals dismissed the case. On July 6, 2012, BCC and PLDT filed

a petition for review on certiorari with the Supreme Court on July 6, 2012. Innove filed its Comment thereon on 6 December 2012. The case is still pending resolution with the Supreme Court.

On 11 November 2008, Bonifacio Communications Corp. (BCC) filed a criminal complaint against the officers of Innove Communications Inc., the Fort Bonifacio Development Corporation (FBDC) and Innove contractor Avecs Corporation for malicious mischief and theft arising out of Innove's disconnection of BCC's duct at the Net Square buildings. The accused officers filed their counter affidavits and are currently pending before the Prosecutor's Office of Pasig. The case is still pending resolution with the Office of the City Prosecutor.

On 21 January 2011, BCC and PLDT filed with the Court of Appeals a Petition for Certiorari and Prohibition against NTC, et al. seeking to annul the Orders of the NTC dated 28 October 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and the CEASE AND DESIST from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC. BCC and PLDT anchor their petition on the grounds that: 1) the NTC has no jurisdiction over BCC it being a non-telecommunications entity; 2) the NTC violated BCC and PLDT's right to due process; and 3) there was no urgency or emergency for the issuance of the cease and desist order. The case is pending with the court of appeals.

On April 25, 2011, Innove Communications, filed its comment on the case filed by PLDT that seeks to ban all Globe Telecom services from the Bonifacio Global City before the CA's Tenth Division. In its comment, Globe Telecom argued that Innove is duly authorised to provide services in the BGC, that BCC and PLDT have no right to maintain their monopolistic hold of the BGC telecommunications market; and it is in the public's best interest that open access and free competition among telecom operators be allowed at the Bonifacio Global City.

On August 16, 2011, the Ninth Division of the CA ruled that PLDT's case against Innove and the National Telecommunications Commission (NTC) lacked merit, and thus denied the petition and DISMISSED the case. PLDT and its co-petitioner, BCC file their motion for reconsideration. The same is still pending resolution.

d. On July 23, 2009, the NTC issued NTC Memorandum Circular (MC) No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the CMTS whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme.

On December 28, 2010, the Court of Appeals (CA) rendered its decision declaring null and void and reversing the decisions of the NTC in the rates applications cases for having been issued in violation of Globe Telecom and the other carrier's constitutional and statutory right to due process. However, while the decision is in Globe Telecom's favor, there is a provision in the decision that NTC did not violate the right of petitioners to due process when it declared via circular that the per pulse billing scheme shall be the default.

Last January 21, 2011, Globe Telecom and two other telecom carriers, filed their respective Motions for Partial Reconsideration (MR) on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The MR is pending resolution as of February 5, 2016.

The Globe Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the possibility of outflow of economic resources to settle the contingent liability is remote.

2. Causes of any material change from period to period: 2015 vs. 2014

Assets

Current

A Cash and cash equivalents – Higher net investing and financing cash flow coupled with lower net operating cash flow contributed to the ₱4.9B decline in cash

B Receivable- Increase of ₱7.7B is mainly due to the consolidation of Bayantel increasing the total volume of billed subscribers. The increase in the Globe subscriber base in 2015 also contributed to the increasing number of billings, notably from the mobile, fixed line voice, and broadband segments

C Allowance for Doubtful Accounts – Increase of ₱3.0B is attributable to the consolidation of Bayantel, as well as the increase in provisions for mobile and broadband subscribers throughout the year

D Traffic Settlement – Decrease of ₱319M is driven by higher remittances and an increase in data and roaming traffic. An increase in foreign traffic also contributed to the decline.

E Other Receivables- Slight ₱24M decrease is mainly due to higher collections over billings to Dealers credit, AR credit cards, and others. This was slightly offset by additional other receivables from Bayantel's consolidation

F Allowance for Doubtful Accounts (Traffic and others) – Higher Allowance for Doubtful Accounts (Traffic and others) is mainly due to the consolidation of Bayantel, which contributed majority of the ₱320M increase but was offset by a decrease in Globe's allowance

G Prepayments and Other Current Assets – Decrease of ₱720M is mainly due to net DP for reversals, coupled with a decrease in current portion of long-term debt and offset by an increase in prepayments, miscellaneous receivables, and dividend receivable from Yondu

H Allowance for Doubtful Accounts (Non-Trade) – Slight decrease of ₱23M mostly from the reversal of provisions for net advances from vendors who have become inactive within the year

I Inventories and Supplies – Increase of ₱1.5B is attributable to increased purchases, mostly of inventory handsets, devices, and accessories (iPhone 6s, iPhone 6s Plus, Samsung Galaxy S6)

J Allowance for Inventory Losses – Increase of ₱191M is due to higher provisions for defective and obsolete handsets, modems, accessories and spare parts

K Derivative Assets – Increase is attributable to higher mark to market gain of cash flow hedge swaps

Noncurrent

L Fixed Assets – Increase of ₱11.8B is largely due higher acquisitions over depreciation, factoring in the consolidation of Bayantel's net fixed assets, which contributed approximately ₱6.1B.

M Intangible Assets – The ₱6.6B increase is attributable to the acquisition of various telecom computer software and licenses, as well as the recognition of new intangible assets from the consolidation of Bayantel amounting to ₱1.7B. This was partially offset by write-off and reclassification of certain intangible assets to property, plant, and equipment

N Investment in Joint Venture and Associates – The ₱1.0B increase is driven by additional capital supplied to AF Payments Inc, (AFPI), share in net gain of Bridge Mobile Alliance (BMA), and new investment in Tech Global (which has yet to begin operations). Additionally, Yondu was divested

and is now recognized as an associate, with its value now contributing to the increase. These increases were offset by share in net loss of associates (AFPI, BanKo)

O Goodwill – Increase of ₱827M is due to the consolidation of Bayantel, which resulted in goodwill of ₱1.1B and was offset by a derecognition of goodwill (₱327M) from the divestment of Yondu

P Other Investments – The ₱313M increase pertains mostly to increased investments in Kickstart Ventures, Inc. (KVI) to fund the various startup companies in its portfolio and was partially offset by the write off of other investments.

Q Deferred Tax Asset – Decrease is due to increased depreciation offset by increased provisions and write-off, forex, accrued manpower, pension, and decreased capitalized cost for a total of ₱852M. Deferred tax liability effect of gain on sale of Yondu (₱79M) contributed to the increase and was offset by Bayantel's consolidation (₱153M).

R Misc. Deposits and Others – Significant ₱4.1B decrease is due to the elimination of Globe's receivable from Bayantel starting July 2015, following the consolidation

Liabilities

Current

S Trade Creditors- Increase of ₱2.1B is mainly driven by increased purchases of handsets and accessory inventory items plus increased number of local trade creditors due to the consolidation of Bayantel

T Liabilities to Partner Establishments – Decrease of ₱3.1B is mainly attributable to higher Gcash withdrawals over Gcash received

U Traffic Settlement Payable - Decrease of ₱738M is mainly driven by local traffic settlements to Smart, Digitel and other carriers, offset by foreign traffic and higher accruals in data and roaming

V Other Creditors – Increase of ₱795M is mostly driven by stale and cancelled checks as well as increased payables for VAS providers (HOOQ, Spotify)

W Taxes Payable- Increase of ₱1.0B is due to higher output VAT, overseas communication taxes, and withholding taxes

X Income Taxes Payable- Slight decrease of ₱68M is attributable to lower provisions over payments

Y Provisions – Increase of ₱759M is largely driven by Bayantel's consolidation and offset by Globe's higher reversals of real property tax and national taxes over accruals

Z Accrued Expenses- The ₱3.4B increase is attributable to higher accrual of professional fees, lease, licenses, utilities, repair and maintenance, call center services, security, and other contracted services

AA Accrued Interest on Loans- Slight ₱7M decrease is due to lower accruals over reversals and payments

AB Accrued project Cost- Decline of ₱1.2B is driven by reversal of accruals related to our network modernization program which has since been completed

AC Derivative Liabilities- Increase of ₱16M is mainly due to the consolidation of Bayantel

AD Unearned Revenues- The ₱328M increase is attributable to the consolidation of Bayantel, which contributed to advanced MSF and deferred installation revenue

AE Dividends Payable- Pertains to dividends declared on December 2015 for preferred non - voting shares to be paid in January 2016

AF Current Portion of Long Term Debt – Bank – ₱1.8B increase in bank debt was due to availment of ₱7B loan from PNB, ₱2.1B loan and ₱3B loan from MBTC, offset by payments of other loans

Noncurrent

AG Net Deferred Tax Liability- Reclassification due to net deferred tax asset position.

AH Long Term Debt (Bank) - Increase in bank debt was due to availment of ₱7B loan from PNB, ₱2.1B loan and ₱3B loan from MBTC, offset by payments of other loans

AI Other Long-term Liabilities - Increase of ₱1.0B is attributable to additional accrual for Pension obligation and provisions for asset retirement obligation

3. Description of material commitments and general purpose of such commitments. Material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period.

For details on material commitments and arrangements, see Notes 25 in the attached Notes to the Financial Statements.

Agreements and commitments with suppliers

The Globe Group has entered into agreements with various suppliers for the development or construction, delivery and installation of property and equipment. Under the terms of these agreements, advance payments and downpayments are made to suppliers upon submission of invoice in compliance with the required performance bonds and issuance of purchase orders or signed contracts. While the development or construction is in progress, project costs are accrued based on the project status. Billings are based on the progress of the development or construction and advance payments are being applied proportionately to the milestone billings. When development or construction and installation are completed and the property and equipment is ready for service, the value of undelivered goods or services from the related purchase orders is accrued.

The accrued project costs as of December 31, 2015 and 2014 included in the "Accounts payable and accrued expenses" account in the consolidated statements of financial position amounted to ₱20,862.12 million and ₱22,015.72 million, respectively (see Note 12). As of December 31, 2015 and 2014, the consolidated expected future billings on the unaccrued portion of purchase orders issued amounted to ₱44,786.69 million and ₱36,381.74 million, respectively. The settlement of these liabilities is dependent on the payment terms and project milestones agreed with the suppliers and contractors. As of December 31, 2015 and 2014, the unapplied advances made to suppliers and contractors relating to purchase orders issued amounted to ₱4,522.78 million and ₱5,731.12 million, respectively (see Note 6).

Agreement with C2C/Pacnet

In 2001, Globe Telecom signed a cable equipment supply agreement with C2C as the supplier. In March 2002, Globe Telecom as a lessor entered into an equipment lease agreement for the said equipment with GB21 Hong Kong Limited (GB21).

Subsequently, GB21, in consideration of C2C's agreement to assume all payment obligations pursuant to the lease agreement, assigned all its rights, obligations and interest in the equipment lease agreement to C2C. As a result of the said assignment of payables by GB21 to C2C, the Globe Telecom's liability arising from the cable equipment supply agreement with C2C was effectively converted into a noninterest bearing long-term obligation accounted for at net present value under PAS 39 starting 2005.

In January 2003, the Globe Telecom received advance lease payments from C2C for its use of a portion of the Globe Telecom's cable landing station facilities. Based on the amortization schedule, the Globe Telecom recognized lease income amounting to ₱6.39 million, ₱12.26 million and ₱12.26 million for the years ended December 31, 2015, 2014 and 2013.

On November 17, 2009, Globe Telecom and Pacnet Cable Ltd. (Pacnet), formerly C2C, signed a memorandum of agreement (MOA) to terminate and unwind their Landing Party Agreement dated August 15, 2000 (LPA). The MOA further requires Globe Telecom, being duly licensed and authorized by the NTC to land the C2C Cable Network in the Philippines and operate the C2C Cable Landing Station (CLS) in Nasugbu, Batangas, Philippines, to transfer to Pacnet's designated qualified partner, the license of the C2C CLS, the CLS, a portion of the property on which the CLS is situated, certain equipment and associated facilities thereof.

In return, Pacnet will compensate Globe Telecom in cash and by way of C2C cable capacities deliverable upon completion of certain closing conditions. The MOA also provided for novation of abovementioned equipment supply and lease agreements and reciprocal options for Globe Telecom to purchase future capacities from Pacnet and Pacnet to purchase backhaul and ducts from Globe Telecom at agreed prices.

In the second quarter of 2010, the specific equipment, portion of the property and facilities, and the liabilities associated with the transfer were identified, classified and shown separately in the consolidated statement of financial position as "Assets classified as held for sale" and "Liabilities

directly associated with the assets classified as held for sale".

In 2013, the Globe Group ceased to classify its non-current assets as held for sale due to substantial delay in the completion of the transaction. Globe Group recognized a catch-up depreciation amounting to ₱397.0 million for the year ended December 31, 2013.

Construction Maintenance Agreement for South-East Asia Japan Cable System (SJC)

In April 2011, the global consortium of telecommunication companies formed to build and operate the South-East Asia Japan Cable (SJC) system officially started the construction of the project that will link Brunei, China Mainland, Hong Kong, Philippines, Japan, and Singapore with options to extend to Thailand. The SJC consortium is composed of the Globe Group and nine other international carriers. The Globe Telecom's investment for this project amounts to USD63.91 million and total expenditures incurred was at 100% as of 2014 (see Note 7).

Network Sharing Arrangement with ABS-CBN Convergence Inc

On May 27, 2013, Globe Telecom, Innove and ABS-CBN Convergence Inc. (ABS-C) entered into a network sharing arrangement in order to provide capacity and coverage for new mobile telephony, data and value-added services to be offered by ABS-C nationwide to its subscribers using shared network and interconnect assets of the parties.

This arrangement will enable Globe Telecom, Innove and ABS-C to improve public service by enhancing utility, capacity, inter-operability and quality of mobile and local exchange telephone and data services to the public and allow ABS-C to modernize its existing service and expand to a retail base on top of its existing subscriber base.

On May 31, 2013, NTC approved the network sharing agreement and co-use of the number blocks assigned to Globe Telecom.

Shareholders' and dealership agreement with Taodharma

In March 2013, Globe Telecom entered into a Shareholders Agreement among four other entities to incorporate Taodharma Inc.

Globe Telecom subscribed for the 25% preferred shares of Taodharma amounting to ₱55.00 million which has been fully paid up as of August 2013 (see Note 11). Tao shall carry on the business of establishing, operating and maintaining retail stores in strategic locations within the Philippines that will sell telecommunications or internet-related services, and devices, gadgets, accessories or embellishments in connection and in accordance with the terms and conditions of the Dealer Agreement executed among all of the entities.

In March 2013, Globe Telecom also entered into an exclusive dealership arrangement with Tao that included provisions to build and open retail outlet stores scattered across in cities and other major high-traffic locations nationwide.

As of December 31, 2015 and 2014, Globe Group has recognized ₱141.02 million and ₱139.96 million representing share on costs classified under "Intangible assets and goodwill - net" in the consolidated statements of financial position (see Note 8).

Deed of Assignement of Certificate of Public Convenience and Necessity by Worldwide Communication Inc. (WWCI)

On July 5, 2013, the NTC approved the "Deed of Assignment" (DoA) dated February 13, 2013 executed by WWCI in favor of Globe Telecom. Through the DoA, WWCI assigned and transferred its entire interest including the operation of its Trunk Radio Network, the Certificate of Public Convenience and Necessity granted by the NTC and the pertinent permits necessary to operate the trunk radio to Globe Telecom. The total consideration under the said original DoA was ₱30.00 million.

On April 1, 2014, Globe Telecom and WWCI signed the Supplemental Agreement to the DoA for final consideration of ₱150.00 million to be paid in tranches upon fulfillment of stated conditions.

Conditions include reassignment and reallocation of Radio Station Licenses and issuance of associated Frequency Assignment Sheets in the name of Globe Telecom. Pending compliance on

the conditions, payments will be recorded as advances classified under “Prepayments and other current assets” in the consolidated statements of financial position.

On January 29, 2015, WWCI and Globe Telecom have agreed to wind down the transaction as the conditions for closing can no longer be met. WWCI was not able to pay the advances made by Globe Telecom amounting to ₱45.00 million due on December 31, 2015. WWCI is negotiating settlement of advances by surrendering certain frequencies and assets. As of December 31, 2015, assessment of assets is still on going.

Southeast Asia – United States (SEA - US) Project

Globe Telecom has joined a consortium of seven international telecommunication companies for the construction of a new submarine cable system directly connecting Southeast Asia and the United States. Other members of the consortium include PT Telekomunikasi Indonesia International (Telin), Telkom USA, RAM Telecom International (RTI), Hawaiian Telcom, and Teleguam Holdings (GTA). The 15,000-kilometer cable system would link Manado in Indonesia, Davao in the Philippines, Piti in Guam, Oahu in Hawaii, and Los Angeles in California, providing superior latency delivering additional 20 terabits per second (Tbps), utilizing 100 gigabits per second (Gbps) transmission equipment. Globe Telecom and GTIC US is spending more than US$80 million for the SEA-US undersea cable system slated for completion in the last quarter of 2016.

On March 17, 2015, Globe Telecom provided a written guaranty to NEC Corporation (NEC) pursuant to the supply contract of the cable system between GTIC US and NEC. Globe Telecom unconditionally guarantees the full and punctual performance by GTIC US of its payment obligations up to an aggregate amount of US$46.23 million, less any payments made in accordance with the terms and conditions of the contract. A default by GTIC US to pay any guaranteed obligation under the contract is a condition that will render the guaranty exercisable. Total payments amounted to US$9.55 million for the period ended December 31, 2015.

Facilities-based Operations License granted to Globetel Singapore Pte. Ltd (GTSG)

On November 25, 2014, Globetel Singapore Pte. Ltd. (GTSG) applied for a facilities-based operations license (FBO) with Infocommunications Development Authority in Singapore (IDA) which was subsequently granted on January 7, 2015. Under this license, GTSG was required to provide IDA with the performance bond for the aggregate amount of US$75,400 to secure its obligation to fulfill the three performance milestones of installation of equipment required to support Southeast Asia Japan cable system and activation of its capacity between Singapore, Philippines and Hongkong. GTSG has fulfilled the first two milestones. On April 28, 2015, IDA returned the two bank guarantees pertaining to the first two milestones totaling to US$45,400 while the remaining USD30,000 is due from IDA which is payable in 2016.

Services-based Operator License granted to Globe Telecom HK Limited (GTHK)

On March 17, 2015, Globe Telecom HK Limited (GTHK) has applied for a services-based operator license (SBO) with the Office of the Communications Authority in Hong Kong (OFCA) which was subsequently approved on May 7, 2015. GTHK is licensed to provide a public telecommunications service and establish and maintain a telecommunications system.

Agreements with HOOQ Digital Pte. Ltd. (HOOQ)

On February 25, 2015, Globe Telecom entered into a 5 year service and content distribution contract with HOOQ.

Under the agreement, HOOQ will provide content to Globe Telecom, in the form of video, movies or other form of content, which Globe Telecom may sell to its subscribers. The service may be provided either on transaction or subscription basis. Globe Telecom shall pay a service fee for every active subscriber in each month, or a minimum net subscriber guaranty of ₱257.70 million for the first 3 contract years.

Globe Telecom also undertakes to provide advertising and promotions support at a minimum amount of $3 million, for the first three (3) contract years. For this purpose, HOOQ granted Globe Telecom a non-exclusive and royalty free right to use the HOOQ trade mark.

License agreements with Walt Disney Company (Southeast Asia) Pte. Limited ("Disney")

On July 1, 2015, Globe Telecom and Disney entered into a several license agreements for a period of five (5) years. Under the agreements, Globe Telecom is granted the right to market, reproduce and distribute Disney's products to the public through its distribution channels. In consideration, Globe Telecom agreed to pay royalty of fifty percent (50%) of its net revenues, with minimum commitment guarantee amounting to US$48.41 million including a guaranteed non-returnable, non-refundable advance on a quarterly basis amounting to US$0.17 million. As of December 31, 2015, the total amount accrued under "general, selling and administrative" line item in the condensed consolidated statement of comprehensive income amounted to US$0.62 million.

Agreements with Huawei International, Pte. Ltd.

In 2014, Globe Telecom and Innove engaged Huawei for a period of ten (10) years to perform the design, engineering, manufacture, assembly and delivery of certain equipment and all its ancillary equipment and related software and documentation, and to provide services, including subsequent training and technical support, in an end-to-end full-turn key outcome based technical solution. Globe Telecom is spending a total of ₱1,911.46 million for the services and US$92.32 million for the equipment.

Agreements with Spotify AB (Spotify)

On March 13, 2014, Globe Telecom entered into a 2 year service agreement with Spotify to provide ad-free desktop, portable music streaming and conditional download service. During the term, Globe Telecom shall spend US$2.25 million worth of advertising budget and at least US$400,000 in purchasing in-client advertising inventory from Spotify. For each month of the term, Globe Telecom shall pay an amount equal to the monthly fees which includes hard bundle fee, soft bundle fee and standalone subscription fee. In addition, Globe Telecom commits to pay a total minimum guarantee of US$1.75 million which shall be recouped against the actual fees paid and payable for the service subscriptions. Total payments net of revenue share amounted to ₱33.77 million and ₱65.28 million for the period ended December 31, 2015 and 2014, respectively.

4. Seasonal Aspects that have a material effect on the FS

No seasonal aspects that have a material effect on the financial statements.

For The Financial Year Ended 2014

GROUP FINANCIAL HIGHLIGHTS

	Globe Group		
	For the Year Ended		
Results of Operations (Php Mn)	**31-Dec 2014**	**31-Dec 2013**	**YoY Change (%)**
Net Operating Revenues	**103,236**	**95,141**	**9%**
Service Revenues	99,025	90,500	9%
Mobile	78,069	72,764	7%
Broadband	12,687	10,440	22%
Fixed line Data	5,480	4,691	17%
Fixed line Voice	2,789	2,605	7%
Non-Service Revenues	4,211	4,641	-9%
Costs and Expenses	**63,965**	**58,627**	**9%**
Cost of Sales	10,661	9,953	7%
Operating Expenses	53,304	48,674	10%
EBITDA	**39,271**	**36,514**	**8%**
EBITDA Margin	**40%**	**40%**	
Depreciation	**18,123**	**27,478**	**-34%**
Affected by network modernization	1,623	9,066	-82%
Others	16,500	18,412	-10%
EBIT	**21,148**	**9,036**	**134%**
EBIT Margin	**21%**	**10%**	
Non-Operating Charges	**1,765**	**2,172**	**-19%**
Net Income After Tax (NIAT)	**13,372**	**4,960**	**170%**
Core Net Income [1]	**14,489**	**11,617**	**25%**

[1]Core net income is net income after tax (NIAT) but excluding foreign exchange and mark-to-market gains (losses), and non-recurring items

- Full year consolidated service revenues once again reached a historic-high, registering at ₱99.0 billion from ₱90.5 billion last year due to the continued positive growth of Globe's mobile, broadband, and fixed line data businesses. Mobile revenues were up by 7% to ₱78.1 billion from last year's ₱72.8 billion, still led by *Globe Postpaid* and the Company's mass market brand *TM*, which grew by 11% and 14%, respectively. The increase in mobile revenues was supported by the expansion in Globe's mobile subscriber base, which increased 14% year-on-year to 44.0 million from 38.5 million last year. Broadband, fixed line data and fixed line voice revenues, likewise, posted a 22%, 17% and 7% growth as against last year's levels, respectively, as the cumulative customer base continued to grow year-on-year, coupled with the acceptance of Globe's customer-centric product offers.

- Total operating expenses and subsidy increased by 11% year-on-year to ₱59.8 billion from ₱54.0 billion, as Globe continued to re-invest gains to support the growing subscriber base and the expansion of Globe's 3G, HSPA+ and 4G network. The increase in operating expenses was driven by higher subscriber acquisition costs, given the record-level mobile postpaid gross acquisitions in 2014. Other drivers for the increase in operating expenses were higher trade provisions, staff-costs and services expenses.

- 2014 consolidated EBITDA reached a record ₱39.3 billion, up by 8% or ₱2.8 billion against last year's ₱36.5 billion. Full year EBITDA margin stood at 40%, which is in line with management's earlier guidance. The overall revenue gains fully covered for the upsurge in expenses, which was spent to support the growing subscriber base and the demand for an expanded data network.

- Total depreciation expenses as of end-December reached ₱18.1 billion, 34% lower than the ₱27.5 billion in 2013, as bulk of the accelerated depreciation charges related to the modernization projects were already incurred last year. Accelerated depreciation charges as of end-December of 2014 were significantly lower at ₱1.6 billion against the ₱9.1 billion incurred in 2013. Normal depreciation of assets was likewise lower at ₱16.5 billion from ₱18.4 billion last year, as older assets were already considered end-of-life by year-end of 2013.

- Overall, total operating costs including depreciation charges, declined by 4% year-on-year to only ₱77.9 billion in 2014 from ₱81.5 billion a year ago.

- Non-operating charges declined year-on-year by 19% to ₱1.8 billion in 2014 from ₱2.2 billion last year, driven by this year's foreign exchange gain position (against the foreign exchange losses last year), mitigating the increase in interest expenses.

- Globe closed the year with a historic-high consolidated net income of ₱13.4 billion, almost three times the ₱5.0 billion net income recorded last year. This was mainly driven by the solid EBITDA growth, lower depreciation charges across normal course depreciation and accelerated depreciation expenses, net forex and mark-to-market gains recognized during the period. Excluding the non-recurring accelerated depreciation expenses and foreign exchange and mark-to-market gains, core net income after tax reached ₱14.5 billion as of end-December 2014, a robust 25% improvement from the ₱11.6 billion in 2013.

- As of end-December 2014, total cash capital expenditures stood at about ₱21.1 billion, 27% lower than last year's level of ₱29.0 billion. To date, Globe has a total of 25,150 base stations, including over 15,000 4G[1] base stations to support the requirements of its subscribers for 2G, 3G and 4G services. Although lower than the earlier guidance of $650 million for 2014, the shortfall was mainly timing-driven and is expected to flow through the early parts of 2015, as acceptance of the assets and the CAPEX programs are made.

[1] *Includes HSPA+, WiMax and LTE*

GROUP OPERATING REVENUES BY SEGMENT

Operating Revenues By Businesses (Php Mn)	For the Year Ended		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Mobile	**81,050**	**76,597**	**6%**
Service Revenues ……	78,069	72,764	7%
Non-Service Revenues……	2,981	3,833	-22%
Fixed Line and Broadband	**22,186**	**18,544**	**20%**
Service Revenues *……..	20,956	17,736	18%
Non-Service Revenues……	1,230	808	52%
Total Operating Revenues……	**103,236**	**95,141**	**9%**

Globe Group ended 2014 with total operating revenues of ₱103.2 billion, up 9% from the ₱95.1 billion recorded last year. This was driven by strong service revenue growth, which was up 9% year-on-year to reach ₱99.0 billion from ₱90.5 billion a year ago.

Mobile service revenues, which accounted for 79% of consolidated service revenues as of end-December, increased to ₱78.1 billion, up by 7% from last year's level of ₱72.8 billion. The mobile business continued its growth trend driven mainly by higher revenue contributions from mobile browsing and other value-added services and voice. Likewise, growth was complemented by the strong subscriber growth due to the sustained acquisition efforts across all three Globe brands.

The rapid growth momentum for Globe's Broadband and fixed line businesses which comprise 21% of consolidated service revenues continued in 2014 with both broadband and fixed line data growing in double digits at 22% and 17% year-on-year, respectively. Traditional fixed voice revenues likewise, continued its positive year-on-year growth of 7%. Broadband revenues stood at ₱12.7 billion as of the end of December this year from ₱10.4 billion last year. Globe ended the year with 2.8 million broadband subscribers, up by 37% from 2013. The sustained subscriber growth was driven mainly by the availability of compelling offers with varying internet speeds that best fit the customers' budget, needs, and lifestyle.

Mobile non-service revenues declined year-on-year by 22%. Fixed line and broadband non-service revenues, however showed an increase compared to the previous year by 52% on the back of strong broadband acquisitions.

MOBILE BUSINESS

	For the Year Ended		
Mobile Service Revenues (Php Mn)	**31-Dec 2014**	**31-Dec 2013**	**YoY Change (%)**
Service			
Voice[1]……..	34,684	32,367	7%
SMS[2]……..	29,079	28,794	1%
Mobile Browsing and Other Data[3]……	14,306	11,603	23%
Mobile Service Revenues *…….	**78,069**	**72,764**	**7%**

[1] Mobile voice service revenues include the following:

f) Prorated monthly service fees on consumable minutes of postpaid plans;
g) Subscription fees on unlimited and bucket voice promotions including the expiration of the unused value of denomination loaded;
h) Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments, or CERA, net of loyalty discounts credited to subscriber billings; and
i) Airtime fees for intra network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts; and revenues generated from inbound international and national long distance calls and international roaming calls; and
j) Mobile service revenues of GTI.

Revenues from (a) to (e) are reduced by any payouts to content providers.

[2] Mobile SMS revenues consist of local and international revenues from value-added services such as inbound and outbound SMS and MMS, infotext, and subscription fees on unlimited and bucket prepaid SMS services, net of any interconnection or settlement payouts to international and local carriers and content providers.

[3] Mobile browsing and other data service revenues consist of local and international revenues from value-added services such as mobile internet browsing and content downloading, mobile commerce services, other add-on VAS, and service revenues of GXI and EGG, net of any interconnection or settlement payouts to international and local carriers and content providers.

Mobile Voice

Mobile voice revenues, which accounted for 44% of total mobile service revenues, posted a year-on-year increase of 7% given the continued popularity of unlimited and bulk domestic voice subscriptions, offsetting the declines in domestic pay-per-use voice and international voice services. Against the third quarter, mobile voice revenues, likewise, registered a 5% increase, an effect driven primarily by seasonality.

Globe remains the only operator in the country that offers per-second voice charging with Globe's *Super Sakto Calls* and TM's *Sulit Segundo* which allow subscribers to make a local call for only ₱0.15 per second. The Company continues to provide attractive and affordable bulk voice offers such as *Tawag 236* for 20-minute consumable calls for only ₱20 for *Globe Postpaid* and *Globe Prepaid* subscribers and *TM's TodoTawag 15/15* service for 15-minute on-net call for only ₱15. *TM* subscribers may also subscribe to *SuliTawag* for only ₱5 for 3-minute Globe and TM network calls and TM *Dagdag Call* worth ₱5 which is an add-on service to subscribers registered to TM's text promotions that provides 3-minute on-net calls. Likewise, *GoCall100* was made available via GoSakto which provide *Globe Prepaid* subscribers 500 minutes of on-net calls to Globe/TM for only ₱100 for 7 days. Also, TM launched during the first quarter of 2014, *UNLICALL15* which gives its subscribers unlimited call to all Globe and TM subscribers for as low as ₱15 valid for 1 day. Globe Prepaid on the other hand, launched during the second quarter of 2014, *GoUnli20* which offers unlimited calls to Globe and TM, 20 texts to all networks, and 15MB of mobile data, good for 1 day.

Meanwhile, for Filipinos who wish to stay connected with their loved ones abroad, Globe continues to offer its pioneering per-second charging for international voice calls, *IDD Sakto Calls* for both *Globe*

Postpaid and *Globe Prepaid* subscribers. *Globe Prepaid's GoTipIDD* service remains to be the lowest per-minute IDD rates in the market. In addition, Globe also provides a bucket IDD service to popular and selected overseas destinations with its *IDD Tingi* promotion, while offering its *TipIDD* card at various Globe distribution channels. The Company's international voice services also include *Super IDD*, an unlimited call service for 24 hours to select destinations worldwide, and *Globe Duo International*, which provides registered Globe Postpaid and Globe Prepaid subscribers with virtual US landline numbers which they can use to communicate with their loved ones in the USA. Families and friends in the USA in turn may call their loved ones back in the Philippines and be charged at domestic US rates. This service was further expanded to cover Korea, Canada and UK with the launch of *Globe DUO Korea, Globe DUO Canada* and *Globe DUO UK* where it assigns a Korean, Canadian or UK number to a Globe/TM mobile number in the Philippines which subscribers may use to call friends and loved ones in Korea, Canada and UK directly while enjoying local (Korea/Canada/UK) domestic calling rates. In the same manner, incoming calls from Korea, Canada and UK to Duo numbers registered in the Philippines are also charged at local Korean, Canadian and UK rates. *Globe Duo Korea, Globe Duo Canada* and *Globe Duo UK* are available to *Globe Postpaid, Globe Prepaid,* and *TM* subscribers. In addition during the last quarter of 2013, *TM* launched *TipIDD30* which offer four (4) minutes of international calls to Saudi, UAE, Kuwait, Bahrain, Italy, UK, Australia and Japan for only P30 a day. In 2014, Globe Duo International was further expanded to include Japan and Spain with the launch of Duo Japan in the first quarter and Duo Spain in the second quarter which allows calls from Japan or Spain to the Philippines, via a Japanese and Spain number assigned to a Globe or TM mobile number, to be charged on local rates.

The Company also provides its subscribers with the best possible mix of voice, SMS, and mobile browsing services through its combo packages. For *Globe Prepaid*, subscribers have the choice to avail of *All-Unli Trio60*, *SuperUnliAllTxt 25, SuperAll Txt 20, Super Combo 20 and All Net Combo*. Another option that Globe Prepaid subscribers may choose to avail of is *GoUnli*, which provides unlimited SMS to all networks as well as unlimited on-net calls, and unlimited use of Facebook. The Company likewise offers *Immortal Trio* to *Globe Prepaid* subscribers to allow 50 on-net SMS, 5 all-network texts and 5 minutes of on-net calls for only ₱25 per subscription. *Globe Prepaid* subscribers also have the option to subscribe to *UnliTingi* to get unlimited all-network texts, unlimited on-net calls, and unlimited mobile browsing valid for 1 hour for only ₱5. *SuperUnli*, which allows unlimited calls and SMS within the Globe and TM networks, is also available for one day subscription for *Globe Prepaid* subscribers for only ₱25. Another industry-shaking innovation from *Globe Prepaid* is the launch of *GoSakto* in 2013 which empowers the subscribers and gives them the flexibility to tailor-fit their prepaid promo based on their calling, texting and surfing needs for the day, week or month. On top of this, subscribers can even name the offer they created and share it among their friends on Facebook to allow their friends to register to the same promo. Additionally, Globe, in partnership with *Viber*, launched several value-for-money service offerings in order to give its *Globe Prepaid* subscribers a richer mobile experience. *GoUnli25*, which offers the all-time favorite unlimited on-net voice and texts was made even better with free unlimited Viber Chat offered at the same price of ₱25. Likewise, *Globe Prepaid's GoUnli30* which allows unlimited all-network SMS, unlimited on-net call and unlimited Facebook valid for a day was further improved during the third quarter of 2013 to include the best Chat Apps for the same price of ₱30. *Globe Prepaid* subscribers can call their friends abroad using *Viber*, enjoy real-time IM conversations via *FB Messenger*, send cute, animated stickers using *Kakao*, and even leave personalized walkie-talkie voice messages using *WeChat*! Other chat apps like *Whatsapp, Line* and *GMessage* can also be used for free with NO WIFI needed. In second quarter of 2014, The *GoUnli25* was re-launched giving unlimited texts and calls to Globe/TM, unlimited Facebook, plus a choice of one free app (from the following: twitter, instagram, google, yahoo, viber, foursquare) still at ₱25/day. However, this same offer was further improved during the third quarter, to offer unlimited text to all networks versus previous offer of on-net texts only, plus unlimited calls to Globe and TM and free *Viber* for the same price of ₱25 per day.

For *TM* on the other hand, subscribers can choose from a wide array of unlimited and bucket offers which will best fit their budget and lifestyle. Among the Unlimited Promo, *TM* subscribers can avail of *UnliCombo* for as low as ₱15 for 1 day if they want to get unlimited on-net calls from 11PM to 6AM the following day and unlimited on-net SMS for 24 hours. Alternatively, they can subscribe to *UnliCombo20* if they want to get unlimited on-net calls from 10 PM to 5 PM the following day and unlimited on-net SMS for 24 hours. Subscribers may also opt to choose a 2-day unlimited on-net SMS with *Astigtxt15*. Bucket text and call services are likewise available for as low as ₱10 for an unlimited on-net SMS and bulk on-net voice calls with *AstigCombo10*. *Astigcombo15* is also available which gives unlimited on-net texts and 30 minutes on-net calls for P15 a day. *TM* subscribers may avail of *Combo15* to get

unlimited on-net SMS, 50 all-network text service, and 10 consumable minutes within the TM and Globe networks for 2 days as well as *Combo20* which offer unlimited on-net texts to Globe/TM plus 50 All-net texts and 20 minutes calls to Globe/TM for only ₱20. *Unlicombo20* was likewise introduced during the second quarter of 2014, which provides unlimited texts to TM/Globe subscribers for 24 hours plus unlimited calls to TM/Globe subscribers from 10 PM to 5 PM the following day. On top of this, *TM* subscribers can now extend for another 24 hours their favorite TM promo for only ₱5.

Mobile SMS

Mobile SMS revenues, which accounted for 37% of total mobile service revenues, closed the year at ₱29.1 billion, 1% above from ₱28.8 billion of end 2013, driven by the continued popularity of bucket and unlimited promotions offsetting the declines in regular SMS and international SMS. On a sequential basis, mobile SMS revenues improved by 4% quarter-on-quarter.

Globe showcases a comprehensive line up of mobile SMS services ranging from unlimited and bucket text services to combo voice, SMS and surf promotions. Globe continues to provide its prepaid subscribers with all-day unlimited on-net SMS with *UnliTxt* and *AstigTxt,* respectively. *Globe Postpaid* and *Globe Prepaid* subscribers may get 30 days of unlimited on-net text service by subscribing to *SuperTxt*. TM subscribers can likewise subscribe to other variants of the *AstigTxt* offering for unlimited on-net SMS valid for 2 days, 3 days, or 5 days. For on-net bucket SMS offers, Globe continues to provide *SuliTxt* which allows 100 and 25 text messages for a single day subscription. The Company also offers all-network text services such as *My SuperTxt All*, an unlimited text service for 30 days available for postpaid subscribers and *UnliTxtAll20* for a 1-day unlimited SMS to all networks for TM subscribers. All network bucket text services are likewise available with *Globe Prepaid's SuperAllTxt* for 250 SMS and TM's *AstigTxtAll* for 150 SMS, both valid for a day. Meanwhile, in response to the market's clamor for prepaid offers with longer validity periods, *Globe Prepaid* likewise introduced via GoSakto *GoUnlitxt49* which offer its subscribers unlimited on-net texts to Globe/TM for only ₱49. TM subscribers may avail of *Combo10* and *Combo15* to get unlimited on-net SMS, 50 all-network text, and 10 consumable minutes to *TM* and *Globe* subscribers. Likewise, *AstigItxt20* was introduced in the market during the last quarter of 2013 which gives TM subscribers 30 international and all-network texts for only P20 valid for 1 day. In 2014, TM introduced *UNLIALLNET10* which provides its subscribers with unlimited texts to all networks for ₱10 a day. In addition, Globe Prepaid also introduced *GoTXT19Plus* which gives its subscribers unlimited texts to all networks, 20 minutes of calls to Globe/TM, and 15MB of mobile internet for only 19 pesos. *Dagdagtxt* for additional 100 all-network texts added to an UnliCall promo for only ₱5 a day was likewise launched by TM during the period. With TM's continued dedication of giving its subscribers more wonderful offers, TM introduced *UNLITXT10 (T10)* during the third period of 2014 which provides unlimited texts to TM/Globe subscribers for two (2) days for only ₱10. Also, for just a minimal price of ₱5, TM subscribers may opt to add to the U*NLITXT10* promo 15 minutes of calls to TM/Globe or unlimited text to TM/Globe to the *UNLITAWAG15* promo.

Mobile Browsing and Other Data

Mobile browsing & other data revenues, which accounted for 18% of total mobile service revenues increased to ₱14.3 billion as of end 2014, up 23% from ₱11.6 billion of 2013. On a sequential basis, mobile browsing & other data revenues increased by 2% compared to prior quarter. The sustained positive growth in revenues was mostly driven by the continuous demand for data services, the popularity of data-driven products and applications, and the continuing shift among consumers to a digital lifestyle. This was further boosted by the increased pervasiveness of Globe's 3G, HSPA+ and LTE networks and the proliferation of data-enabled smartphones. The overwhelming success of the Free Facebook campaigns – launched in November 2013 to April 2014 and re-launched in October 2014 to November 2014 -- helped spur the revenue growth and boost mobile browsing habit among Globe's subscribers.

Globe's mobile browsing services include consumable mobile browsing for as low as ₱15 for 1 hour with *Prepaid Power Surf* for its Globe Prepaid and TM subscribers. Prepaid and Postpaid subscribers can avail of different *Power Surf* variants: 50MB for only ₱99, 300 MB for only ₱299 and 1GB for only ₱499. All *Power Surf* plans are automatically bundled with the *Globe No Bill Shock Guarantee*, so subscribes who exceed their monthly MB allocations will never pay more than ₱999. For unlimited access to Facebook, *Super Facebook* and *TM Astig Facebook* are available for only ₱10 a day for its Globe Prepaid and TM subscribers. Meanwhile, *Globe* and *TM Prepaid* subscribers who want a full

Viber experience with unlimited high-definition voice calls and unlimited chat can avail of *Viber20* for ₱20 a day and those who want unlimited *Viber* chat only can either avail of *Viber10*, a one day variant for only ₱10 or *Viber30* for five days unlimited *Viber* chat for ₱30. *Prepaid* subscribers who just want unlimited access to messaging applications (Viber, Whatsapp, Line, FB Messenger, Kakao etc.) may opt to register to *Unlichat25* for only ₱25. In the second quarter of 2014, the *GoSurf* with *Spotify* consumable internet variants was also made available to the TM subscribers for as low as ₱10 per day. TM likewise, introduced ₱2 Facebook promo to all TM subscribers during the second quarter of 2014, which allows those registered to selected TM offers (*Astigtxt, astigcombo, sulitxt or any GoSurf variants*) to avail of the unlimited Facebook for only ₱2.

The Company likewise spearheaded the shift from unlimited time-based data plans to volume-based consumable plans, geared towards improving the mobile data experience of its subscribers and ensures the most appropriate pricing of data. Instead of unlimited mobile internet *SuperSurf*, Globe and TM subscribers can choose from a variety of *GoSurf* consumable data plans, ranging from ₱15 for 20 MB to ₱2,499 for 15 GB per month. With every *GoSurf* data plan, subscribers can get free access to *Spotify*, one of the world's most popular music streaming services, to stream music all day, listen to their favorite songs and create playlists from *Spotify*'s 30 million songs and share them with the world – anytime, anywhere. Subscribers who register to *GoSURF99* and below get free music streaming on *Spotify Basic*, while those who register to *GoSURF299* and above get free music streaming on *Spotify Premium*. With a *Spotify Premium* account, users can enjoy ad-free listening experience, play any song on-demand, listen to the highest audio quality, and download music and listen even on offline mode.

To seed mobile browsing habit among our subscribers, the Company gave all its subscribers *(Globe Postpaid, Globe Prepaid, and TM)* free mobile phone access to Facebook from October 31, 2013 to April 30, 2014. A milestone in the Philippine telecommunications industry, Globe worked closely with Facebook to enable customer experience innovations for the best free Facebook offer *(users can post, like, comment, chat, add friends, upload photos, share posts, and more on Facebook)* without the need for Wi-Fi. This campaign is in line with Globe's strategy to bring more people online and overcome the fear of using mobile internet, and increase the habit of mobile browsing and surfing over Globe's improved 3G, HSPA+ and LTE networks. Globe has since re-launched the said offer twice – for a two-month period starting October 2014 to November 2014 and for a one-month period in January 2015 to February 2015; the last promotion was further enhanced by including free access to Viber, one of the most popular messaging applications among Globe subscribers.

The Company likewise, made purchasing on Google Play Store easier and more convenient. Progressively rolled out since August 20, 2014, Globe Postpaid, Prepaid and TM customers now have the ability to purchase any application or in-app item on the Google Play Store and charge the cost directly to either their prepaid load or postpaid bill, bypassing the need for credit cards and enhancing the convenience for Globe customers.

In addition, Globe launched "*Piso Videos*" to provide *Globe* and *TM* subscribers' access to videos on their cellphones for as low as ₱1 per video. Subscribers can access the service by simply texting "*PISO*" to 8888 or visit http://m.pisomall.com.ph for free.

In another pioneering effort, Globe announced during the latter part of 2014 its comprehensive and multi-year partnership with the National Basketball Association (NBA). With the partnership, Globe, TM and Tattoo subscribers can enjoy NBA-related promotions and premium content and access new and unique product offerings from the NBA like the recent launch of the *"Globe-NBA Raffle Promo"* giving all *Globe/Tattoo Prepaid*, *Globe/Tattoo Postpaid, TM*, and/or *Tattoo@Home* customers who have availed of any featured *Globe-NBA* promo from December 1, 2014 to March 15, 2015 a chance to earn raffle entries to get a chance to watch their favorite NBA teams live.

Meanwhile, *GoSURF50* was also launched during the last quarter of 2014, giving its subscribers 250 MB of mobile internet for three (3) days for only ₱50, plus an extra 50 MB solely for *NBA* Game Time, *Wattpad*, and *Piso Mall* and 400 MB of *Spotify* Basic.

The key drivers for the mobile business are set out in the table below:

	For the Year Ended		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Cumulative Subscribers (or SIMs) Net (End of period)…….	**44,040,844**	**38,475,130**	**14%**
Globe Postpaid [1]……..	2,262,257	2,025,538	12%
Prepaid ……..	41,778,587	36,449,592	15%
Globe Prepaid ……	19,281,720	17,836,441	8%
TM ……	22,496,867	18,613,151	21%
Net Subscriber (or SIM) Additions……..	**5,565,714**	**5,356,095**	**4%**
Globe Postpaid . ……..	236,719	291,070	-19%
Prepaid ……..	5,328,995	5,065,025	5%
Globe Prepaid ……	1,445,279	1,396,299	4%
TM ……	3,883,716	3,668,726	6%
Average Revenue Per Subscriber (ARPU)			
ARPU [2]			
Globe Postpaid ……	1,164	1,199	-3%
Prepaid			
Globe Prepaid……..	130	141	-8%
TM……..	79	85	-7%
Subscriber Acquisition Cost (SAC)			
Globe Postpaid……..	8,700	7,473	16%
Prepaid			
Globe Prepaid……..	26	40	-35%
TM……..	14	27	-48%
Average Monthly Churn Rate (%)			
Globe Postpaid……	2.3%	1.9%	
Prepaid			
Globe Prepaid……..	6.4%	5.7%	
TM……..	7.0%	6.6%	

[1] *As of 4Q 2014, Globe had a total of 2.75 million wireless postpaid subscribers which include 2.26 million mobile telephony and 0.49 million wireless broadband customers. This is higher compared to the 2.63 million wireless postpaid subscribers as of 3Q 2014. Mobile telephony revenues are reflected under "Mobile Service Revenues" while wireless broadband revenues are included under "Broadband."*

[2] *ARPU is computed by dividing recurring gross service revenues (gross of interconnect expenses) segment by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period.*

Globe closed the year with a total mobile subscriber base of 44.0 million, up 14% from 38.5 million subscribers last year. Fourth quarter's gross subscriber acquisitions registered a quarterly-high of 10.1 million subscribers, 14% higher than last quarter, driven by the record acquisitions of the Company's prepaid (*Globe Prepaid*) and mass market brands (*TM)*. Combined, *Globe Prepaid* and *TM* gross acquisitions comprised 98% of acquired SIMs during the period. Postpaid gross acquisition in the fourth quarter was the second highest acquisition for the year, coming from the third quarter's record-level gross additions. The increase in gross additions was boosted in part by the competitive promotions launched during the quarter, including the two-month Free Facebook campaign, which covered the periods from October 3 to November 30. Despite the elevated churn rate as of end December of 2014 of 6.46% from 5.95% of 2013, full year net incremental subscribers posted a 4% year-on-year increase from 5.4 million in 2013 to 5.6 million net additions this period.

The succeeding sections cover the key segments and brands of the mobile business – *Globe Postpaid, Globe Prepaid* and *TM*.

Globe Postpaid

Globe Postpaid maintained its leadership on this segment of the market with the continued growth in acquisitions throughout the year, closing 2014 with nearly 2.3 million subscribers from 2.0 million last year. The continued success of the fully customizable postpaid plans bundled with the latest devices from Apple™ and Samsung, plus the recent launch of the Lifestyle bundles, which gives the subscriber a better choice for their mobile internet requirements, helped improve gross additions to reach 835,290 as of full year 2014, 17% higher than 711,190 a year ago. Full year net incremental postpaid subscribers stood at 236,719, 19% lower than 2013 level of 291,070, due to the elevated level of churn in the second quarter of 2014. During the said quarter, Globe disconnected approximately 71 thousand customers that were affected by Globe's migration into its new billing system in March last year, and those affected by typhoon Yolanda that hit the Southern Philippines in the latter part of 2013.

In line with the strategy to grow the postpaid business, *Globe Postpaid* successfully launched the new *iPhone 6* and *iPhone 6 Plus* last November 2014. Given its long-standing partnership with Apple, the Company was able to provide a complete suite of compelling offers and exclusive privileges for a total digital experience for Philippine consumers. The iPhone 6 (16GB) was made available at Plan 1299 with ₱800 monthly cashout good for 24 months, while the *iPhone 6 Plus* (16GB) was offered at Plan 1299 with ₱1,000 monthly cashout also for 24 months, payable through major credit cards at 0% interest. Both plan offers come with 3GB of *GoSURF* mobile data monthly, *Photo Bundle* for unlimited access to *Instagram, Photo Repost, Photo Grid,* and *Instasize*, 20 minutes of calls to all networks, 400 texts to all networks, free 3 months of access to *Spotify Premium*, and free *Gadget Care* coverage for 1 month. Alongside its launch, *Globe Postpaid* brought back its highly-successful *Reset Program*, a Globe-first, which allows existing postpaid customers to renew or extend their existing account to get the *iPhone 6* or *iPhone 6 Plus*. This means that if a subscriber's 24-month contract is still not up for renewal to get a new device, a corresponding "reset fee" can be settled to get the latest device under the same postpaid line. The reset program was made available until December 31, 2014.

Meanwhile, the Company introduced more ways to customize the *Globe Postpaid* plans with the *Lifestyle Bundles*, which provide mobile internet offers for *Globe Postpaid* for as low as 99 pesos for 30 days. *Lifestyle Bundles* are designed for those who access just a few apps or sites specific to their needs at work, school, or their interests and hobbies. It also comes with additional freebies like free exclusive in-app stickers, special photo app filters, discounts at specialty shops, vouchers and more. The *Lifestyle bundle* can be availed for as low as Plan 299, giving subscribers options to access different bundles, such as the *Navigation Bundle, Chat Bundle, Photo Bundle, Work Bundle, Shopping Bundle*.

Globe Postpaid ARPU of ₱1,164 was 3% lower than last year's ₱1,199.

Globe Postpaid subscriber acquisition cost (SAC) increased year-on-year by 16% from last year's ₱7,473 to ₱8,700 as of end 2014, due to the changing mix of the plans, where a growing portion of the gross additions came from plans with mid- to high monthly service fees. This was likewise boosted by the launch of iPhone 6/6 Plus and Samsung Note 4 during the fourth quarter. On a quarterly basis, *Globe Postpaid* SAC increased by 37% to ₱9,602 from ₱7,004 in the third quarter of the year following the launch of the iPhone 6/6 Plus and Samsung Note 4 during the last quarter. *Globe Postpaid* SAC, either on a year-to-date basis or on a quarterly basis, remained recoverable within the 24-month contract period

Prepaid

Globe's prepaid segment, which includes the *Globe Prepaid* and *TM* brands, accounts for 95% of its total mobile subscriber base. As of end-December 2014, cumulative prepaid subscribers stood at about 41.8 million, 15% better than last year's level of 36.4 million.

A prepaid subscriber is recognized upon the activation and use of a new SIM card. The subscriber is provided with 60 days (first expiry) to utilize the preloaded SMS value. If the subscriber does not reload prepaid credits within the first expiry period, the subscriber retains the use of the mobile number but is only entitled to receive incoming voice calls and text messages for another 120 days (second expiry).

The second expiry is 120 days from the date of the first expiry. However, if the subscriber does not reload prepaid credits within the second expiry period, the account is permanently disconnected and considered part of churn. The first expiry periods of reloads vary depending on the denominations, ranging from 3 days for ₱10 and lower to 60 days for load ranging from ₱150 – ₱250 to maximum of 120 days for over ₱300 reloads. The first expiry is reset based on the longest expiry period among current and previous reloads. Under this policy, subscribers are included in the subscriber count until churned.

In 2009, the National Telecommunications Commission (NTC) published Memorandum Circular 03-07-2009 which promulgates the extension of the validity periods of prepaid reloads effective July 19, 2009. Under the new pronouncement, the first expiry periods now range from 3 days for ₱10 or below to 120 days for reloads amounting to ₱300 and above. The second expiry remains at 120 days from the date of the new first expiry periods.

The succeeding sections discuss the performance of the *Globe Prepaid* and *TM* brands in more detail.

a. Globe Prepaid

Globe Prepaid gross acquisitions substantially increased by 17% or 623,741 new SIMs in the fourth quarter against the 3.7 million gross additions in the previous quarter, bringing the full year gross additions in 2014 to reach 15.9 million or 20% higher than 2013 level of 13.2 million. This was mainly driven by strong acquisition campaigns, sustained market-relevant promotions and the successful Free Facebook campaign during several months of the year. Despite the elevated churn in 2014 of 6.37% vs. 5.75% in 2013, full year net incremental subscribers improved by 4% to 1,445,279 from 1,396,299 in 2013. The increased churn in the second half of 2014 was anticipated, due to the disconnection of non-paying customers who took advantage of the free Facebook campaign during the first four months of the year.

In the fourth quarter of 2014, *Globe Prepaid*, introduced another first for prepaid customers *when* it launched the affordable gadget bundles beyond its customizable prepaid promos dubbed "*Globe Prepaid GoGadgets*." Now prepaid subscribers can upgrade to a smartphone at a discount (ranging from ₱1,699 to ₱7,899), and get their money back with every subscription to a *GoGadget's* promo until the phone they purchased is almost free. *GoGadgets* also gives its customers the freedom to choose their preferred prepaid promo (combos that include either unlimited texts to all networks with some minutes of on-net voice and MBs of data, or unlimited intra calls with intra texts and MBs of data) with option to avail of a 7, 15 or 30-day validity. *Globe Prepaid* customers can also select from among a 6, 12, 18 or 24-month registration period. There will be rebates per promo registration, and the total rebate that the customer can avail of will depend on the commitment period the customer will select (the longer the commitment period, the bigger the rebate). Promo period is from November 6, 2014 – March 31, 2015. Meanwhile, *GoSURF50* was also launched during the period, giving its subscribers 250 MB of mobile internet for three (3) days for only ₱50, plus an extra 50 MB solely for *NBA* Game Time, *Wattpad*, and *Piso Mall* and 400 MB of *Spotify* Basic.

Globe Prepaid ARPU declined by 8% year-on-year resulting from the revenue dilution from unlimited and bucket service offerings as well as the inclusion of non-paying or low-denomination subscribers who took advantage of the Free Facebook promotion offered during the year. However, compared to previous quarter, *Globe Prepaid* ARPU improved by 3% to ₱132 from ₱128 in the third quarter of the 2014. *Globe Prepaid* SAC, on the other hand, were significantly lower than last year. Against last quarter, *Globe Prepaid* SAC increased by 48% due to higher ads and promo spending coupled with increase in commissions. *Globe Prepaid* SAC remained recoverable within a month's ARPU.

b. TM

TM on the other hand, generated its highest gross acquisitions for the year achieving a record high of 5.6 million new SIMs or 12% better than previous quarter level of 5.0 million and even higher than its previous best of 5.4 million in the second quarter of 2014. Similar to *Globe Prepaid*, the free Facebook promo boosted the fourth quarter acquisition and TM's ramp-up in project executions during the year in order to match competition acquisition efforts. This brings the full year total gross additions to reach 21.1 million, up 24% from nearly 17 million in 2013. *TM's* sustained growth momentum was boosted by the different value-for-money product launches throughout the year. Coming from the very strong

acquisition, even with the elevated churn rates as of end December 2014, full year net incremental subscribers still improved by 6% from 3.7 million in 2013 to 3.9 million in 2014.

During the last quarter of the year, registration to any *TM* promo allows its subscribers to enjoy free all-day surfing to *Wattpad* up to 30MB per day, by simply texting Free Wattpad to 8888.

TM ARPU was down by 7% year-on-year with the continued shift from regular pay-as-you-use service to unlimited and value offers. *TM* SAC, however, was down by 48% year-on-year while higher by 55% quarter-on-quarter. *TM SAC* remained recoverable within a month's ARPU.

GCash

GCash continues to establish its presence in the mobile commerce industry. *GCash*'s initial thrust towards money-transfers, purchase of goods and services from retail outlets, and sending and receiving domestic and international remittances has spurred alliances in the field of mobile commerce.

Today, *GCash* allows *Globe* and *TM* subscribers to pay or transact for the following using their mobile phone:

- domestic and international remittances
- utility bills
- interest and amortization of loans
- insurance premiums
- donations to various institutions and organizations
- sales commissions and payroll disbursements
- school tuition fees
- micro tax payments and business registration
- electronic loads and pins
- online purchases
- airline tickets

In addition to the above transactions, *GCash* is also used as a wholesale payment facility. In 2011, Globe increased the number of establishments that offer *GCash* as an alternative and efficient payment mode. Quick Delivery tapped *GCash* to be its newest payment mode to make it easier, safer and more convenient to order food from Metro Manila's top restaurants, specialty stores, and even wine merchants. The largest local chain of movie theaters, SM Cinema, was able to launch the first mobile ticketing service in the country through *GCash*, allowing moviegoers to purchase tickets online, pay via *GCash*, and redeem movie tickets at the cinemas using their mobile phones.

In October 2010, Globe launched the *GCash* Card, the country's first customizable ATM card linked to a mobile wallet. This gives subscribers 24/7 access to *GCash* and allows them to withdraw funds via any of the Bancnet, Megalink, ExpressNet or Encash Automated Teller Machines (ATMs) nationwide. In addition, the *GCash* Card is the only customizable ATM Card in the country where subscribers can make their own personalized ATM card design or choose from a variety of design templates.

In 2011, *GCash* further strengthened its presence in the mobile money transfer business by establishing partnerships with various institutions. Globe partnered with Ericsson to integrate *GCash* into the new Ericsson Money Services making *GCash* one of the first partners for this innovative end-to-end mobile money solution. The Company also inked a partnership with US-based IDT Corporation which will enable GXI to strengthen its *GCash* Remit's international remittance service by facilitating connectivity between traditional money transfer operators and *GCash* utilizing IDT's economical corridor routing, transaction settlement and foreign currency exchange services. Globe, through GXI, also partnered with Japan's SOFTBANK Corp. through its subsidiary SBPS for an affordable, convenient, and secure remittance service that will allow Filipinos living and working in Japan to remit money to the Philippines via the *GCash* platform. The Company likewise set up a partnership with Xpress Money, a leading global instant money transfer brand, to further extend the latter's strong payout network in the Philippines. With this tie-up, beneficiaries of Xpress Money Cash Pick Up remittances can now claim their money from the network of *GCash* Remit outlets nationwide.

In 2012, Globe launched *GCash PowerPay+* to provide an additional channel to facilitate mobile transactions. *GCash PowerPay+* is a funds disbursement service linked to a Globe or *TM* SIM and comes with an optional insurance coverage. With *GCash PowerPay+*,users enjoy mobile money services like sending money, buying Globe or *TM* airtime load with a 10% rebate, and paying bills at the speed of a text message without the need to cash-in to one's *GCash* account. It also allows 24/7 withdrawal from any of the Automated Teller Machines (ATMs) nationwide, cashless shopping through Megalink, BancNet and ExpressNet point of sale and financial assistance for accidental death and burial assistance, life cover, residential fire, and ATM theft. Globe has also launched *GCash* Remit Service to provide mobile subscribers a quick, affordable and convenient way to send and receive domestic and international remittances.

Meanwhile, for electronic banking services, *GCash* secured a partnership with Philippine Savings Bank (PSBank), the thrift banking arm of the Metrobank Group, to enhance its electronic banking channels. Through *GCash*, PSBank accountholders can do various financial transactions such as payments, account inquiries and reloading from their PSBank account to their enrolled *GCash* wallet and vice-versa. In the same manner, Globe partnered with UnionBank of the Philippines (UnionBank) for its eMoneyXchange service that will allow customers to link their UnionBank accounts to their *GCash* mobile wallets enabling UnionBank clients with EON, E-Wallet, ePayCard and UnionBank regular savings and checking accounts to transfer funds to and from their GCash wallets through their UnionBank account via SMS.

To further complement its mobile wallet functions, Globe partnered with American Express® to launch the *GCash American Express® Virtual Card*. The prepaid virtual card is linked to a subscriber's *GCash* mobile wallet and allows users to shop conveniently online from both local and international sites that accept American Express. Further, it gives the user a personalized US shipping address to allow delivery of purchases right at their doorstep via *My Shopping Box*. *My Shopping Box* is an online package-forwarding service that offers cost effective shipping solutions for online shoppers and merchants. It also provides a personalized US address where packages can be forwarded to, and flexible shipping options by air or sea, depending on the user's needs. Also, *GCash American Express Virtual Pay*, allows gamers to purchase credits for their Xbox, PlayStation (plus other consoles) even if they don't have credit cards. *GCash American Express Virtual Pay* offers an alternative payment solution to gamers.

To reach out to a wider audience and complement the increased smartphone penetration, beginning third quarter of 2012, the Company has made the *GCash* mobile wallet available and accessible via the App Store and Google Play for subscribers to download the application for free.

The efficiency of *GCash's* mobile cash transfer system was recognized by various government agencies and socially-oriented organizations such as DSWD (Department of Social Welfare and Development), Simbahang Lingkod ng Bayan (SLB), and the United Nations World Food Programme (WFP). In 2011, *GCash* Remit was tapped by DSWD and Land Bank of the Philippines for the distribution of the government's Conditional Cash Transfers (CCT). A total of about ₱4.5 billion worth of CCT were distributed to beneficiary families in over 9,000 barangays nationwide via its domestic cash pick-up service. The *GCash* platform was also utilized by SLB, a church-based, Jesuit-led organization, as a donation channel for its relief operations for typhoon victims. The WFP meanwhile named *GCash* as a benchmark for their operations worldwide. WFP is the world's largest humanitarian agency fighting hunger worldwide. WFP is currently involved in the disaster relief operations for typhoon *Sendong* victims in Mindanao. To improve its efficiency in delivering assistance, WFP has tapped Globe through its *GCash* mobile technology platform for the fast, secure and low-cost delivery of financial assistance to families who were severely affected by calamities. The partnership flourished with Globe providing the necessary platform to facilitate the Cash-for-Work program and other relief and recovery operations by the WFP. Through *GCash*, WFP discovered a new and efficient way of providing financial assistance to help families restore and rebuild their lives.

On June 19, 2013, Globe achieved another milestone with its partnership with *Home Development Mutual Fund (HDMF)* or the *PAG-IBIG Fund* to allow their over 12.6 million members to transact with *Pag-ibig* via *GCash*, making it easy and more convenient for them to facilitate their *Pag-Ibig* transactions. *Pag-Ibig* members can now easily pay their monthly mandatory savings and housing loans anytime, anywhere using their *GCash* wallets linked to their Globe or TM phones, eliminating the need to go to a *Pag-Ibig* office or an accredited payment center.

Also, *GCash* can now be used to purchase load even for other mobile networks via *143#. In addition, CitiExpress and Unilink, as new *GCash* express partners, started offering *GCash* express cards to their customers.

Moreover, *GCash*, is set to expand its network service in the country by growing its user base with the recent partnership with TORCHe Global Marketing, Inc. (TGMI), a marketing consultancy firm focused on helping companies reach out to the widest possible consumer base through the latest technologies in mobile commerce and advertising. *GCash* services that will be made available for use of TGMI affiliates include PowerPay+ Card, Buy Load service and *Gcash* outlets.

During the last quarter of 2013, several initiatives on *GCash* were launched in order to expand its portfolio of services including real property tax payments via *GCash* available in Quezon City and Valenzuela; buy through blink coupon codes for subscribers to experience unlimited Movie and TV show streaming; or convert *Gcash* to rewards points. In addition, subscribers can now also apply for *BanKO* loan via *GCash* with low interest rate, fast approval and hassle-free loan payments. Loan credit and collection will be through their *GCashPowerPay+wallet*.

In 2014, *GCash* may now be used at Puregold to pay for groceries, bills and for cash remittances. All GCash subscribers and Puregold's Tindahan ni Aling Puring members composed of sari-sari store owners, carinderia operators, food resellers, and bulk buyers can avail of any GCash service at any Puregold outlet. These GCash services include Cash-in/Cash-out, Domestic Remittance (Send and Receive Money), International Remittance, Bills Payment, and POS Payment. The availability of GCash in Puregold branches is set to provide convenience to Puregold shoppers who have GCash accounts as well as to Tindahan ni Aling Puring members in claiming their remittances, sending money within the Philippines, and paying their bills through Puregold's Customer Service area at a Puregold branch nearest them.

Also, *Globe Charge Mobile Card Reader* was likewise introduced to the market last March 27, 2014 which turns the subscriber's smartphone into a credit card terminal that enables them to accept debit and credit card payments. Powered by GXI's safe and secure platform, Globe Charge harnesses the integration of a smartphone and an innovative mobile card reader into a mobile point-of-sale (POS) unit, empowering small and medium businesses (SMBs) with a convenient payment device and eliminating the need for traditional and more expensive card terminals. Globe Charge is available through Globe myBusiness sales representatives and at Globe Stores in most SM Malls in Metro Manila, The Globe Tower in Bonifacio Global City, Greenhills, Glorietta, and Trinoma. SMB owners can get the Globe Charge mobile card reader for free at Plan 999, which comes with a Samsung Galaxy Win, surfing-texting-calling combos, plus consumables.

Also, G-Xchange, Inc. (GXI) further expands its reach nationwide as it partners with Rural Net, Inc. (RNet) during the second quarter of 2014 to help create a platform designed to grow the businesses of rural banks, cooperatives and other agencies across the Philippines. The collaboration between GXI and RNet is giving birth to the Philippines' first 3-in-1 card called *CashKO*. This will deliver to the rural banks and cooperatives industries' affordable mobile phone and internet banking with ATM functionality all powered by *Globe GCash*.

Also, *GCash* launched *"GCash Libre Pera Padala"* promo during the third quarter which allows its users to send money free of charge. Instead of the Php1 charge for every Php100 *GCash* sent, *GCash* registered customers can now have the money transferred for free, regardless of the amount. No need to register! The free rate will immediately apply when you send money via *GCash* during the promo period. With *"GCash Libre Pera Padala"* promo, there's a safer, convenient and practical way to take care for your loved ones and friends. "*GCash Price is Right"* promo was likewise launched in August until October of 2014. Guess the correct value of the "Item of the Week" and win. Php5 service fee will be charged for every entry.

The *GCash Mastercard* is the newest reloadable prepaid card from GCash which gives its customers another convenient and safer way to shop in retail or online stores in the Philippines or anywhere in the world even without a credit card.

"MagLoad via GCash Promo" was also launched during the fourth quarter giving twenty high-transaction GCash customers the chance to win different gadgets, entertainment systems, gift certificates and airtime load. Additionally, several exclusive deals and tie-ups with Jaro Pawnshop, Prime Asia

Pawnshop and Pure Gold were done in order to push and encourage cash-in or cash-out, load and remittance transactions during the period. Moreover, the *GCash AMEX Virtual Pay's* annual subscription of ₱250 was waived starting November 14, 2014 until December 31, 2015.

As of end-December 2014, *GCash* now has the largest remittance network in the country with more than 7,700 active *GCash* remittance partners and 15,255 cash-in and cash-out outlets nationwide.

BPI Globe BanKo

On October 9, 2009, the Company announced that the BSP has approved the sale and transfer by Bank of the Philippine Islands (BPI) of its shares of stock in Pilipinas Savings Bank, Inc. (PSBI) that will result in the ownership of PSBI as follows: 40% each for BPI and Globe Telecom and 20% for Ayala Corporation (AC). On October 23, 2009 the official name of PSBI was changed to BPI Globe BanKo, Inc. after getting the approval of both the BSP and the Securities and Exchange Commission (SEC). BPI Globe BanKo, Inc. is the country's first mobile microfinance bank.

BPI Globe BanKo, Inc. opened its first branch last February 2010, and added 5 provincial branches located in Dipolog, Dumaguete, Lucena, Naga and Tacloban. While the bank's initial focus is on wholesale lending to other microfinance institutions, it is now expanding into retail banking products and services to include micro-savings, micro-lending, and insurance.
In 2011, BPI Globe BanKO, Inc. launched an innovative product that does not only generate healthy financial returns, but also gives depositors an opportunity to help those in the low-income segment by helping create a solid base for their savings and investments. Called the BanKO Social Initiative (BSI) Deposit, the product is a passbook-based, regular savings account which pays 4.5% interest per annum on a quarterly basis. The minimum deposit requirement is ₱100,000 with a hold-out period of at least 6 months. The BSI Deposit account, which does not charge depositors with documentary stamp taxes, is also insured with the PDIC for amounts up to ₱500,000 per depositor.

In 2013, *BPI-Globe Banko,* partnered with the US Agency for International Development, in helping rural communities gain access to formal financial services *(i.e. cash in and cash out transactions, bills payment, airtime loading, money remittance, and micro-insurance purchase)* using their mobile phones.

In 2014, Globe *BanKO* improved the ability of BanKO customers to make cash-in and cash-out transactions in almost all Gcash outlets nationwide, further expanding the banking of network of Globe *BanKO* to complement the wider Globe *BanKO* network.

Globe BanKO launched during the quarter *"Ka-BanKO Panalo Milyonaryo Edition,"* where all new bank account holders who use their accounts for any of the BanKO transactions (i.e., buy load, send money, pay bills, buy insurance or international remittance) can win through a raffle as much as ₱1 million. The promo ended last September 30, 2014.

FIXED LINE AND BROADBAND BUSINESS

Service Revenues (Php Mn)	For the Year Ended		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Service			
Broadband [1]	12,687	10,440	22%
Fixed line Data [2]	5,480	4,691	17%
Fixed line Voice [3]	2,789	2,605	7%
Fixed Line and Broadband Service Revenues	**20,956**	**17,736**	**18%**

[1] Broadband service revenues consist of the following:

e) Monthly service fees of wired, fixed wireless, and fully mobile broadband data only and bundled voice and data subscriptions;
f) Browsing revenues from all postpaid and prepaid wired, fixed mobile and fully mobile broadband packages in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;
g) Value-added services such as games; and
h) Installation charges and other one-time fees associated with the service.

[2] Fixed line data service revenues consist of the following:

e) Monthly service fees from international and domestic leased lines;
f) Other wholesale transport services;
g) Revenues from value-added services; and
h) One-time connection charges associated with the establishment of service.

[3] Fixed line voice service revenues consist of the following:

f) Monthly service fees;
g) Revenues from local, international and national long distance calls made by postpaid, prepaid fixed line voice subscribers and payphone customers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid and payphone call card discounts;
h) Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe's network;
i) Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;
j) Installation charges and other one-time fees associated with the establishment of the service; and
k) Revenues from DUO and SUPERDUO (Fixed line portion) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

Broadband

	For the Year Ended		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Cumulative Broadband Subscribers			
Wireless [1]	2,350,991	1,653,647	42%
Wired	437,132	378,255	16%
Total (end of period)	**2,788,123**	**2,031,902**	**37%**

[1] *Includes fixed wireless and fully mobile broadband subscribers.*

Globe's Broadband segments ended 2014 with ₱12.7 billion, up 22% compared to 2013 as a result of the strong growth in its customer base, which reached to nearly 2.8 million subscribers as of end-December 2014. This remarkable revenue performance resulted from the continued aggressive acquisitions campaigns and new competitive bundled plans launched throughout the year.

Globe continued to introduce innovative content offers and various device plays in order to remain relevant to customers. During the fourth quarter of 2014, *Tattoo Postpaid* launched gadget bundle offers with no upfront cashout and low monthly fees (*Acer Iconia A1* at ₱749/month; *Lenovo A3300* at ₱799/month; *Samsung Tab3 7" Lite* at 849/month and *Lenovo Yoga* at ₱1,099/month). All gadget bundles come with Free three (3) months *Spotify Premium* subscription of 1GB data per month, Bluetooth speaker, mobile Wi-Fi device and 1GB *Globe Cloud*. Likewise, *Tattoo Prepaid* sustained

its best tablet bundle offers with free mobile Wi-Fi and savings as much as ₱1,995. Taking the next step from 3G to LTE, *Tattoo Prepaid* SIM portfolio was re-launched with the new *LTE Combi-SIM* (regular & micro SIM) and *LTE Tri-SIM* (regular, micro & nano SIM) with speeds of up to 42 Mbps plus freebies. LTE Combi-SIM is available for only ₱40 with Free 50 MB worth of data + Basic Spotify access of 200 MB, valid for one (1) day, while *LTE Tri-SIM* is available for only ₱75 with Free 250 MB worth of data + Basic Spotify access of 400 MB, valid for three (3) days.

Fixed Line Data

Service Revenues (Php Mn)	Globe Group		
	For the Year Ended		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Fixed line Data			
International …..……	1,101	928	19%
Domestic …… ……..	2,546	2,232	14%
Others [1] ……	1,833	1,530	20%
**Total Fixed line Data Service Revenues…….. **	**5,480**	**4,691**	**17%**

[1] Includes revenues from value-added services such as internet, data centers and bundled services.

The *fixed line data* segment continued its revenue growth with ₱5.5 billion, 17% higher year-on-year and 9% growth quarter-on-quarter due to the increased circuit count and increasing demand for data connectivity among its corporate clients including those in the financial services, retail, offshoring and outsourcing industries.

Fixed Line Voice

	Globe Group		
	For the Year Ended		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Cumulative Voice Subscribers - Net (End of period)[1]…….....	**762,181**	**594,527**	**28%**
Average Revenue Per Subscriber (ARPU) [2].....	342	335	2%
Average Monthly Churn Rate ..…….....	2.02%	4.85%	

[1] Includes DUO and SuperDUO subscribers

[2] ARPU is computed by dividing recurring gross service revenues (gross of interconnect expenses) segment by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period.

Total *fixed line voice* revenues likewise posted growth of 7% year-on-year bringing total revenues to close the year at ₱2.8 billion from the ₱2.6 billion in the previous year, caused primarily by the continued popularity of bundled internet and landline plans at competitive price points.

OTHER GLOBE GROUP REVENUES

International Long Distance (ILD) Services

ILD Revenues and Minutes	Globe Group		
	For the Year Ended		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Total ILD Revenues (Php Mn) ……...	**11,100**	**11,957**	**-7%**
Average Exchange rates for the period (Php to US$1)……	44.348	42.188	5%

Both Globe and Innove offer ILD voice services which cover international call services between the Philippines to more than 230 destinations with 731 roaming partners. This service generates revenues from both inbound and outbound international call traffic, with pricing based on agreed international termination rates for inbound traffic revenues and NTC-approved ILD rates for outbound traffic revenues.

On a consolidated basis, ILD voice revenues from the mobile and fixed line businesses declined year on year by 7%, driven by the continuously decline in ILD traffic, which is consistent with global trends which was mainly affected by the internet-based free call & text applications.

To mitigate the decline, Globe sustained its promotion on OFW SIM packs and the discounted call rate offers such as *IDD Sakto* Calls (per-second IDD), *TipIDD* card, and *IDD Tingi* – the first bulk IDD service which can be purchased via registration and through AMAX retailers nationwide. This is available in two denominations: ₱20 for 5-minute calls to US, Canada, Hong Kong Singapore and Taiwan, and ₱30 for 3-minute calls to Saudi Arabia, UAE and Kuwait. In addition, *The Filipino Seafarer SIM* enables Filipino seafarers around the world to keep in touch with their loved ones back home at cheaper rates for as low as US$0.20 per minute while sending SMS for only US$0.10 per sms. Subscribers who will avail of the SIM will get two numbers in one SIM – an international mobile number and a Philippine Globe mobile number. Globe and TM subscribers calling the Globe Seafarer SIM are only charged at local rates. The *Globe Local UK SIM card* alternatively gives Filipinos one affordable rate of only 10 pence for each call or text sent to Globe or TM number in the Philippines as well as calls and text to all UK networks. Subscribers also pay only 10 pence for every MB of mobile internet. Moreover, Globe once again expanded its international footprint with the launch of *Globe local Italy SIM* last November 24, 2013. Filipino communities in Italy can now enjoy calls to Globe in the Philippines for just five Euro cents per minute, the lowest among all Italian mobile operators. In 2014, Globe Duo International was further expanded to include Japan and Spain with the launch of *Duo Japan* in the first quarter and Duo Spain in the second quarter which allows calls from Japan or Spain to the Philippines, via a Japanese and Spain number assigned to a Globe or TM mobile number, to be charged on local rates.

In order to strengthen Globe's retail presence in Italy, a second international Globe store was opened in Rome last December 7, 2014. This will cater to the needs of the 50,000 OFWs as well as Pinoy tourists in the Eternal City. In addition, Globe launched a prepaid calling card in Japan with affordable rates to call the Philippines through its partnership with Brastel, a telco based in Tokyo Japan. The prepaid rechargeable card is available at major convenience stores in Japan such as Family Mart and 7-Eleven. Also, as a holiday treat during the Christmas season, *Globe's International business* partnered with *Line* giving its users worldwide Free calls to Globe and TM mobile subscribers in the Philippines from December 24, 2014 to January 1, 2015.

GROUP OPERATING EXPENSES

Globe ended the year with total costs and expenses, including depreciation charges at ₱77.9 billion or 4% lower from ₱81.5 billion a year ago, largely driven by lower depreciation charges and interconnect costs. Higher spending across all other expense accounts was largely to support management strategies, business, subscriber and data-network expansion, and post-Yolanda restoration activities. On a sequential basis, total operating spend increased by 15% to ₱21.8 billion from ₱19.0 billion in the third quarter of 2014 due to higher spending on marketing and re-contracting, following the launch of the iPhone 6/6 Plus and Samsung Note 4, higher provisions, services and other catch-up accruals that are usually booked in the fourth quarter.

Costs and Expenses (Php Mn)	Globe Group		
	For the Year Ended		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Cost of sales……	10,661	9,953	7%
Less: Non-service revenues……..	4,211	4,641	-9%
Subsidy……	**6,450**	**5,312**	**21%**
Interconnect…….....	8,430	9,280	-9%
Selling, Advertising and Promotions……	5,470	4,483	22%
Re-contracting…….....	2,531	2,532	-
Staff Costs ……..	8,666	7,473	16%
Utilities, Supplies & Other Administrative Expenses.....	4,482	4,399	2%
Rent…….....	4,116	3,535	16%
Repairs and Maintenance……	4,100	3,657	12%
Provisions …….....	3,610	2,457	47%
Services and Others…….....	11,899	10,858	10%
Operating Expenses……	**53,304**	**48,674**	**10%**
Depreciation and Amortization……	**18,123**	**27,478**	**-34%**
Affected by network modernization……	1,623	9,066	-82%
Others……..	16,500	18,412	-10%
Costs and Expenses……..	**77,877**	**81,464**	**-4%**

Interconnect
Interconnect charges declined year-on-year by 9% to only ₱8.4 billion from ₱9.3 billion in 2013, driven by decreasing inter-network traffic usages largely on promo offers coupled by discounts from roaming partners. The continued surge in Globe's mobile subscriber base has led to the decreasing inter-network traffic largely coming from domestic core services given various intra-network offers.

Subsidy
Total subsidy increased by 21% year-on-year to ₱6.5 billion from ₱5.3 billion last year, on account of strong postpaid and broadband gross activations coupled with the continued shift in plan mix to mid- to high-ARPU plans as partly offset by the recognition of supplier-provided volume incentives booked in the third quarter of 2014.

Marketing
Selling, advertising and promotions, which account for 9% of total operating expenses and subsidy, grew by 22% to ₱5.5 billion this period from ₱4.5 billion as of end-December 2014. The growth in selling, advertising and promotions costs were driven by increased commissions following higher activations coupled with increased spend on direct marketing, online placements, merchandising materials and production costs supporting various projects (*ie. Go Sakto, TM's Thematic Offer (Pisomall, Wattpad), Spotify, NBA, iPhone 6/6+, Free FB, Google Play)* and advertising expenses from the launch of the *Apple™ iPhone 6* and *iPhone 6 Plus* and *Samsung Note 4* in the fourth quarter of the year.

Re-contracting
Total re-contracting costs on were flat year-on-year at ₱2.5 billion. On a sequential basis however, re-contracting costs increased by 54% from ₱533 million in the third quarter to ₱821 million this period, which is consistent with seasonal trend given launch of new devices from Apple and Samsung (*iPhone 6* and *iPhone 6 Plus* and *Samsung Note 4)*.

Staff Costs
Staff costs which accounted for 15% of total operating expenses and subsidy, increased by 16% to ₱ 8.7 billion as of end-December 2014 from ₱7.5 billion last year, due to the 3% increase in headcount to support the growing subscriber base and network infrastructure. The increase in staff costs were also driven by higher corporate and sales incentives, exercised employee stock options and higher pension costs.

Utilities, Supplies and Other Administrative Expenses
Utilities, supplies and other administrative expenses grew 2% year-on-year driven by higher power generated charges and Yolanda-related fuel consumption, increased costs for product peripherals and other supplies, spare parts and other tools as partly offset by lower taxes mainly from NTC spectrum users' fees, licenses and permits.

Rent
Rent expenses, which account for 7% of operating expenses and subsidy, increased by 16% year-on-year and quarter-on-quarter due to higher renewal rates for existing sites, the effect of the larger mobile and data network, affecting cell site leases, IP ports, co-locations and local tie-lines, and the increased number of leased service vehicle units.

Provisions
This account includes provisions related to trade, non-trade and traffic receivables and inventory. Overall, total provisions increased to ₱3.6 billion as of end-December 2014 or 47% higher than the ₱ 2.5 billion reported a year ago, coming largely on trade coupled with higher non-trade and inventory-related provisions. The increase in trade provisions was driven by the continued strong revenue contribution of *Globe Postpaid*, which now contributes 38% of total mobile revenues.

Repairs and Maintenance
Repairs and maintenance, which accounted for 7% of total operating expenses and subsidy stood at ₱4.1 billion as of end-December 2014 or 12% higher against the ₱3.7 billion last year, given the increased costs related to maintenance agreements for Globe's information technology system and support facilities and building improvements on stores' facelift as cushioned with lower blackberry fees.

Services and Others
Services and other expenses which accounted for 20% of total operating expenses and subsidy grew by 10% year-on-year from ₱10.9 billion in 2013 to ₱11.9 billion this period, driven by increased professional consultancy fees, contracted services, freight charges for hauling of installation materials and fuel for typhoon Yolanda-affected areas, and handling equipment.

Depreciation and Amortization
Depreciation and amortization expenses significantly declined year-on-year by 34% from ₱27.5 billion in 2013 to only ₱18.1 billion as of end December 2014. Drop in depreciation and amortization expenses were largely driven by lower accelerated depreciation charges as the bulk of the said costs had already been incurred in 2013. Total accelerated depreciation charges declined to ₱1.6 billion as of end-December 2014 from ₱9.0 billion in 2013. Normal-course depreciation charges were likewise lower year-on-year, mainly on lower replacement costs for disposed assets.

OTHER INCOME STATEMENT ITEMS

Other income statement items include net financing costs, net foreign exchange gain (loss), interest income, and net property and equipment-related income (charges) as shown below:

Non-operating Income / Expense (Php Mn)	Globe Group		
	For the Year Ended		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Financing Costs			
Interest Expense	(2,326)	(2,092)	11%
Loss on derivative instruments	-	(89)	-100%
Swap costs and other financing costs	(240)	(245)	-2%
Foreign Exchange Loss	-	(486)	-100%
	(2,566)	**(2,912)**	**-12%**
Other Income			
Gain on derivative instruments	71	-	100%
Foreign Exchange gain	1	-	100%
Interest Income	683	688	-1%
Others – net	46	52	-12%
Total Income (Other Expenses)	**(1,765)**	**(2,172)**	**-19%**

The Globe Group's non-operating charges declined by 19% year-on-year to ₱1.8 billion as of end-December 2014 from ₱2.2 billion in 2013. The reduction in non-operating charges was mainly driven by this year's forex gain position compared to prior year's loss.

(See related discussion on derivative instruments and swap costs in the Foreign Exchange and Interest Rate Exposure section).

Liquidity and Capital Resources

	Globe Group		
	31-Dec 2014	31-Dec 2013	YoY Change (%)
Balance Sheet Data (Php Mn)			
Total Assets ……	179,507	159,079	13%
Total Debt ……	65,276	69,301	-6%
Total Stockholders' Equity……	54,538	41,639	31%
Financial Ratios (x)			
Total Debt to EBITDA ……	1.66	1.90	
Debt Service Coverage……..……	2.92	2.83	
Interest Cover (Gross) ……	13.22	12.54	
Debt to Equity (Gross) ……	1.20	1.66	
Debt to Equity (Net) [1] ……..	0.89	1.49	
Total Debt to Total Capitalization (Book) …….	0.54	0.62	
Total Debt to Total Capitalization (Market) ..……..	0.21	0.24	

[1] *Net debt is calculated by subtracting cash, cash equivalents and short term investments from total debt.*

Globe's balance sheet and cash flows remain strong with ample liquidity and gearing comfortably within bank covenants. Globe's gearing ratios showed improvements against end of 2013.

Globe Group's consolidated assets as of 31 December 2014 amounted to ₱179.5 billion compared to ₱159.1 billion in 2013. Consolidated cash, cash equivalents and short term investments (including investments in assets available for sale and held to maturity investments) was at ₱16.8 billion as of end December of 2014 compared to ₱7.4 billion as of end December 2013.

Globe ended the year with gross debt to equity ratio on a consolidated basis at 1.20:1 and is well within the 2:1 debt to equity limit dictated by Globe's debt covenants. Meanwhile net debt to equity ratio was at 0.89:1 as of end December 2014 and 1.49:1 as of end December 2013.

The financial tests under Globe's loan agreements include compliance with the following ratios:

- Total debt to equity not exceeding 2:1;
- Total debt to EBITDA not exceeding 3:1;
- Debt service coverage [1] exceeding 1.3 times; and
- Secured debt ratio [2] not exceeding 0.2 times.

As of 31 December 2014, Globe is well within the ratios prescribed under its loan agreements.

[1] Debt service coverage ratio is defined as the ratio of EBITDA to required debt service, where debt service includes subordinated debt but excludes shareholder loans.
[2] Secured debt ratio is defined as the ratio of the total amount for the period of all present consolidated obligations for payment, whether actual or contingent which are secured by Permitted Security Interest as defined in the loan agreement to the total amount of consolidated debt. Globe has no secured debt as of 31 December 2014.

Consolidated Net Cash Flows

(Php Mn)	Globe Group		
	31-Dec 2014	31-Dec 2013	YoY change (%)
Net Cash from Operating Activities……	36,455	33,960	7%
Net Cash from Investing Activities……	(20,216)	(28,095)	-28%
Net Cash from Financing Activities……	(6,942)	(5,476)	27%

Net cash flows provided by operating activities for the year just ended were at ₱36.5 billion, up by 7% year on year.

Meanwhile, net cash used in investing activities amounting to ₱20.2 billion, was 28% lower from last year. Consolidated cash capital expenditures as of end of December 2014 amounted to ₱21.1 billion, down by 27% from last year's ₱29.0 billion.

(Php Mn)	Globe Group		
	31-Dec 2014	31-Dec 2013	YoY change (%)
Capital Expenditures (Cash) [1]……..	21,120	28,999	-27%
Increase (decrease) in Liabilities related to Acquisition of PPE…	5,864	6,781	-14%
Total Capital Expenditures[2]……	**26,984**	**35,780**	**-25%**
Total Capital Expenditures / Service Revenues [2] (%)……	**27%**	**40%**	

[1] *Cash capital expenditures – property and equipment acquired as of report date*
[2] *Consolidated capital expenditures include property and equipment, intangibles and capitalized borrowing costs acquired as of report date regardless of whether payment has been made or not.*

Consolidated net cash from financing activities amounting to ₱6.9 billion was higher from last year. The additional funds from the issuance of non-voting preferred in August of 2014 was partly offset by higher repayments of borrowings, payments of dividends to stockholders, and interest payments. Consolidated total debt, likewise, decreased by 6% from ₱69.3 billion at the end of 2013 to only ₱65.3 billion at the end of December 2014.

51% of US$ consolidated loans have been effectively converted to PHP via US$165Mln in currency hedges. After swaps, effectively 11% of total debt is in USD.

Below is the schedule of debt maturities for Globe for the years stated below based on total outstanding debt as of 31 December 2014:

Year Due	Principal * (US$ Mn)
2015 ……..	137
2016……..	171
2017……	223
2018 ……..	163
2019 through 2023……..	772
Total……	**1,466**

** Principal amount before debt issuance costs.*

On March 6, 2013, Globe Telecom signed a USD 75 million 3-year term loan with floating interest rate with Bank of Tokyo - Mitsubishi UFJ, Ltd., Singapore Branch as lender. The purpose of the loan is to fund Globe Telecom's capital expenditures.

On March 22, 2013, Globe Telecom signed a USD 120 million 7-year term loan with floating interest rate with Metrobank as lender to finance Globe Telecom's capital expenditures.

On July 17, 2013, the Globe Group issued ₱7,000.00 million fixed rate bond. The amount comprises ₱4,000.00 million and ₱3,000.00 million bonds due in 2020 and 2023, with interest rate of 4.8875% and 5.2792%, respectively. The net proceeds of the issue were used to partially finance the Globe Group's capital expenditure requirements in 2013.

On July 29, 2013, Globe Telecom signed a USD 40 million 3-year term loan with floating interest rate with Mizuho Bank Ltd. as lender to prepay and refinance certain debts.

On December 4, 2013, Globe Telecom signed a ₱7,000.00 million 7-year term loan credit facility with fixed interest rate with Land Bank of the Philippines as lender. The proceeds of the loan was used to partially finance Globe Telecom's general financing and corporate requirements for capital expenditures.

On February 10, 2014, the Board of Directors approved the amendment of the Company's Articles of Incorporation to reclassify thirty one (31,000,000) million unissued common shares with par value of ₱50.00 per share and ninety (90,000,000) million unissued voting preferred shares with par value of ₱5.00 per share into a new class of forty (40,000,000) million non-voting preferred shares with par value of ₱50.00 per share. The non-voting preferred shares shall be redeemable, non-convertible, non-voting, cumulative and may be issued in series.

Further on April 8, 2014, the Board of Directors approved the issuance, offer and listing of up to twenty (20) million non-voting preferred shares, with an issue volume of up to ₱10.00 billion pesos.

On June 6, 2014, the Securities and Exchange Commission approved the amendment of the Seventh Article of the Company's Articles of Incorporation to implement the foregoing reclassification of shares. At the Stockholders' meeting held on April 8, 2014, the Stockholders representing at least two thirds of the outstanding capital stock, considered and approved the (i) amendment to the Seventh Article of the Articles of Incorporation, and (ii) the issuance, offering and listing of up to twenty (20) million non-voting preferred shares.

On August 8, 2014, Globe received the approval of the Securities and Exchange Commission to offer non-voting perpetual preferred shares with the aggregate issue size of ₱7.0 Billion with an oversubscription option up to ₱3.0 Billion.

As and if declared by the Globe Board, dividends on the preferred shares shall be at a fixed rate of 5.2006% per annum calculated in respect of each preferred share in relation to the offer price of by reference to the offer price of ₱500 per share. Unless the preferred shares are redeemed by the Company on the 7th year from issue date (the "Rate Re-Setting Date"), the applicable dividend rate for all following dividend periods after the Rate Re-Setting Date shall be higher of (a) the prevailing Dividend Rate on the Rate Re-Setting Date or (b) the sum of (i) the Reference Rate applicable for the Rate Re-Setting Date, and (ii) a spread of 3.25%. The offer period was from August 11 to 15, 2014.

On August 18, 2014, Globe Telecom, Inc. Series A Non-Voting Perpetual Preferred shares with an aggregate issue size of ₱7.0 Billion with an oversubscription option up to ₱3.0 Billion were fully subscribed as of end of the offer period August 15, 2014. The Preferred Shares was listed in the Philippine Stock Exchange (with ticker symbol of GLOPP) last August 22, 2014 for the full amount of Php 10 Billion.

As of September 30, 2014, the remaining balance of the proceeds from the non-voting preferred shares offering amounts to ₱8.4 Billion. The net proceeds will be used by the Company to partially finance its capital expenditure requirements for 2014 related to transformation capital expenditures, data-related capital expenditures and other capital expenditures.

As of December 31, 2014, the remaining balance of the proceeds from the non-voting preferred shares offering amounts to ₱2.5 Billion.

Stockholders' equity as of end-December 2014 was higher by 31% from ₱41,639 million to ₱54,538 million this period. Globe's capital stock consists of the following:

Voting Preferred Shares

Voting Preferred stock at a par value of ₱5 per share of which 158 million shares are outstanding out of a total authorized of 160 million shares.

Voting Preferred stock has the following features:

a. Issued at ₱5 par;
b. Dividend rate to be determined by the BOD at the time of Issue;
c. One preferred share is convertible to one common share starting at the end of the 10th year of the issue date at a price to be determined by the Globe Telecom's BOD at the time of issue which shall not be less than the market price of the common share less the par value of the preferred share;
d. Call option – Exercisable any time by Globe Telecom starting at the end of the 5th year from issue date at a price to be determined by the BOD at the time of the issue;
e. Eligibility of Investors – Only Filipino citizens or corporations or partnerships wherein 60% of the voting stock of voting power is owned by Filipino;
f. With voting rights;
g. Cumulative and non-participating;
h. Preference as to dividends and in the event of liquidation; and
i. No preemptive right to any share issue of Globe Telecom, and subject to yield protection in case of change in tax laws.

The dividends for voting preferred stock are declared upon the sole discretion of the Globe Telecom's BOD.

To date, none of the voting preferred shares have been converted to common shares.

Non-Voting Preferred stock

Non-Voting Preferred stock at a par value of ₱50 per share of which 20 million shares are issued out of a total authorized of 40 million shares.

Non-Voting Preferred stock has the following features:

a. Issued at P50 par;
b. Dividend rate to be determined by the BOD at the time of issue which may be fixed or variable. The Board of Directors shall prescribe the cumulation or non-cumulation of dividends, the date or dates of cumulation or accrual but dividends shall be deemed to be cumulative from date of issue unless otherwise specified in the resolution creating such series, the conditions and restrictions, if any, on the payment of dividends. The Non-Voting Preferred Shares shall not participate in dividends declared as regards any other class of Shares
c. Eligibility of Investors - The Non-Voting Preferred Shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided, that, at any time, at least 60% of the outstanding capital stock of the Corporation shall be owned by citizens of the Philippines or by partnerships, associations, entities or corporations 60% of the capital stock of which is owned and controlled by citizens of the Philippines or as may be required for the Corporation to comply with applicable nationality restrictions prescribed by law;
d. Voting Rights - The Non-Voting Preferred Shares shall have no right to vote except on all corporate matters where the law grants such voting right;
e. Redemption– The Non-Voting Preferred Shares shall be redeemable at the option of the Corporation at such times and price(s) as may be determined by the Board of Directors at the time of issue, which price may not be less than the par value thereof plus accrued dividends. Any shares redeemed or purchased by the Corporation shall be recorded as treasury stock and may be re-issued in the future. The Board of Directors shall determine the terms and conditions of a retirement or sinking fund, if any, for the purchase or redemption of the shares of such series;
f. Liquidation Preference - In the event of liquidation, the Non-Voting Preferred Shares shall rank ahead of the Common Shares and equally with the Voting Preferred Shares. The Board of Directors shall prescribe the amount which shares of such series shall be entitled to receive in the event of any liquidation, dissolution or winding up of the Corporation, which shall not exceed

the consideration received therefore plus accrued and unpaid dividends thereon nor be less than the par value thereof;

g. Pre-emptive Rights - The Non-Voting Preferred Shares shall not have any pre-emptive rights over any sale or issuance of any share in the Corporation's capital stock; and
h. Other Features - The Non-Voting Preferred Shares shall have such other terms and conditions, preferences, rights, restrictions and qualifications not be inconsistent herewith, as may be determined by the Board of Directors.

Common Shares

Common shares at par value of ₱50 per share of which 132 million are issued and outstanding out of a total authorized of 149 million shares.

Cash Dividends

The dividend policy of Globe Telecom as approved by the Board of Directors is to declare cash dividends to its common stockholders on a regular basis as may be determined by the Board. The dividend payout rate starting 2006 is approximately 75% of prior year's net income payable semi-annually in March and September of each year. This is reviewed annually, taking into account Globe Telecom's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

On November 6, 2009, the Board of Directors amended the dividend payment rate from 75% to a range of 75% - 90% of prior year's net income.

On November 8, 2011, the Board of Directors amended the Company's dividend policy to be based on core instead of reported net income. Pay-out range remains at 75% to 90%. This is to ensure that dividends will remain sustainable and yields competitive despite the expected near-term decline in net income that would result from the accelerated depreciation charges related to assets that will be decommissioned as part of the Company's network and IT transformation programs. As currently defined, core net income excludes all foreign exchange, mark-to-market gains and losses, as well as non-recurring items.

On August 6, 2013, the Board of Directors approved the proposed change in the frequency of the cash dividend distribution from semi-annual to quarterly beginning first quarter of 2014. The quarterly cash dividends will continue to be based on the policy of 75%-90% of prior year's core net income. The amended frequency in the payouts will provide the Company with the better cash planning and liquidity management and at the same time ensure a more consistent dividend distribution to the shareholders.

On December 10, 2013, the Company announced that the quarterly cash dividend distribution will be implemented beginning in the third quarter of 2014 instead of the first quarter of 2014.

The dividend payout rate is reviewed annually by the Board of Directors, taking into account the company's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

On 10 February 2014, the Board of Directors approved the declaration of the 1st semi-annual cash dividend of ₱37.50 per common share, payable to shareholders on record as of 26 February 2014. Total dividends of about ₱4.97 billion were paid on 20 March 2014.

On 5 August 2014, the Board of Directors of the company has approved the declaration of the third quarter cash dividend of ₱18.75 per common share payable on September 4, 2014 to shareholders on record as of August 19, 2014. The third quarter cash dividend payment total is about ₱2.5 billion. On an annualized basis, this represents about 86% of 2013 core net income.

On 11 November, the Board of Directors of the company has approved the declaration of the fourth quarter cash dividend of ₱18.75 per common share payable on December 11, 2014 to shareholders on record as of November 25, 2014. The fourth quarter cash dividend payment total is about ₱2.5 billion. On an annualized basis, this represents about 86% of 2013 core net income.

Consolidated Return on Average Equity (ROE) registered at 28% as of end-December 2014, compared to 11% in 2013 using net income and based on average equity balances for the year ended. Using annualized core net income excluding the effects of accelerated depreciation on net income, return on average equity for the year just ended was at 30% compared to 27% of 2013.

Accordingly, consolidated basic earnings per common share were ₱100.60 and ₱37.25, while consolidated diluted earnings per common share were ₱100.36 and ₱37.22 as of end-December 2014 and 2013, respectively.

Financial Risk Management

FOREIGN EXCHANGE EXPOSURE

Foreign exchange risks are managed such that USD inflows from operations (transaction exposures) are balanced or offset by the net USD liability position of the company (translation exposures). Globe Group's objective is to maintain a position which results in, as close as possible, a neutral effect to the P&L relative to movements in the foreign exchange market.

Transaction exposures

Globe has natural net US$ inflows arising from its operations. Consolidated foreign currency-linked revenues[1] were at 16% and 17% of total service revenues for the periods ended 31 December 2014 and 2013, respectively. In contrast, Globe's foreign-currency linked expenses were at 9% and 8% of total operating expenses for the same periods ended, respectively.

The US$ flows are as follows:

	2014
US$ and US$ Linked Revenues	₱15.37 billion
US$ Operating Expenses	₱3.86 billion
US$ Net Interest Expense	₱0.22 billion

Due to these net US$ inflows, an appreciation of the Peso has a negative impact on Globe's Peso EBITDA. Globe occasionally enters into forward contracts to hedge against a peso appreciation.

Realized gain from forward contracts that matured in 2014 amounted to ₱4.74 million.

There were no outstanding forward contracts as of December 2014.

[1]Includes the following revenues:
(1) billed in foreign currency and settled in foreign currency, and
(2) billed in Pesos at rates linked to a foreign currency tariff and settled in Pesos

Translation Exposures

Globe also has US$ assets and liabilities which are revalued at market rates every period. These are as follows:

	December 2014
US$ Assets	US$231 million
US$ Liabilities	US$544 million
Net US$ Liability Position	US$312 million

For accounting purposes, the foreign currency assets and liabilities are revalued at the exchange rate at the end of each reporting period. As of December 31, 2014, the Philippine Peso stood at ₱44.74 to US dollar. The current operations yielded a total of ₱0.88 million net foreign exchange gain arising mainly from settlement of the Globe Group's foreign currency denominated trade receivables and payables.

Globe entered into cross currency swaps amounting to US$125 million in April 2013 and US$40 million in February 2014 to hedge the FX and interest rate risk on some of its USD loans. The MTM of the swap contracts stood at a gain of ₱515 million as of end-December 2014.

INTEREST RATE EXPOSURE

Interest rate exposures are managed via targeted levels of fixed versus floating rate debt that are meant to achieve a balance between cost and volatility. Globe's policy is to maintain between 44-88% of its peso debt in fixed rate, and between 31-62% of its US$ debt in fixed rate.

As of end-December 2014, Globe has a total of ₱2.0 billion in PHP interest rate swaps and $165 million in cross currency swaps that were entered into contracts to achieve these targets. The US$ and Peso swaps fixed some of the Company's outstanding floating rate debts with quarterly or semi-annual payment intervals up to April 2020.

As of end-December 2014, 69% (excluding short-term debt) of peso debt is fixed, while 51% of USD debt is fixed after swaps.

The MTM of the interest swap contracts (not including the currency swap contracts) stood at a loss of ₱23 million as of end-December 2014.

CREDIT EXPOSURES FROM FINANCIAL INSTRUMENTS

Outstanding credit exposures from financial instruments are monitored daily and allowable exposures are reviewed quarterly.

For investments, the Globe Group does not have investments in foreign securities (bonds, collateralized debt obligations (CDO), collateralized mortgage obligations (CMO), or any instruments linked to the mortgage market in the US). Globe's excess cash is invested in short term bank deposits.

The Globe Group also does not have any investments or hedging transactions with investment banks. Derivative transactions as of the end of the period are with large foreign and local banks. Furthermore, the Globe Group does not have instruments in its portfolio which became inactive in the market nor does the company have any structured notes which require use of judgment for valuation purposes.

VALUATION OF DERIVATIVE TRANSACTIONS

The company uses valuation techniques that are commonly used by market participants and that have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The company uses readily observable market yield curves to discount future receipts and payments on the transactions. The net present value of receipts and payments are translated into Peso using the foreign exchange rate at time of valuation to arrive at the mark to market value. For derivative instruments with optionality, the company relies on valuation reports of its counterparty banks, which are the company's best estimates of the close-out value of the transactions.

Gains (losses) on derivative instruments represent the net mark-to-market (MTM) gains (losses) on derivative instruments. As of 31 December 2014, the MTM value of the derivatives of the Globe Group amounted to a gain of ₱493.73 million while net loss on derivative instruments arising from changes in MTM reflected in the consolidated income statements amounted to ₱75.56 million.

To measure riskiness, the Company provides a sensitivity analysis of its profit and loss from financial instruments resulting from movements in foreign exchange and interest rates. The interest rate sensitivity estimates the changes to the following P&L items, given an indicated movement in interest rates: (1) interest income, (2) interest expense, (3) mark-to-market of derivative instruments. The foreign exchange sensitivity estimates the P&L impact of a change in the USD/PHP rate as it specifically pertains to the revaluation of the net unhedged liability position of the company, and foreign exchange derivatives.

2. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

Contingencies

- On October 10, 2011, the NTC issued Memorandum Circular No. 02-10-2011 titled Interconnection Charge for Short Messaging Service requiring all public telecommunication entities to reduce their interconnection charge to each other from ₱0.35 to ₱0.15 per text, which Globe complied as early as November 2011. On December 11, 2011, the NTC One Stop Public Assistance Center (OSPAC) filed a complaint against Globe, Smart and Digitel alleging violation of the said MC No. 02-10-2011 and asking for the reduction of SMS off-net retail price from ₱1.00 to ₱0.80 per text. Globe filed its Answer maintaining the position that the reduction of the SMS interconnection charges does not automatically translate to a reduction in the SMS retail charge per text.

  On November 20, 2012, the NTC rendered a decision directing Globe to:

  1. Reduce its regular SMS retail rate from ₱1.00 to not more than ₱0.80;
  2. Refund/reimburse its subscribers the excess charge of ₱0.20; and
  3. Pay a fine of ₱200.00 per day from December 1, 2011 until date of compliance.

  On May 7, 2014, NTC denied the Motion for Reconsideration (MR) filed by Globe last December 5, 2012 in relation to the November 20, 2012 decision. Globe's assessment is that the Company is in compliant with the NTC Memorandum Circular No. 02-10-2011. On June 9, 2014, Globe filed petition for review of the NTC decision and resolution with the Court of Appeals (CA).

  The CA granted the petition in a resolution dated September 3, 2014 by issuing a 60-day temporary restraining order against Memorandum Circular 02-10-2011 by the NTC. On October 15, 2014, Globe posted a surety bond to compensate for possible damages as directed by the CA.

- On 22 May 2006, Innove received a copy of the Complaint of Subic Telecom Company (Subictel), Inc., a subsidiary of PLDT, seeking an injunction to stop the Subic Bay Metropolitan Authority and Innove from taking any actions to implement the Certificate of Public Convenience and Necessity granted by SBMA to Innove. Subictel claimed that the grant of a CPCN allowing Innove to offer certain telecommunications services within the Subic Bay Freeport Zone would violate the Joint Venture Agreement (JVA) between PLDT and SBMA. The Supreme Court ordered the reinstatement of the case and has forwarded it to the NTC-Olongapo for trial. The case is now being tried before the Olongapo RTC.

- PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City. In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order 100 preventing BCC from performing further acts to interfere with Innove's installations in the Bonifacio Global City.

  In the case filed by PLDT against the NTC in Branch 96 of the Regional Trial Court (RTC) of Quezon City, where PLDT sought to obtain an injunction to prevent the NTC from hearing the case filed by Innove, the RTC denied the prayer for a preliminary injunction and the case has been set for further hearings. PLDT has filed a Motion for Reconsideration and Globe has intervened in this case. In a resolution dated 28 October 2008, the RTC QC denied BCC's motion for the issuance of a temporary restraining order (TRO). The case is still pending with the QC RTC.

  In the case filed by BCC against FBDC, Globe Telecom and Innove, Bonifacio Communications Corp. before the Regional Trial Court of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a Temporary Restraining Order and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On 30 March 2012, the RTC of Pasig, as prayed for, dismissed the complaint on the aforesaid grounds. Dissatisfied with the decision of the RTC, BCC and PLDT elevated the case to the Court of Appeals. On 18 May 2012, The Court of Appeals dismissed the case. On July 6, 2012, BCC and PLDT filed

a petition for review on certiorari with the Supreme Court on July 6, 2012. Innove filed its Comment thereon on 6 December 2012. The case is still pending resolution with the Supreme Court.

On 11 November 2008, Bonifacio Communications Corp. (BCC) filed a criminal complaint against the officers of Innove Communications Inc., the Fort Bonifacio Development Corporation (FBDC) and Innove contractor Avecs Corporation for malicious mischief and theft arising out of Innove's disconnection of BCC's duct at the Net Square buildings. The accused officers filed their counter affidavits and are currently pending before the Prosecutor's Office of Pasig. The case is still pending resolution with the Office of the City Prosecutor.

On 21 January 2011, BCC and PLDT filed with the Court of Appeals a Petition for Certiorari and Prohibition against NTC, et al. seeking to annul the Orders of the NTC dated 28 October 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and the CEASE AND DESIST from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC. BCC and PLDT anchor their petition on the grounds that: 1) the NTC has no jurisdiction over BCC it being a non telecommunications entity; 2) the NTC violated BCC and PLDT's right to due process; and 3) there was no urgency or emergency for the issuance of the cease and desist order. The case is pending with the court of appeals.

On April 25, 2011, Innove Communications, filed its comment on the case filed by PLDT that seeks to ban all Globe services from the Bonifacio Global City before the CA's Tenth Division. In its comment, Globe argued that Innove is duly authorised to provide services in the BGC, that BCC and PLDT have no right to maintain their monopolistic hold of the BGC telecommunications market; and it is in the public's best interest that open access and free competition among telecom operators be allowed at the Bonifacio Global City.

On August 16, 2011, the Ninth Division of the CA ruled that PLDT's case against Innove and the National Telecommunications Commission (NTC) lacked merit, and thus denied the petition and DISMISSED the case. PLDT and its co-petitioner, BCC file their motion for reconsideration. The same is still pending resolution.

- On July 23, 2009, the NTC issued NTC Memorandum Circular (MC) No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the cellular mobile telephone service (CMTS) whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme.

  On December 28, 2010, the Court of Appeals (CA) rendered its decision declaring null and void and reversing the decisions of the NTC in the rates applications cases for having been issued in violation of Globe and the other carrier's constitutional and statutory right to due process. However, while the decision is in Globe's favor, there is a provision in the decision that NTC did not violate the right of petitioners to due process when it declared via circular that the per pulse billing scheme shall be the default.

  Last January 21, 2011, Globe and two other telecom carriers filed their respective Motions for Partial Reconsideration (MR) on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The MR is pending resolution as of February 4, 2015.

  The Globe Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the possibility of outflow of economic resources to settle the contingent liability is remote.

3. Causes of any material change from period to period: 2014 vs. 2013

Assets

Current

A Increase in cash and cash equivalents – Increase of ₱9.3B is mostly driven by additional funding from issuance of preferred non-participating shares, lower net capital expenditure payments, and higher cash from operations and partially reduced by lower net proceeds from borrowings and higher dividend payments.

B Receivable- Increase of ₱3.7B mainly due to increased billings over collections, increase in data services and larger subscriber base in 2014.

C Allowance for Doubtful Accounts – Increase of ₱1.4B is attributable to additional provisions for billed and corporate subscribers.

D Traffic Settlement – Increase of ₱500M is driven by higher revenue and low remittances received from foreign carriers

E Other Receivables- ₱136M decrease is mainly due to higher collections over billings to Dealers credit, AR credit cards, and others.

F Allowance for Doubtful Accounts (Traffic and others) – Decreased by ₱90M largely due to additional provisions for traffic disputes

G Prepayments and Other Current Assets – Decrease mainly due to reclassification of loans to Globe Group Retirement Plan and Bethlehem Holdings, Inc. to other non-current assets, advances to contractors.

H Inventories and Supplies – Decreased mainly due to issuance of handsets, devices, modems and accessories over purchases but offset by purchases of nomadic broadband devices

I Allowance for Inventory Losses – Decreased largely due to provided provision to cover defective stocks and additional provision policy.

Noncurrent

J Fixed Assets – Increase is attributable to acquisition of various telecom equipment, building and leasehold improvements and furniture, fixtures and equipment. This is offset by the depreciation of various property, plant, and equipment.

K Intangible Assets – The ₱1.8B increase is attributable to additions to various software and licenses

L Investment in Joint Venture and Associates – The increase mainly pertains to new investment in AF Consortium and additional investments in Globe BanKo.

M Deferred Tax Asset – Increase in net DTA is mainly due to significant 2014 movement in AR Provision, pension, accrued manpower cost and OCI Pension offset by depreciation and capitalized cost.

N Derivative Assets - Increase in current derivative assets pertains to termination of embedded derivative with mark to market loss outstanding in the previous year and forward rate differences mainly attributable to additional cross currency swap-USD and MTM gains of existing CCS-USD.

O Misc. Deposits and Others- Increase pertains mainly to loans to GGRP and BHI that were reclassed from Prepayments and Other Current Assets and were extended for 3 more years. This is coupled by BTI forex revaluation adjustment but decreased due to bond principal and interest remittance from Bayantel.

Liabilities

Current

P Trade Creditors- Decrease is mainly driven by GRIR accounts coupled by net payments to local contractors. This is offset by increase in liability to foreign and local suppliers.

Q Liabilities to Partner Establishments - Increase is due to higher cash in (Gcash received) of subscribers and dealers over cash out (Gcash withdrawn) from various partner establishments as of year to date.

R Traffic Settlement Payable - Decrease is mainly driven by settlements to Smart and Digitel for undisputed portion settlement over billings. This is coupled by impact of net TSR/TSP offsetting.

S Taxes Payable- Increase is due to higher output VAT and final withholding taxes offset by overseas communication tax.

T Income Taxes Payable- Increased due to income tax provision in the fourth quarter

U Provisions – Increase is attributable to accruals in 2014 for 2008 probable losses for real property taxes (RPT) & national taxes and probable losses for labor cases as of 2013.

V Accrued Expenses- Increase is due to higher accruals for, maintenance lease, manpower services, other contracted services and others offset by Utilities due to clean up of 2013 and prior accruals.

W Accrued Interest on Loans- Increase is due to higher accrual of interest in 2014 over reversals from previous months.

X Accrued project Cost- Increase is brought by additions in Mobile Telephony and decrease in wireline. The increase in Mobile Telephony is mainly due to network transformation initiatives.

Y Derivative Liabilities- Decrease is mainly due to reduced notional amount of IRS PHP non-hedge during the period.

Z Unearned Revenues- Significant increase is mainly driven by reclassification of Advanced MSF Billed from Other Creditor to Unearned Revenues

AA Dividends Payable- Pertains to dividends declared last December 12, 2014 for preferred non - voting shares amounting to ₱260M.

AB Notes Payable- The decrease is mainly due to net repayment of Short Term Bank Loans coupled by forex revaluation.

AC Current Portion of Long Term Debt –Bank - Increase in bank debt was mainly attributable to loan availments, amortization of debt issue cost and bond premium. This is coupled by forex revaluation (as a result of weakening of peso) and offset by loan repayments.

Noncurrent

AD Net Deferred Tax Liability- Reclassification due to net deferred tax asset position.

AE Long Term Commercial Paper- - Increase in bank debt was mainly attributable to loan availments, amortization of debt issue cost and bond premium. This is coupled by forex revaluation (as a result of weakening of peso) and offset by loan repayments.

AF Long Term Debt (Bank) - Increase is due to loan availments

AG Other Long-term Liabilities - Increase is attributable to additional accrual for Pension obligation and provisions for ARO.

5. Description of material commitments and general purpose of such commitments. Material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period.

For details on material commitments and arrangements, see Notes 13 in the attached Notes to the Financial Statements.

Agreements and commitments with suppliers

The Globe Group engaged the services of various suppliers for the upgrade of its wireless, data and telephony network. In partnership with an equipment and service provider and the appointment of a project and program manager, Globe Group undertook a transformation upgrade and overhaul of its business support systems, engaging a solution partner for this USD790.00 million modernization project.

Deed of Assignment of Certificate of Public Convenience and Necessity by Wordwide Communication Inc. (WWCI)

On July 5, 2013, the NTC approved the "Deed of Assignment" (DoA) dated February 13, 2013 executed by WWCI in favor of Globe Telecom. Through the DoA, WWCI assigned and transferred its entire interest including the operation of its Trunk Radio Network, the Certificate of Public Convenience and Necessity granted by the NTC and the pertinent permits necessary to operate the trunk radio to Globe Telecom. The total consideration under the said original DoA was ₱30.00 million.

On April 1, 2014, Globe Telecom and WWCI signed the Supplemental Agreement to the DoA for final consideration of ₱150.00 million to be paid in tranches upon fulfillment of stated conditions.

Conditions include reassignment and reallocation of Radio Station Licenses and issuance of associated Frequency Assignment Sheets in the name of Globe Telecom. Pending compliance on the conditions, payments will be recorded as advances classified under 'Prepayments and other current assets' in the interim consolidated statements of financial position.

On January 29, 2015, WWCI and Globe Telecom have agreed to wind down the transaction as the conditions for closing can no longer be met. The advances made amounting to ₱45.00 million will be due to Globe Telecom on or before July 31, 2015 (*see Note 6 in the attached Notes to the Financial Statements).*

Southeast Asia-United States Project

Globe has joined a consortium of seven international telecommunication companies for the construction of a new submarine cable system directly connecting Southeast Asia and the United States. Other members of the consortium include PT Telekomunikasi Indonesia International (Telin), Telkom USA, RAM Telecom International (RTI), Hawaiian Telcom, and Teleguam Holdings (GTA). The 15,000-kilometer cable system would link Manado in Indonesia, Davao in the Philippines, Piti in Guam, Oahu in Hawaii, and Los Angeles in California, providing superior latency delivering additional 20 terabits per second (Tbps), utilizing 100 gigabits per second (Gbps) transmission equipment. Globe and GTI Corporation is spending more than $80 million for the SEA-US undersea cable system slated for completion in the last quarter of 2016.

6. Seasonal Aspects that have a material effect on the FS

No seasonal aspects that have a material effect on the financial statements.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 7. Directors and Key Officers

A. Board of Directors

As of December 31, 2015

Name	Position
Jaime Augusto Zobel de Ayala	Chairman
Gerardo C. Ablaza, Jr.	Co-Vice Chairman
Mark Chong Chin Kok	Co-Vice Chairman
Ernest L. Cu	Director, President and Chief Executive Officer
Romeo L. Bernardo	Director
Delfin L. Lazaro	Director
Samba Natarajan	Director
Fernando Zobel de Ayala	Director
Rex Ma. A. Mendoza	Independent Director
Saw Phaik Hwa	Independent Director
Manuel A. Pacis	Independent Director

Nominees to the Board of Directors (2016-2017)

- Jaime Augusto Zobel de Ayala
- Mark Chong Chin Kok
- Ernest L. Cu
- Romeo L. Bernardo
- Delfin L. Lazaro
- Fernando Zobel de Ayala
- Rex Ma. A. Mendoza – Nominee for Independent Director
- Manuel A. Pacis – Nominee for Independent Director
- Samba Natarajan
- Saw Phaik Hwa – Nominee for Independent Director
- Jose Teodoro K. Limcaoco

Jaime Augusto Zobel de Ayala, Mr. Zobel, 56, Filipino, has served as Chairman of the Board since December 1996 and a Director since March 1989. He is the Chairman and CEO of Ayala Corporation. He also holds the following positions: Chairman of Bank of the Philippine Islands, and Integrated Micro-Electronics, Inc.; Co-Chairman of Ayala Foundation, Inc.; Vice Chairman of Ayala Land, Inc. and AC Energy Holdings, Inc.; Chairman of Harvard Business School Asia-Pacific Advisory Board and Asia Business Council; Vice Chairman of the Makati Business Club, and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, International Business Council of the World Economic Forum; Philippine Representative for APEC Business Advisory Council. He graduated with B.A. in Economics (with honours) degree from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

Directorship in other listed companies: Ayala Corporation; Bank of the Philippine Islands; Integrated Micro-Electronics, Inc.; Manila Water Company; and Ayala Land, Inc. All listed on the Philippine Stock Exchange.

Gerardo C. Ablaza, Jr. Mr. Ablaza, 62, Filipino, has served as Director since June 1997. Mr. Ablaza is currently the President and CEO of Manila Water since June 30, 2010 where he is responsible for overseeing the financial and operational growth within Manila Water's service areas in the Metro Manila east zone and in its expansion areas. He is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee, a post he has held since 1998. Mr. Ablaza also serves as director for subsidiaries of Manila Water both local and international, including Manila Water Philippine Ventures, Inc., Boracay Island Water Company, Inc., Laguna AAA Water Corporation, Manila Water International Solutions, Inc., Clark Water Corporation, Manila Water Total Solutions Corporation, Manila Water Asia Pacific Pte. Ltd., Manila Water South Asia Holdings Pte. Ltd., Kenh Dong Water Holdings Pte. Ltd., Thu Duc Water Holdings Pte. Ltd, and North-West of Saigon Holdings Pte. Ltd. He is also a member of the Board of Trustees of the Manila Water Foundation, Inc. He also serves as director for Azalea International Ventures Partners Ltd., Asiacom Philippines, Inc., LiveIt Investment

Ltd.; AC Energy Holdings, Inc., Purefoods International Ltd., A.C.S.T. Business Holdings, Inc., AC Intrastructure Holdings Corporation and Ayala Retirement Fund Holdings, Inc. He is also a member of the Board of Trustees of Ayala Foundation, Inc. From April 1998 to April 2009, Mr. Ablaza was the President and CEO of Globe Telecom, Inc. He was also the Chairman of the Board of Directors of Innove Communications Inc., a wholly owned subsidiary of Globe Telecom Inc. from October 2003 to April 2009. Before joining the Ayala Group, Mr. Ablaza was Vice-President and Country Business Manager for Philippines and Guam of Citibank, N.A. for its Global Consumer Banking Business (1994-1997), Vice President for Consumer Banking of Citibank, N.A. Singapore (1994-1995). In 2004, Mr. Ablaza was recognized by CNBC as the Asia Business Leader of the Year, making him the first Filipino CEO to win the award. In the same year, he was awarded by Telecom Asia as the Best Asian Telecom CEO. In 2013, he was recognized for his consistent leadership and innovation across the banking, investment, telecommunications and utility service industries through the Citi Distinguished Alumni Award for Leadership and Ingenuity. He is the first and the only Filipino to be awarded with such an honor. Mr. Ablaza graduated summa cum laude from the De La Salle University in 1974 with a degree in Liberals Arts, Major in Mathematics (Honors Program). As one of the most accomplished graduates of his alma mater, he sits as a member of the Board of Trustees in various De La Salle schools in the country.

Mr. Ablaza is a Director of Manila Water Company, Inc., listed on the Philippine Stock Exchange and Hochiminh City Infrastructure Investment Joint Stock Company, listed on the Hochiminh Stock Exchange.

Mark Chong Chin Kok. Mr Chong, 52, Singaporean, previously served as a Director for one year, from 6 October 2009 to 8 October 2010. He was elected again as Director at the Annual Stockholders' Meeting on 16 April 2013. Mr Chong was appointed CEO of International, Group Consumer, of Singapore Telecommunications Limited (Singtel) on 14 January 2013 to oversee the growth of Singtel Group's international affiliates, strengthen its relationship with overseas partners, and drive regional initiatives for scale and synergies. Prior to this appointment, he was Chief Operating Officer of Advanced Info Service Plc (AIS), the Group's associate in Thailand, in charge of sales and marketing products, network operations, IT solutions, customer and services management. He has also held senior executive roles in the Consumer, Enterprise and Network groups in Singtel. Mr. Chong graduated with a Bachelor of Electronics Engineering and Master in Research in Electronic Systems from ENSERG, Grenoble, France and obtained his Master of Business Administration from the National University of Singapore. He is also a senior fellow with the Singapore Computer Society.

Mr. Chong is a Director of Bharti Infratel, a public listed company in India.

Ernest L. Cu. Ernest Cu, 55, Filipino, has served as Director since April 2009. He is currently the President and Chief Executive Officer of Globe Telecom, Inc. Mr. Cu joined Globe in October 2008 as Deputy CEO, and was officially appointed President and Chief Executive Officer on 2 April 2009. Since then, he has been passionately driving a sweeping transformation across the company, including modernizing its network and IT infrastructure, creating a strong collaborative and service-oriented culture, and product innovations in its mobile business. Under Mr. Cu's visionary leadership, Globe has outperformed industry growth with the company breaking records across all key product groups, brands and market segments, now recognized as the number 1 mobile brand in the country. In 2015, Mr. Cu was named Best CEO by Finance Asia for the second time, the last one in 2010. Moreover, for the third year in a row, he was recognized as one of the 100 most influential telecom leaders worldwide by London-based Global Telecoms Business Magazine Power 100. In 2014, Mr. Cu was honored as the Telecommunications Executive of the Year by the International Business Awards (Stevies). Mr. Cu also earned international accolade in 2012 as CEO of the Year by Frost & Sullivan Asia Pacific. Prior to Globe, Mr. Cu was President and CEO of SPi Technologies from 1997 to 2008. At the cusp of the new millennium, Mr. Cu spurred the beginning of the BPO business model for the Philippines, to be widely regarded as one of the founding fathers of BPO in the Philippines. Lauding his pioneering spirit, and drawing great highlight to his career then was a recognition from Ernst & Young in 2003 as the ICT Entrepreneur of the Year. Mr. Cu has a Bachelor of Science Degree in Industrial Management Engineering from De La Salle University in Manila, and an M.B.A. from the J.L. Kellogg Graduate School of Management, Northwestern University.

Mr. Cu is not a Director of any other listed company.

Romeo L. Bernardo. Mr. Bernardo, 61, Filipino, has served as Director since September 2001. He is Managing Director of Lazaro Bernardo Tiu and Associates (LBT), a financial advisory firm based in

Manila. He is also a GlobalSource economist in the Philippines. He is Chairman of ALFM Family of Funds and Philippine Stock Index Fund. He is likewise a director of several companies and organizations including Aboitiz Power, BPI, RFM Corporation, Philippine Investment Management (PHINMA), Inc, Philippine Institute for Development Studies (PIDS), BPI-Philam Life Assurance Corporation, National Reinsurance Corporation of the Philippines (NRCP) and Institute for Development and Econometric Analysis. He is a member of the Philippine World Bank Advisory Group and a member of the Panel of Conciliators of the International Centre for Settlement of Investment Disputes. He previously served as Undersecretary of Finance and as Alternate Executive Director of the Asian Development Bank. He was an Advisor of the World Bank and the IMF (Washington D.C.). Mr. Bernardo holds a degree in Bachelor of Science in Business Economics from the University of the Philippines (magna cum laude) and a Masters Degree in Development Economics at Williams College from Williams College in Williamstown, Massachusetts.

Directorship in other listed companies: Aboitiz Power; Bank of the Philippine Islands; RFM Corporation; and National Reinsurance Corporation of the Philippines. All listed on the Philippine Stock Exchange.

Delfin L. Lazaro. Mr. Lazaro, 69, Filipino, has served as Director since January 1997. His other significant positions include: Chairman of Philwater Holdings Company, Inc., Atlas Fertilizer & Chemicals Inc., Chairman and President of AC Energy Holdings, Inc. (formerly Michigan Power) and A.C.S.T. Business Holdings, Inc.; Director of Ayala Corporation, Ayala Land, Inc., Integrated Micro-Electronics, Inc., Manila Water Co., Inc., Ayala DBS Holdings, Inc., Probe Productions, Inc. and Empire Insurance Company; and Trustee of Insular Life Assurance Co., Ltd. He was named Management Man of the Year 1999 by the Management Association of the Philippines for his contribution to the conceptualization and implementation of the Philippine Energy Development Plan and to the passage of the law creating the Department of Energy. He was also cited for stabilizing the power situation that helped the country achieve successive high growth levels up to the Asian crisis in 1997. Mr. Lazaro earned his Bachelor of Science in Metallurgical Engineering from the University of the Philippines, and his Masters of Business Administration (with distinction) from the Harvard Graduate School of Business.

Directorship in other listed companies: Ayala Corporation; Ayala Land, Inc.; Integrated Micro-Electronics, Inc.; and Manila Water Company. All listed on the Philippine Stock Exchange.

Samba Natarajan. Mr. Natarajan, 50, US citizen, was elected as Director on 7 April 2015. He is currently the Managing Director of Digital Enterprise of Singapore Telecommunications Limited. In this role, he is responsible for identifying, executing, and operationalising growth opportunities from emerging digital and technology trends such as Cloud, Cyber Security, Analytics, Internet of Things (IoT), Machine-to-Machine (M2M), and Anything-as-a-service that are rapidly changing the way enterprises (B2B) and their customers (B2B2C) interact and collaborate in their everyday lives. Prior to this, he was a Partner with McKinsey & Co., where he most recently led the Telecoms, Media and Technology (TMT) practice for South East Asia, with 15 years of management consulting experience in North America & Asia. He had deep advisory and counseling relationships with boards, CEOs and management teams across leading telecom service providers, sovereign wealth funds, regulators in South East Asia (including Singapore, Indonesia, Malaysia, Philippines), and Australia. Mr. Samba also has wide range of advisory experience on issues of strategy, growth, portfolio optimization, regulation, commercial, M&A due diligence, organization and internal process improvements. He has been invited to moderate at CommunicAsia, including at the Inter-Ministerial Forum involving a panel of several ministers and CEOs of telecoms in Asia. Mr. Natarajan also has more than eight (8) years of prior experience in banking & investment services, with significant operational experience in setting up offshore operations and developing a new range of investment products. From 1988 to 1996 he was connected with Citibank, New York/Chicago handling investment products for offshore clients, International Client group; Citibank, Mumbai/Chennai handling Core Banking Operations, Off-shoring and Outsourcing; Citibank, Singapore /Manila handling Business Development, for Non-Resident Indian New Markets (Asia). Mr. Natarajan graduated with a Bachelor of Engineering, Major in Electrical Engineering (EE), summa cum laude equivalent from the Birla Institute of Technology & Science, Pilani, India and obtained his Post Graduate Diploma in Management at Indian Institute of Management. Ahmedabad. Mr. Natarajan holds an MBA degree, Dual Major in Strategic Management & Finance from The Wharton School, University of Pennsylvania, where he was a Palmer Scholar and a Ford Fellow.

Mr. Natarajan is not a Director of any other listed company.

Fernando Zobel de Ayala. Mr. Zobel, Filipino, 55, has served as Director since October 1995. He is the President and Chief Operating Officer of Ayala Corporation, one of the Philippines' largest conglomerates involved in real estate, financial services, telecommunications, water, electronics, automotive, international investments, business process outsourcing, power generation, and transport infrastructure. He is also Chairman of Ayala Land and Manila Water Company and Vice Chairman of the executive committee of Bank of the Philippine Islands; Co-Chairman of Ayala Foundation, which has projects in education, art and culture, environment and sustainable development. Mr. Zobel is also a member of the INSEAD East Asia Council and the World Presidents' Organization; member of the Board of Habitat for Humanity International and the Chairman of the steering committee of Habitat for Humanity's Asia Pacific Capital Campaign. He also serves on the Board of Trustees of the Asia Society. He is involved in the Harvard Club of the Philippines, Makati Business Club, Management Association of the Philippines, and Philippine-Singapore Business Council. Mr. Zobel is a Board member of the National Museum, Caritas Manila, the foundation of the Roman Catholic Church, Pilipinas Shell Corporation, and Pilipinas Shell Foundation. Mr. Zobel holds a liberal arts degree from Harvard College and a CIM from INSEAD, France.

Directorship in other listed companies: Ayala Corporation; Bank of the Philippine Islands; Ayala Land, Inc.; Manila Water Company; and Integrated Micro-Electronics, Inc. All listed on the Philippine Stock Exchange.

Rex Ma. A. Mendoza. Mr. Mendoza, 53, Filipino, was elected as Director on 8 April 2014. He is the founder and Managing Director of Rampver Financials, a financial services firm and the leading non-bank mutual funds distributor in the country. He was previously the Senior Adviser to the AIA Group CEO for Marketing and Distribution. AIA Group Limited is the leading Pan-Asian insurance company and is the parent firm of the Philippine American Life and General Insurance Company (PhilamLife). Prior to this position, he was the President and Chief Executive Officer of Philam Life, Chairman of The Philam Foundation, Inc. and Vice Chairman of BPI Philam Life Assurance Company. Prior to rejoining Philam Life, he was Senior Vice President and Chief Marketing and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc., and Avida Sales Corporation. He currently serves as Director of The Freeport Area of Bataan, Esquire Financing, Inc., Seven Tall Trees Events, Inc., and the Cullinan Group. He has a Master's Degree in Business Management with distinction from the Asian Institute of Management and was one of the 10 Outstanding Graduates of his batch at the University of the Philippines where he obtained a BSBA degree with a double major in marketing and finance. He was awarded Most Distinguished Alumnus of the University of the Philippines' Cesar E.A. Virata School of Business last December 2013. He is also a fellow with distinction at the Life Management Institute of Atlanta, Georgia, USA, a Registered Financial Planner and a four-time member of the Million Dollar Round Table. Mr. Mendoza was a professor of Marketing and Computational Finance at the De La Salle University Graduate School of Business. He taught strategic marketing, services marketing and services strategy. He has served as Chairman of the Marketing Department and was awarded as one of the University's most outstanding professors.

Mr. Mendoza is not a Director of any other listed company.

Saw Phaik Hwa. Ms. Saw, 61, Singaporean, was elected as Director on 7 April 2015. She was the Group CEO of Auric Pacific Group, listed on the Mainboard of the Singapore Exchange, which has diverse business interests ranging from distribution of fast moving consumer food, food manufacturing and retailing, management of restaurant and food court operations to other strategic investments including fund investment. The Group operates in various countries throughout Asia including Singapore, Malaysia, Indonesia, Hong Kong and China. Ms. Saw will be retiring as its CEO effective from 1 May 2015 but will remain as a consultant with the Lippo Group of companies, and will continue to advise the Group on various matters. Ms. Saw is also a Director of Hour Glass Limited. Prior to this, Ms. Saw was the President and CEO of SMRT Corporation Ltd between December 2002 to January 2012, Singapore's first multi-modal public transport service provider. During her tenure, she had enhanced the public travel experience in Singapore by introducing commuter-centric initiatives and adding lifestyle conveniences at stations to make public transport a choice mode of travel for all. She also was instrumental in broadening SMRT's geographical footprint as well as establishing SMRT's presence overseas with the opening of offices in the Middle East and China which serve as springboards to opportunities in those regions. For the period 1984 to 2002, Ms. Saw was the Regional

President in charge of businesses in Singapore, Indonesia, and Malaysia for DFS Venture Singapore. Ms. Saw holds a Second Upper Class Honours in Biochemistry from the University of Singapore and has attended the Advanced Management Programme, University of Hawaii.

Ms. Saw is a Director of Hour Glass Limited, listed on the Singapore Stock Exchange.

Manuel A. Pacis. Mr. Pacis, 71, Filipino, has served as Independent Director since April 2011[1]. He was formerly a Vice President for Finance of the Procter & Gamble Company (P&G) in Cincinnati, Ohio and was named Vice President-Comptroller, Internal Controls of P&G Worldwide. As such, among his many functions and responsibilities included leadership for financial auditing, accounting, financial and strategy management of the company. He held positions of increasing responsibility in the Philippines, the US, Mexico, China, and Japan including Chief Financial Officer of P&G Asia, and a Global Business Unit (GBU). He also served as Vice President for Internal Controls Worldwide and Financial Systems Worldwide at P&G. His wide-ranging experiences throughout his business career have included leadership roles in corporate governance, strategic planning, internal audit, management systems / IT, M&A, joint ventures, and finance & accounting. Mr. Pacis graduated with a Bachelor of Business Administration (BBA), magna cum laude, from the University of the East in 1963.

Mr. Pacis is not a Director of any other listed company.

Jose Teodoro L. Limcaoco, Mr. Limcaoco, Filipino, 53, is the Chief Finance Officer and Finance Group Head of Ayala Corporation since April 2015. He is the Chairman of Ayala Healthcare Holdings, Inc., Ayala Hotels, Inc., Darong Agricultural and Development Corporation, Zapfam Inc., and Water Capital Works, Inc. He is President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc. He is a Director of AC Energy Holdings, Inc., Ayala Aviation Corporation, Ayala Education, Inc., Asiacom Philippines, Inc., AG Counselors Corporation, Michigan Holdings, Inc., BPI Globe Banko, LICA Management Inc., and Just For Kids, Inc. and an Independent Director of the SSI Group, Inc. He is a director of Ayala Automotive Holdings Corporation effective January 19, 2016. He joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including President of BPI Family Savings Bank, President of BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He has held prior positions with JP Morgan & Co. and with BZW Asia. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

Mr. Limcaoco is an Independent Director of SSI Group, Inc., listed on the Philippine Stock Excange.

[1] SEC Memorandum Circular No. 9, series of 2011 sets the term limit for independent directors, effective January 2, 2012. Mr. Pacis has served the Company as Independent Director for 3 years and 11 months, and remains qualified to serve the Company as such.

B. Key Officers as of 31 December 2015

The key officers and consultants of the Company are appointed by the Board of Directors and their appointment as officers may be terminated at will by the Board of Directors. The table below shows the name and position of our key officers as of 31 December 2015.

Key Officers – Globe

Name	Position
Ernest L. Cu [1]	President and Chief Executive Officer
Alberto M. de Larrazabal	Chief Commercial Officer
Gil B. Genio	Chief Technology and Information Officer (CTIO), Chief Strategy Officer and Chief Operating Officer for International and Business Markets
Rosemarie Maniego-Eala	Acting Chief Finance Officer, Treasurer, and Chief Risk Officer
Vicente Froilan M. Castelo	General Legal Counsel
Rebecca V. Eclipse	Chief Customer Experience Officer
Carmina J. Herbosa	Chief Audit Executive
Renato M. Jiao	Chief Human Resources Officer
Maria Aurora Sy-Manalang	Chief Information Officer
Marisalve Ciocson-Co	Compliance Officer and Assistant Corporate Secretary and VP, Legal Services
Bernard P. Llamzon	EVP, Consumer Sales
Solomon M. Hermosura	Corporate Secretary

Consultants

Name	Position
Daniel James Horan	Senior Advisor for Consumer Business
Rodolfo A. Salalima	Chief Legal Counsel and Senior Advisor
Robert Tan	Chief Technical Advisor

[1] *Member, Board of Directors.*

Alberto M. de Larrazabal. Mr. de Larrazabal, 60, Filipino, is the Chief Commercial Officer (CCO). As CCO, Mr. de Larrazabal will drive the integration and execution of our strategies across all commercial units, including marketing, sales and channels, and product development for all segments of business. He joined Globe in June 2006 as Head of the Treasury Division. He become the company's Chief Finance Officer in April 2010 . Mr. De Larrazabal has had over two decades of extensive experience as a senior executive in Finance, Business Development, Treasury Operations, Joint Ventures, Mergers and Acquisitions, as well as Investment Banking and Investor Relations. He became the Chief Finance Officer in Prior to joining Globe, he held such positions as VP and CFO of Marsman Drysdale Corp., VP and Head of the Consumer Sector – JP Morgan, Hong Kong, and SVP and CFO of San Miguel Corporation.

***Gil B. Genio*.** Mr. Genio, 56, Filipino, is Globe Telecom's Chief Technology and Information Officer (CTIO). As CTIO, Mr. Genio leads all network, technology and information organizations and drives the overall vision, development and execution of architecture and strategies, proactively responding to our business and market demands. He is concurrently the Chief Strategy Officer. He also performs other legal entity functions for Globe such as CEO of subsidiaries Innove Communications and Bayan, as well as board member of G-Exchange, Globe Capital Ventures, Flipside Publishing Services Inc., Asticom, Global Telehealth Inc., AdSpark and Kickstart Ventures. Among his previous jobs in Globe was Chief Financial Officer, followed by stints as group head for fixed networks, carrier services and business customers. Gil is a Managing Director at Ayala Corporation. Before joining Globe and Ayala, Mr. Genio had spent more than 11 years with Citibank in the Philippines, Singapore, Japan and Hong Kong, with stints in financial control, risk management, product development, audit and market risk management. Mr. Genio obtained a Masters in Business Management, graduating With Distinction, from the Asian Institute of Management. He holds a Bachelor of Science degree in Physics, magna cum laude, from the University of the Philippines. Gil is currently Chairman of GSM Association Asia Pacific

Rosemarie Maniego-Eala. Ms. Eala, 45, Filipino, is the Acting Chief Finance Officer, Treasurer and Chief Risk Officer. She joined Globe in February 1998. Her previous positions in the company were Assistant Vice President for Financial Planning and Analysis, President of G-Xchange Inc. (mobile-commerce subsidiary), and Senior Vice President for International Business. She has had extensive experience in financial planning and analysis, capital markets fund raising, joint ventures, mergers and acquisitions, investor relations, strategic planning, business development, and setting up and managing start-ups. Prior to joining Globe, Ms. Eala was Deputy Research Head for Natwest Markets. Ms. Eala earned her Bachelor of Arts in Management Economics from the Ateneo de Manila University.

Vicente Froilan M. Castelo. Mr. Castelo, 51, Filipino, has served as General Legal Counsel and Head of the Corporate and Legal Services Group of Globe since April 2011. He is a veteran in the practice of law, and is one of the pioneers in the practice of Law in the telecommunications and information communication technology field. He earned his Bachelor of Laws from San Beda College and is the President of the Telecommunications and Broadcast Attorneys of the Philippines. He joined Globe Telecom as the Head of Regulatory Affairs in July 1998.

Rebecca V. Eclipse. Ms. Eclipse, 53, Filipino, is the Chief Customer Experience Officer of the Office of Strategy Management and Customer Experience. She joined Globe in March 1995. Ms. Eclipse has over 25 years of experience in the telecommunications industry, holding key leadership roles in financial management, revenue assurance and fraud, internal controls, business operations to strategy development and management, process and quality management and, more importantly today, customer experience transformation. Prior to this, she also draws from her consulting, risk management, financial management and auditing experience from SGV & Co, as well as Eastern Telecoms and Oceanic Wireless Network.

Carmina J. Herbosa. Ms. Herbosa, 49, Filipino, is the Chief Audit Executive. She joined Globe in February 2012. Ms. Herbosa is a Certified Public Accountant, a Certified Internal Auditor (US CIA) and a Certified Control Self-Assessment Auditor (US CCSA). Ms. Herbosa has more than 15 years of financial and audit experience having held management positions in Procter & Gamble in Asia, Europe, and the US. Prior to joining Globe, Ms. Herbosa was based in China as Senior Director for Internal Audit for Asia and EMEA of Whirlpool Corporation. Ms. Herbosa earned her Bachelor of Science in Business Administration and Accountancy, cum laude, from the University of the Philippines, and her Master of Business Administration from the Kellogg School of Management, Northwestern University.

Renato M. Jiao. Mr. Jiao, 60, Filipino, is the Chief Human Resources Officer. He joined Globe in June 2010. Mr. Jiao has over 30 years of experience in general management and leveraging leading-edge technologies, processes and human capital for competitive advantage. He is a seasoned HR Practitioner with 15 years of experience in multi-functional HR practice areas. Mr. Jiao also held various significant positions in Procter and Gamble (Philippines), Inc. and Procter and Gamble Asia Pte Ltd. Prior to joining Globe, he was President of IBM Business Services, Inc. Mr. Jiao earned his Bachelor of Science degree in Mechanical Engineering from the University of the Philippines.

Maria Aurora Sy-Manalang. Ms. Sy-Manalang, 40, Filipino, is currently the Chief Information Officer. She is a certified Project Management Professional (PMP) with more than 20 years working experience in the Information Technology and Telecommunications industry. Her area of expertise includes project management, platform management, software and product development and management, training, and education. Ms. Sy-Manalang joined Globe in 2005. She has since then handled various leadership roles in the organization, the most recent of which was Head of Product Management. While working with Globe, she has been instrumental in standardizing the product design and delivery process; through her guidance, the Product Management division evolved into an enterprise resource, driving better synergies within and across the organization. Prior to joining Globe, she gained product management experience as IBM/Lotus Product Manager at Tech Pacific, and had overall responsibility for the iPlanet software business of Sun Microsystems in the Philippines (since then re-branded as Sun Java Enterprise System) covering Sales, Pre-sales, Technical Support and Channels. Ms. Sy-Manalang holds a Bachelor of Science degree in Computer Science specializing in Information Technology from De La Salle University, and a Master of Business Administration degree from Ateneo Graduate School of Business.

Marisalve Ciocson-Co. Ms. Co, 45, Filipino, has served as Compliance Officer and Assistant Corporate Secretary of Globe since July 2010. She is also the Vice President of Law and Compliance Division of the Corporate and Legal Services Group. Ms. Co graduated Cum Laude with a degree in

Bachelor of Arts in Political Science from the University of the Philippines-Diliman and received her Juris Doctor (Law) degree from Ateneo de Manila University College of Law.

Bernard P. Llamzon. Mr. Llamzon, 55, Filipino, is the Executive Vice President of Consumer Sales Division since August 2012. He joined Globe in October 2006 to handle Sales and Distribution for wireless products and has since then created a track record of operational excellence and effective execution. Mr. Llamzon is a veteran in the field of Sales and Distribution with significant contributions in the beverage, tobacco and telecommunications industries. Deriving from 27 years of experience, he possesses broad and deeply-applied knowledge on all sales channel types, practices the disciplines of a global company, has a well-developed local network, and has tested leadership over a large sales organization. Mr. Llamzon holds a bachelor's degree in Commerce, major in Business Management from De La Salle University, and has attended the Management Development Program of the Asian Institute of Management and INSEAD's World Class Business Manager Program.

Solomon M. Hermosura. Mr. Hermosura, 53, Filipino, is the Corporate Secretary of Globe. He assumed his role in July 2010. Mr. Hermosura is a Managing Director of Ayala Corporation and a member of its Management Committee and the Ayala Group Management Committee. He is the General Counsel, Corporate Secretary and Compliance Officer of Ayala Corporation, and the CEO of Ayala Group Legal. He also serves as Group General Counsel and Corporate Secretary of Ayala Land, Inc., and as Corporate Secretary of Manila Water Company, Inc., Integrated Micro Electronics, Inc., Ayala Foundation, Inc., and a number of other companies in the Ayala Group; and as member of the Boards of Directors of a number of companies in the Ayala Group. Mr. Hermosura graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

Daniel James Horan. Mr. Horan, 44, Australian, is the Senior Advisor for Consumer Business Group. He joined Globe in December 2013. Mr. Horan, is a Multinational Commercial Director who has lived and worked across seven countries in Asia Pacific, Europe and the Middle East with leading global companies such as Vodafone, AXIS and Sony Corporation, developing a digital lifestyle for consumers and the commercial models. Mr. Horan has been leading digital transformations across these communications companies, partnering with companies like Facebook, Viber, Whats app, Google, Spotify, NBA, Disney and more. Mr. Horan studied in the Henley Management College in United Kingdom and had further management studies from the International Institute for Management Development in Switzerland.

Rodolfo A. Salalima. Mr. Salalima, 68, Filipino, is the Chief Legal Counsel and Senior Advisor. He joined Globe in 1993. Before his current appointment, Mr. Salalima was Globe's Senior Vice President and Head of Corporate and Regulatory Affairs Group and served as its Assistant Corporate Secretary. He had previously worked as a Managing Director of the Ayala Corporation. From 1992 to 1996, he served as the first President, Chairman and Founding Director of the Telecommunications and Broadcast Attorneys of the Philippines, Inc. (TELEBAP). In 2000-2002, he served as President of the Philippine Electronics & Telecommunications Federation, Inc. (PETEF). Mr. Salalima is currently the President of the Philippine Chamber of Telecommunications Operators, Inc. (PCTO) and a Director in the Telecoms Infrastructure Corporation of the Philippines (TELICPHIL) and Innove Communications, Inc. He earned his Bachelor of Laws degree, CUM LAUDE, and Bachelor of Arts degree (Philosophy), Magna Cum Laude, both from the San Beda College, Manila. Presently, he teaches Remedial Law in the San Beda College of Law.

Robert Tan. Mr. Tan, 63, Singaporean, is currently the Chief Technical Advisor for Globe Telecom responsible for managing all the wireless and wireline network to support consumer and business. He successfully implemented the rollout of Globe's large-scale wireless network modernization undertaking and now overseeing the rollout of nationwide deployment of LTE TDD/FDD. Mr. Tan has over 3 decades of professional and executive-level experience in the telecommunications industry within the Asia Pacific Region. Prior to his appointment to Globe in December 2010, Mr. Tan was Head of the Transmission and Facilities Engineering group of SingTel Optus for seven years. He also managed the Mobile Deployment and Support Services group which played a critical role in supporting the explosive growth of the wireless broadband business. He joined SingTel in 1975 where he built his expertise in Transmission and Access Engineering, including extensive experience in technical due diligence work that involves the operational and engineering assessment of companies for acquisition and strategic partnership.

C. Family Relationships

The Chairman, Jaime Augusto Zobel de Ayala and a Director, Fernando Zobel de Ayala, are brothers.

There are no known family relationships between the current members of the Board of Directors and key officers other than the above.

D. Significant Employee

The Company considers all its employees to be significant partners and contributors to the business.

E. Involvement in Certain Legal Proceedings

(1) Directors, Officers - None of the directors, officers or members of the Company's senior management had during the last five years, been subject to any of the following:

(a) any bankruptcy, petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to the time;

(b) any conviction by final judgment of any offense in any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities; and

(d) found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Item 8. Executive Compensation

A. Standard Arrangements

Directors

Article II Section 6 of the Company's By-Laws provides:

"SECTION 6. COMPENSATION OF DIRECTORS - Directors as such may receive, pursuant to a resolution of the stockholders, fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors (As amended on April 12, 2011)."

The stockholders ratified a resolution at its meeting held on 8 April 2014 authorizing the increase in the compensation of Directors, except executive directors, from ₱100,000 to ₱200,000 for every Board meeting and Stockholder's meeting attended. The compensation of Directors will remain at ₱100,000 for every committee meeting attended or such meetings other than those mentioned above. Additionally, executive directors do not receive per-diem remuneration.

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Key Officers

The total annual compensation (salary and other variable pay) of the CEO and other senior officers of the Company (excluding its subsidiaries) amounted to ₱185 million in 2015 and ₱176 million in 2014. The projected total annual compensation for 2016 is ₱197 million.

The total annual compensation paid to all senior personnel (Executives) of the Company (excluding its subsidiaries) amounted to ₱2,103 million in 2015 and ₱1,961 million in 2014. The projected total annual compensation for 2016 is ₱2,261 million.

The total annual compensation for key officers and managers of the Company includes basic salaries, guaranteed bonuses and variable pay (performance-based annual incentive) are shown below.

Name and Principal Position	Year	Salary (in ₱ Millions)	Bonus (in ₱ Millions)	Other Annual Compensation (in ₱ Millions)
Ernest L. Cu[1] President & Chief Executive Officer				
Alberto M. de Larrazabal[1] Chief Commercial Officer[3]				
Rebecca V. Eclipse[1] Chief Customer Experience Officer				
Gil B. Genio[1] Chief Technology and Information Officer[3]				
Renato M. Jiao[1] Chief Human Resource Officer				
CEO & Most Highly Compensated Executive Officers	Actual 2014	87	89	0
	Actual 2015	94	91	0
	Projected 2016	99	98	0
All other officers[2] as a group unnamed	Actual 2014	1,084	877	0
	Actual 2015	1,195	908	0
	Projected 2016	1,293	968	0

[1] CEO & Most Highly Compensated Executive Officers
[2] All Other Executives
[3]Mr. de Larrazabal was appointed as the new Chief Commercial Officer and Mr. Genio as the new Chief Technology and Information Officer effective November 9, 2015.

The above named executive officers are covered by Letters of Appointment with the Company stating therein their respective job functionalities, among others.

B. Other Arrangements

The Globe Group also has stock-based compensation, pension and benefit plans.

Stock Option Plans

The Globe Group has Executive Stock Option Plan (ESOP) and Long-Term Incentive Plan (LTIP). The number of shares allocated under these plans shall not exceed the aggregate equivalent of 6% of the authorized capital stock.

1. Executive Stock Option Plan (ESOP)

The Company offered the Executive Stock Option Plan (ESOP) to the Company's directors and officers including key officers of its subsidiaries since April 2003.

Name	Position	No. of Shares	Date of Grant	Ave Price at date of grant (Offer Price)	Ave Price (Exercise Price)	Balance of outstanding & exercisable options at end of period
Ernest L. Cu	President and Chief Executive Officer					
Alberto M. de Larrazabal	Chief Commercial Officer[1]					
Rebecca V. Eclipse	Chief Customer Experience Officer					
Gil B. Genio	Chief Technology and Information Officer[1]					
Renato M. Jiao	Chief Human Resource Officer					
All above-named Officers as a Group		**0**	**0**	**0**	**0**	**0**

[1] *Mr. de Larrazabal was appointed as the new Chief Commercial Officer and Mr. Genio as the new Chief Technology and Information Officer effective November 9, 2015.*

The Company has not adjusted nor amended the exercise price of the options previously awarded to the above named officers.

The following are the stock option grants to key executives and senior management personnel of the Globe Group under the ESOP from 2003 to 2015:

Date of Grant	Number of Options Granted	Exercise Price	Exercise Dates	Fair Value of Each Option	Fair Value Measurement
April 4, 2003	680,200	547.00 per share	50% of options exercisable from April 4, 2005 to April 14, 2013; the remaining 50% exercisable from April 4, 2006 to April 14, 2013	283.11	Black-Scholes option pricing model
July 1, 2004	803,800	840.75 per share	50% of options exercisable from July 1, 2006 to June 30, 2014; the remaining 50% from July 1, 2007 to June 30, 2014	357.94	Black-Scholes option pricing model
March 24, 2006	749,500	854.75 per share	50% of the options become exercisable from March 24, 2008 to March 23, 2016; the remaining 50% become exercisable from March 24, 2009 to March 23, 2016	292.12	Trinomial option pricing model
May 17, 2007	604,000	1,270.50 per share	50% of the options become exercisable from May 17, 2009 to May 16, 2017, the remaining 50% become exercisable from May 17, 2010 to May 16, 2017	375.89	Trinomial option pricing model

Date of Grant	Number of Options Granted	Exercise Price	Exercise Dates	Fair Value of Each Option	Fair Value Measurement
August 1, 2008	635,750	1,064.00 per share	50% of the options become exercisable from August 1, 2010 to July 31, 2018, the remaining 50% become exercisable from August 1, 2011 to July 31, 2018	305.03	Trinomial option pricing model
October 1, 2009	298,950	993.75 per share	50% of the options become exercisable from October 1, 2011 to September 30, 2019, the remaining 50% become exercisable from October 1, 2012 to September 30, 2019	346.79	Trinomial option pricing model

The exercise price is based on the average quoted market price for the last 20 trading days preceding the approval date of the stock option grant.

A summary of the Globe Group's ESOP activity and related information follows:

	2015		2014		2013	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
	(In Thousand Number of Shares Except per Share Figures)					
Outstanding, at beginning of	**267**	**₱1,068.56**	574	1,087.26	1,366	1,081.01
Exercised	**(16)**	**1,111.62**	(302)	1,109.96	(771)	1,085.79
Expired/forfeited	**-**	**-**	(5)	840.75	(21)	729.82
Outstanding, at end of year	**251**	**₱1,084.20**	267	1,068.56	574	1,087.76
Exercisable, at end of year	**251**	**₱1,084.20**	267	1,068.56	574	1,087.76

The average share prices at dates of exercise of the stock options as in 2015, 2014 and 2013 amounted to ₱2,211.92, ₱1,697.34, and ₱1,586.10, respectively.

As of December 31, 2015 and 2014, the weighted average remaining contractual life of options outstanding is 2.87 years and 3.87 years, respectively.

The following assumptions were used to determine the fair value of the stock options at effective grant dates:

	October 1, 2009	August 1, 2008	May 17, 2007	March 24, 2006	July 1, 2004	April 4, 2003
Share price	₱995.00	₱1,130.00	₱1,340.00	₱930.00	₱835.00	₱580.00
Exercise price	₱993.75	₱1,064.00	₱1,270.50	₱854.75	₱840.75	₱547.00
Expected volatility	48.49%	31.73%	38.14%	29.51%	39.50%	34.64%
Option life	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividends	6.43%	6.64%	4.93%	5.38%	4.31%	2.70%
Risk-free interest rate	8.08%	9.62%	7.04%	10.30%	12.91%	11.46%

The expected volatility measured at the standard deviation of expected share price returns was based on analysis of share prices for the past 365 days. Cost of share-based payments for the years

ended December 31, 2015, 2014 and 2013 amounted to ₱144.86 million, ₱31.84 million, and ₱50.00 million, respectively (See Note 16.6 of the Consolidated Financial Statements).

2. Long-Term Incentive Plan (LTIP)

In November 2014, Globe obtained approval from the Board to implement another Long-Term Incentive Plan (LTIP) also called a Performance Share Plan (PSP). Eligible to this plan are key executives and senior management. Under the PSP, the grantees are awarded a specific number of shares at the start of the performance period and gets vested over a specified performance period and contingent upon the achievement of specified long-term goals.

The following are the stock option grants to key executives and senior management personnel of the Globe Group under the LTIP:

Date of Grant	Number of Grants	Settlement Dates	Fair Value of Each Grant	Fair Value Measurement
January 1, 2014	106,293	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	₱1,630.35	Share Price
January 1, 2015	114,392	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	₱1,738.30	Share Price

Pension Plan

The Globe Group has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The Plan which covers Globe Telecom, Innove and GXI employees is managed and administered by a Board of Trustees (BOT) whose members are unanimously appointed by the Globe Group acting through its BOD, while the BTI Plan is managed and administered by a different retirement committee (BTRC). The BOT and BTRC are authorized to appoint one or more fund managers to hold, invest and reinvest the assets of the Plans and execute an Investment Agreement with the said fund managers. The Plans are held and invested by the fund managers, in accordance with the guidelines set by the BOT and BTRC.

Under the existing regulatory framework, Republic Act 7641 mandates that a retiring qualified private sector employee shall be entitled to receive retirement benefits under any collective bargaining agreement and other agreements, provided that an employee's retirement benefits under said agreements shall not be less than those provided under the same law. In the absence of a retirement plan or agreement providing for retirement benefits of employees in the entity, a qualified private sector employee may retire and shall be paid the retirement pay by the company in accordance with the minimum retirement pay set out in RA 7641.

The components of pension expense (included in staff costs under "General, selling and administrative expenses" account) in the consolidated statements of comprehensive income are as follows:

	2015	2014	2013
(in Thousand Pesos)			
Current service cost	**₱543,248**	₱417,653	₱348,399

The accrued pension is as follows:

	2015	2014
(in Thousand Pesos)		
Present value of benefit obligation	**₱6,481,297**	₱5,236,037

Fair value of plan assets	**(3,263,513)**	(2,914,842)
Liabilities recognized in the consolidated statements of financial position	**₱3,217,784**	₱2,321,195

The following tables present the changes in the present value of defined benefit obligation and fair value of plan assets:

Present value of defined benefit obligation

	2015	2014
(in Thousand Pesos)		
Balance at beginning of year	**₱5,236,037**	₱4,262,206
Acquired on acquisition of a subsidiary	**762,121**	–
Derecognized upon sale of controlling interest in Yondu	**(12,279)**	–
Current service cost	**543,248**	417,653
Past service cost	**(518,736)**	-
Interest cost	**247,376**	208,358
Benefits paid from plan assets	**(84,284)**	(106,988)
Remeasurements in other comprehensive income:		
Changes in demographic assumptions	**14,390**	336,002
Experience adjustments	**329,424**	118,806
Balance at end of year	**₱6,481,297**	₱5,236,037

Fair value of plan assets

	2015	2014
(in Thousand Pesos)		
Balance at beginning of year	**₱2,914,842**	₱2,654,907
Acquired on acquisition of a subsidiary	**209,793**	–
Derecognized upon sale of controlling interest in Yondu	**(5,001)**	–
Return on plan assets (excluding amount included in net interest)	**(25,889)**	56,877
Contributions	**217,484**	172,440
Benefits paid	**(84,284)**	(106,988)
Interest income on plan assets	**136,079**	137,606
Settlements	**(98,288)**	–
Actuarial gains (losses)	**(1,223)**	–
Balance at end of year	**₱3,263,513**	₱2,914,842
Actual Return on Plan Assets	**₱108,966**	₱194,483

The recommended contribution for the Globe Group retirement fund for the year 2016 amounted to ₱521.06 million. This amount is based on the Globe Group's actuarial valuation report as of December 31, 2015.

As of December 31, 2015 and 2014, the allocation of the fair value of the plan assets of the Globe Group follows:

	2015	2014
(in Thousand Pesos)		
Cash and cash equivalents	**₱211,003**	₱148,746
Loans receivables	**969,321**	968,000
Investments in fixed income securities:		
Government	**886,907**	796,424
Corporate	**341,576**	200,488
Loans	**5,038**	4,945
Others	**55,931**	128,035
Investments in equity shares		

Quoted		
Holding firm	**250,004**	164,202
Property	**153,471**	133,920
Industrial	**142,527**	123,543
Financials	**118,725**	88,342
Mining and oils	**11,821**	30,550
Others	**63,382**	95,647
Unquoted	**1,022,002**	1,000,000
Liabilities	**(968,195)**	(968,000)
	₱3,263,513	₱2,914,842

The assumptions used to determine pension benefits of Globe Group are as follows:

	2015	2014
Discount rate	**3.16%-4.50%**	4.50%
Salary rate increase	**4.50%-5.00%**	4.50%

The assumptions regarding future mortality rates are based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rate for males and females.

In 2015 and 2014, the Globe Group applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2015 and 2014, assuming if all other assumptions were held constant:

December 31, 2015

	Increase (decrease)	**Impact on defined benefit obligation Increase (decrease)**
		(In Thousand Pesos)
Discount rates	**+0.50%**	**(₱410,410)**
	-0.50%	**453,299**
Future salary increases	**+1%**	**941,362**
	-1%	**(787,204)**
Mortality	**+10%**	**(1,243)**
	-10%	**1,243**

December 31, 2014

	Increase (decrease)	Impact on defined benefit obligation Increase (decrease)
		(In Thousand Pesos)
Discount rates	+0.50%	(₱335,974)
	-0.50%	370,470
Future salary increases	+1%	772,823
	-1%	(646,860)
Mortality	+10%	(1,044)
	-10%	1,044

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The objective of the plan's portfolio is capital preservation by earning higher than regular deposit rates over a long period given a small degree of risk on principal and interest. Asset purchases

and sales are determined by the plan's investment managers, who have been given discretionary authority to manage the distribution of assets to achieve the plan's investment objectives. The compliance with target asset allocations and composition of the investment portfolio is monitored by the BOT on a regular basis.

The defined benefit retirement plan is funded by the participating companies, namely Globe, Innove and G-Xchange. The plan contributions are based on the actuarial present value of accumulated plan benefits and fair value of plan assets are determined using an independent actuarial valuation.

The average duration of the defined benefit obligation at the end of the reporting period is 17.67 years in 2015 and 17.38 years in 2014.

Item 9. Security Ownership of Certain Record, Beneficial Owners & Management

A. Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of 31 December 2015

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% of total o/s shares[6]
Voting Preferred	Asiacom Philippines, Inc. [1] 34/F Tower 1 Bldg.,Ayala Ave.,Makati City	Asiacom Philippines, Inc. (hereafter, "Asiacom")	Filipino	158,515,016	50.93%
Common	Singapore Telecom Int'l. Pte. Ltd. (STI) [2] 31 Exeter Road, Comcentre, Singapore	Singapore Telecom Int'l. Pte. Ltd.	Singaporean	62,646,487	20.13%
Common	Ayala Corporation [3] 34/F Tower 1 Bldg.Ayala Ave., Makati City	Ayala Corporation ("AC")	Filipino	40,351,591	12.96%
Common	PCD Nominee Corp. (Non-Filipino) [4] G/F Makati Stock Exch. Bldg.,Ayala Avenue, Makati City	PCD Participants acting for themselves or for their customers [5]	Various	19,906,739	6.40%
Non-Voting	PCD Nominee Corp. (Filipino) G/F Makati Stock Exch. Bldg.,Ayala Avenue, Makati City	PCD Participants acting for themselves or for their customers	Various Filipino	19,850,950	6.38%

[1] Asiacom Philippines, Inc. ("Asiacom") is a significant shareholder of the Company. As per the Asiacom By-laws and the Corporation Code, the Board of Directors of Asiacom has the power to decide how the Asiacom shares in Globe are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

[2] STI, a wholly-owned subsidiary of SingTel (Singapore Telecom), is a significant shareholder of the Company. As per its By-laws, STI, through its appointed corporate representatives, has the power to decide how the STI shares in Globe are to be voted. Mr. Tay Soo Meng has been named and appointed to exercise the voting power.

[3] Ayala Corporation ("AC") is a significant shareholder of the Company. As per the AC By-laws & the Corporation Code, the Board of Directors of AC has the power to decide how AC shares in Globe are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

[4] The PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. and is not related to the Company.

[5] Each beneficial owner of shares through a PCD participant will be the beneficial owner to the extent of the number of shares in his account with the PCD participant. None of the 19,906,739 common shares registered in the name of PCD Nominee Corporation (Non-Filipino) beneficially owns more than 5% of the Company's common shares.

6 Total outstanding shares includes common, voting preferred and non-voting preferred shares.

B. Security Ownership of Directors and Management (Corporate Officers) as of 31 December 2015

Title of Class	*Name of Beneficial Owner*	*Amount and Nature of Beneficial Ownership*	*Citizenship*	*Percent of Total Outstanding Shares*
Directors				
Common (direct)	Jaime Augusto Zobel de Ayala	2	Filipino	0.00%
Common (indirect)		1		0.00%
Common (direct)	Delfin L. Lazaro	1	Filipino	0.00%
Non-voting Preferred (indirect)		2,800		0.00%
Common (indirect)	Mark Chong Chin Kok	2	Singaporean	0.00%

Common (indirect)	Fernando Zobel de Ayala	1	Filipino	0.00%
Common (direct)	Gerardo C. Ablaza, Jr.	22,741	Filipino	0.01%
Common (indirect)		38,974		0.01%
Common (indirect)	Romeo L. Bernardo	500	Filipino	0.00%
Voting Preferred (indirect)		1		0.00%
Voting Preferred (direct)	Saw Phaik Hwa	1	Singaporean	0.00%
Common (direct)	Samba Natarajan	2	US Citizen	0.00%
Common (indirect)	Manuel A. Pacis	100	Filipino	0.00%
Voting Preferred (direct)		1		0.00%
Voting Preferred (direct)	Rex Ma. A. Mendoza	1	Filipino	0.00%
Common (direct)	Ernest L. Cu	65,255	Filipino	0.02%
Common (indirect)		4,000		0.00%
Voting Preferred (direct)		1		0.00%
Non-voting Preferred (indirect)		16,700		0.01%
Officers				
Common (direct)	Ernest L. Cu	65,255	Filipino	0.02%
Common (indirect)		4,000		0.00%
Voting Preferred (direct)		1		0.00%
Non-voting Preferred (indirect)		16,700		0.01%
Common (indirect)	Rebecca V. Eclipse	18,915	Filipino	0.01%
Non-voting Preferred (direct)		4,000		0.00%
Common (indirect)	Gil B. Genio	51,838	Filipino	0.02%
Non-voting Preferred (direct)		2,000		0.00%
Common (direct)	Alberto M. de Larrazabal	4,322	Filipino	0.00%
Common (indirect)		2,000		0.00%
Non-voting Preferred (direct)		2,000		0.00%
Common (direct)	Marisalve Ciocson-Co	1,539	Filipino	0.00%
Common (direct)	Vicente Froilan M. Castelo	814	Filipino	0.00%
Non-voting Preferred (direct)	Carmina J. Herbosa	2,000	Filipino	0.00%
Common (direct)	Maria Aurora L. Sy-Manalang	179	Filipino	0.00%
Common (indirect)	Rosemarie Maniego-Eala	3	Filipino	0.00%
Common (direct)	Renato M. Jiao	130	Filipino	0.00%
Common (direct)	Solomon M. Hermosura	20	Filipino	0.00%
All Directors and Officers as a group		**240,844**		**0.08%**

None of the members of the Company's directors and management own 2% or more of the outstanding capital stock of the Company.

Item 10. Certain Relationships and Related Transactions

For more information, refer to Note 16 of the attached 2015 Notes to the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

Please refer to the attached Annual Corporate Governance Report (ACGR) and our Annual & Sustainability Report (ASR).

In compliance with SEC Memorandum Circular No. 5, Series of 2013 on the ACGR supported by SEC Advisory dated 17 March 2016 on the Submission of the ACGR together with the Annual Report, the Corporate Governance section of our Annual Report (SEC Form 17-A) has been replaced by our submission of the ACGR and ASR attached herein.

All our regulatory reports and disclosures are also available on our company website (www.globe.com.ph). We have dedicated specific pages of our website for the posting of these reports for the easy reference of our customers, shareholders and other stakeholders. These pages include, but are not limited to the following:

i. SEC and PSE Disclosures including the SEC Form 17-A, Annual Audited Financial Statements, Annual Information Statement (SEC Form 20-IS) and the General Information Sheet (GIS) under the Investor Relations Page, among others: http://www.globe.com.ph/investor-relations/sec-filings/annual-report-17a

ii. Annual Corporate Governance Report (ACGR): http://www.globe.com.ph/corporate-governance/acgr

iii. Annual and Sustainability Reports (ASRs): http://www.globe.com.ph/investor-relations/annual-sustainability-reports/

iv. ASEAN Corporate Governance Scorecard (ACGS): http://www.globe.com.ph/corporate-governance/acgs

v. Annual Stockholders' Meetings (ASMs): http://www.globe.com.ph/corporate-governance/annual-stockholders-meetings

vi. Dividend Policy and Historical Dividends: http://www.globe.com.ph/investor-relations/stock-info/dividend-policy; http://www.globe.com.ph/investor-relations/stock-info/historical-dividends

vii. Reports and Certifications: http://www.globe.com.ph/corporate-governance/reports-and-certifications

viii. Related Party Transactions (RPTs): http://www.globe.com.ph/corporate-governance/related-party-transactions

PART V – SUSTAINABILITY

Item 11. Environmental Impact

ENERGY EFFICIENCY

Climate change poses a real threat to humankind as the resulting change in weather patterns, rise in sea levels, and its impact on the world's oceans could lead to loss of homes and livelihood, death of fish and other sea creatures, and even conflict.

The Philippines is one of the 10 countries most affected by disasters caused by climate change based on data from the 2015 Global Climate Risk Index. It thus led 19 other countries--collectively called the Vulnerable 20 (V20) group--in October to prepare financially for disasters and improve the disbursement of public and private funds in those situations.

More significantly, nearly 200 countries came together in Paris, France in December to adopt the historic Paris Agreement. It aims to maintain the rise in global temperature under 2^0C, and to work further in limiting the increase to just 1.5^0C above levels before the Industrial Revolution that began in the mid-18th century.

Globe works in solidarity with the rest of the world in ensuring that we take better care of the planet for the sake of the generations that will come after us. Thus, the company makes every effort to ensure that even as it improves infrastructure to meet the current and future needs of our customers, it is done without compromising the welfare of the environment.

Over the past several years, there has been a steady rise in customers demand. As the country's leading telecommunications provider, Globe takes all the necessary steps in order to meet their demand and ensure that its infrastructure is ready to respond to their current and future needs.

However, these improvements and expansion often require a tremendous amount of energy. In fact, a huge bulk of Globe's operational expenses come from the energy consumption of its sites. In 2015, the total energy consumption from operations reached 384 million kWh, 9.52% higher than the previous year, due to an increase number of sites and upgrades done at some facilities such as installation of additional resources for WiFi, local exchange carrier (LEC), and WiMAX to respond to the needs of customers. The company has thus undertaken programs that enable it to identify solutions that can make its sites run more efficiently.

Electricity consumption (in kWh)	2014	2015
Operations (owned and leased facilities)	351,159,083.9	384,584,462.6

One way Globe has done this is to revisit existing legacy sites. Through analysis and field visits, the company was able to develop solutions and quick fixes that will be applied to all sites. Through the company's pilot program, these solutions yielded an average of 1.6kW reduction in energy consumption per site. This translated to a 23% average decrease in consumption in the pilot sites. At ₱10/kWh, this translates to approximately ₱384 per day or ₱11,500 per month of savings. Globe also implemented solutions such as shutting down legacy equipment, migrating equipment outdoor, and optimizing existing free-cooling system, cabin vacation, and air-con shutdown.
Another step Globe undertook was using the new SingleSON (self-optimizing network) solution that allows automatic near-real time diagnostics of Globe's mobile broadband network and optimizing it intelligently. It means less equipments are needed to manage complex networks while delivering a great network experience to customers. Powered by a SONMaster as the core product and engine, it detects coverage problems and adjusts radio frequency parameters automatically.

Improvements don't stop at the company's outdoor network infrastructure. Globe also looks into its in-building sites' design and operating models and optimizes the design according to the demand of the building or floor type, from putting equipment on standby mode to shutting down legacy equipment.

Globe further complements these measures by shifting its power generators from traditional lead batteries to more environment-friendly power sources such as deep cycle batteries, lithium ion batteries, diesel hybrid power units that cut diesel fuel usage compared to traditional generator sets, and fuel cells

that eliminate the use of diesel altogether. All these ensure that the company addresses its challenge in energy consumption in a way that doesn't harm the environment.

Fuel consumption from generators (in liters)	**2014**	**2015**
Diesel	11,171,497.6	8,451,856.5
Gasoline	38,820.1	10,729.0
Total	**11,210,317.7**	**8,462,585.5**

Green Solutions	**# of sites**
Direct Current Hybrid Power Unit (DC-HPU)	16
Free Cooling System (FCS)	577
Fuel Cell Batteries	35
Lithium Ion Batteries	455
Total	**1,083**

GHG emissions (in tonnes CO2e)	**2014**	**2015**
Transport Vehicles	10,479.5	11,028.1
Gensets	34,110.5	25,751.8
Scope 1 – from total fuel consumed	44,590.0	36,779.9
Scope 2 – purchased electricity	199,126.8	216,345.9
Scope 3 – business travel via air	1,743.3	2,247.4
Total	**245,460.1**	**255,373.2**

WASTE MANAGEMENT

In its publication, “Chemicals and Waste Management for Sustainable Development”, the United Nations Development Program talks about humanity’s dependence on the earth’s resources for its survival. Contrary to what many believe, the planet has limited supply of food, water, and other natural resources for everyone. This supply is further diminished when people carelessly dump waste and other hazardous materials in the environment. Globe tries to make a difference by collecting waste we generate and recycle those that we can.

As Globe continues to expand its range of products and services to better serve its customers, the company strives to do so without creating a negative impact on their health and the environment. Globe also takes a close look into our entire value chain, identify which areas produce waste--specifically solid, electronic, and hazardous waste--and ensure that these are handled correctly. From infrastructure to products that have reached their end-of-life, the company finds ways to collect and properly dispose of them. This commitment is cemented in Globe’s Environmental Sustainability Policy, which guides the company in protecting the environment around its areas of operations, managing its industrial waste, developing environmentally friendly products and services, and minimizing its carbon footprint.

Globe understands that by continuing to upgrade its network and the increased penetration of mobile phones into the mainstream market, electronic waste or e-waste poses an even bigger environmental threat because this contains hazardous metals such as lead, mercury, and cadmium. This is where the company’s e-waste recycling program called Project 1Phone, which was rolled out in 2014, comes in. In this project, e-waste is collected from the company’s operations and customers and the whole lot is transported to the company’s accredited partner Total Environment Solutions Asset Material Management (TES-AMM) in the Philippines. After weigh-in, TES-AMM Philippines now ships the waste to TES-AMM Singapore for proper recycling. This year, Globe further increased the e-waste collected by partnering with Huawei, Aboitiz, Coca-Cola, and JPMorgan Chase & Co. among others, resulting in 124,572.19 kg of e-waste generated, up by 56% compared to last year’s 79,968.20 kg.

Another hazardous waste that is crucial to operations are lead acid batteries from the company’s towers, which are also collected and disposed of carefully. Compared to the previous year, there was a 73.5% drop in the disposal of used lead acid batteries generated from 222,857 kg to 58,926 kg in 2015. This was due to a delay in the renewal of contract with the company’s accredited recycler, Oriental & Motolite Marketing Corporation (OMMC). These batteries are currently in staging facilities and are scheduled for disposal in the first quarter of 2016.

Meanwhile, there was an increase in the busted fluorescent lamps generated from 1,125 in 2014 to 5,018 in 2015 from which the company generated 200,720 mg of liquid mercury. This was mainly due to Globe's proactive move to LED lights in our various facilities. Used oil is another form of waste that the company collects and treats. This year, 844 L of used oil was collected, down from 3,728 L in 2014 due to a delay in the company's agreement with Genetron International. Currently, the collected used oil is stored at staging facilities and is scheduled for hauling in the first quarter of 2016.

Globe also began to generate and collect grease waste in 2015 due to the opening of cafeterias in our TGT Fort sites. The company makes sure that its housekeeping partners collect these in drums regularly, and safely store these in the company's materials recovery facility, then disposed of by its accredited partner for waste management. This follows the same practice applied to other types of waste that the company generates, such as busted fluorescent tubes and used oil.

Solid wastes generated and weight by type (in tonnes)[1]	**2014**	**2015**
Recyclables	20.2	24.2
Residuals	77.5	172.0
Total	**97.7**	**196.2**

Waste diverted from landfill (in percentage)	**2014**	**2015**
Operations	21	12

Hazardous wastes generated and weight by type (in kg)	**2014**	**2015**
Used lead acid battery[2]	222,857.0	58,926.0
Grease waste[3]	-	8,848.5
Electronic waste[4]	79,968.2	124,572.2
Total	**97.7**	**196.2**

Used oil generated (in liters)[5]	**2014**	**2015**
Used oil disposed and treated	3,728	844

Other hazardous wastes generated (in pcs)	**2014**	**2015**
Busted fluorescent lamps[6]	1,125	5,018
Used cartridges[7]	1,263	1,179

[1] In 2015, solid waste from TGT Cebu was included. This was on top of the four sites mentioned in 2014 - Globe Telecom Pioneer, Valero Telepark, GT-IT Plaza and TGT Fort.
[2] All Globe sites which produce lead acid batteries
[3] TGT Fort only
[4] All Globe sites which produce electronic wastes
[5] All Globe sites which generate oil
[6] All Globe sites which use fluorescent lamps
[7] All Globe sites which use printer cartridges

Globe also believes in setting a good example to its customers so that they too may be inspired to take better care of the environment. Al regular employees who was issued a postpaid plan are automatically enrolled to the billing on mobile program, also known as paperless billing. By being in the program, the company eliminates paper waste by enabling customers to view their bill on their phones, tablet, or desktop, and enjoy the convenience of getting their bill on time. The company has also pushed its customers to sign up for the same program through raffles and promos. Part of the ongoing initiative of paperless campaign since 2013, 2015 saw an increase in customers who now prefers to receive their bills online. The company also saw a 59.9% reduction of paper usage just from last year alone.

	2014	2015
Subscribers on paperless billing	1,095,499	1,751,223
Total number of subscribers	3,475,769	3,828,956
Total number of paper saved (pcs)	4,381,996	7,004,892
No. of reams (based on 500pcs per ream)	8,764	14,010
Total weight (based on 2kg per ream)	17,528	28,020
No, of trees saved per ton of paper recycled (annual)	5,048	8,070

Globe also makes its business customers part of its endeavor to protect the environment by encouraging them to use the Canvas application. It can reduce or do away with their need for traditional paperwork. Users of the app can choose from 14,000 apps that range from inspection forms to work orders to surveys, which can help cut their paper costs by up to 75% and achieve productivity savings of approximately ₱175,000 per user annually.

Item 12. People Management

Globe treats its employees and customers, as one family, collectively called Ka-Globe. Rooted from the company's Circle of Happiness, Globe's engaged employees will do what it takes to delight customers by adopting a new service culture. The company has gained the commitment of every employee to put the customer first and to deliver a wonderful service.

EMPLOYEE ENGAGEMENT

As Globe continues to work together in transforming its culture, measurement of employee engagement continues to evolve as well. A satisfaction metric is no longer enough as it only measures how an employee feels about their job and certain conditions within their employment, while engagement refers to employees' commitment and connection to work as measured by the amount of discretionary effort they are willing to expend on behalf of their employer. Moving beyond employee satisfaction, we look for engaged, enabled, and energized employees to deliver their best performance, and sustain it over time.

In 2015, Globe once again received above norm of an overall sustainable engagement score of 89%, 2% higher than 2014.

Philippine National Norm	Global Telecommunications	Global High Performing
+4	+7	+5

EMPLOYEE DEVELOPMENT

Globe believes that education is a great equalizer. Every employee is believed to have leadership potential regardless of their rank and stature. The company thus gives every Globe employee access to continuous learning development through Globe University. It develops their leadership and managerial skills, giving them a competitive advantage in their area of expertise. To further strengthen its commitment to this initiative, the company has come up with new programs and courses in 2015 and renovated the entire fifth floor of its old office, Globe Telecom Pioneer, to its very own Globe University. This provides employees with an environment more conducive to learning, and at the same time enables Globe to increase the number of employees it can accommodate.

Anchored on Globe's leadership and functional competencies, the company has introduced five new academies--Sales and Marketing, Technical, Leadership, Professional Development, and Culture--to build competencies and to accelerate talent pools necessary in setting up for the next Globe. This initiative has resulted in a 120% increase in total employee training hours in 2015 compared to 2014, based on the ratio of training hours per headcount.

Training hours per employee	2014	2015
Total training hours provided to Executives and Heads	4,163	5,564
Total number of Executives and Heads	429	464
Total training hours provided to Managers and Senior Specialists	38,622	96,324
Total number of Managers and Senior Specialists	3,406	3,828
Total training hours provided to Specialists and CBUs	17,120	46,468
Total number of Specialists and CBUs	2,347	2,572

SAFE AND HEALTHY WORKPLACE

Globe employees are integral to Globe's success as a company. Thus, the company puts a premium on ensuring their health and safety in their place of work and even outside of it. This is done through strict adherence to government's Occupational Safety and Health (OSH) standards and the OHSAS 18001 Occupational Health & Safety Management Systems Standards, as well as a host of other related programs.

The company currently has two OHSAS-certified facilities--its Valero office and GTI. However, the same safety practices and standards apply to the company's other sites as well. This ensures that the company minimizes everyone's exposure to risk and accidents, including contractors, vendors, visitors to our sites, and our employees. There has been a decrease in incidents/accidents (165 in 2015 vs. 221 in 2014) from regular Globe employees because of proactive OHSAS standard implementation and safety training courses.

Globe's Occupational Safety and Health Policy guides the company in protecting the health and safety of its employees and the surrounding communities where it operates. Part of implementing this policy is the annual physical examination (APE) that all employees are required to have. In 2015, 97% of eligible employees took control of their health through availment of their APE. The company's in-house health adviser then uses the result of the examination to provide personalised wellness programs to each employee and the quarterly consultations that track the progress of the program. In September, the company also introduced a licensed dietician who can guide employees on how to eat right based on their specific circumstances. As of end 2015, 122 employees engaged with the dietitian to jump start a healthier lifestyle. Meanwhile, the company's partnership with Maxicare ensures that employees get the best in-patient and outpatient coverage they deserve.

There are various employee engagement activities as well to promote the wellbeing of Globe employees. Those who are housed in the Globe Tower have access to an indoor gym with daily specialized classes ranging from Yoga to TRX. Another alternative, employees can also get special discounts at leading gyms through its partnership with the likes of Fitness First and Gold's Gym. Those who love sports can also join competitions such as the Ayala Group-wide sportsfest, basketball and bowling tournaments.

With regard to safety, the company disseminates and makes public to its employees, through its intranet, a Safety, Health, and Environmental Management System (SHEMS) manual that covers mitigation of operational risks and a proactive approach to creating a safer workplace, such as correct ergonomics at work and avoiding serious illnesses. Globe also assigned and trained around 15% of total employees to assess all health and safety hazards in the workplace and communities; and proactively create programs to address these incidents.

	2014	2015
Total No. of Health & Safety Committee Members	696	769
Total No. of Employees	6,182	6,864

Aside from the Health & Safety Committee, regular safety drills and trainings are also performed to ingrain in each employee best practices and standards that must be followed in case of an emergency. Throughout the year, Globe has conducted training courses which spread out in 17 batches with a total of 240 participants composed of regular employees in 2015.

Training courses provided throughout the year include:

- Defensive driving
- Defensive driving for off-road
- Industrial climbing, hauling, and rope access
- Industrial first-aid and basic life support
- Water safety and rescue
- Emergency preparedness and response for Stores
- Articulated vehicle: Driving course

The most significant drill of the year was the company's participation in the Shake Drill led by the Metro Manila Development Authority held on July 30. It was a Metro Manila-wide simulation of a 7.2-Magnitude earthquake originating from the West Valley Fault System in the National Capital Region. A total of 17 sites participated in this drill--11 of which are Globe sites and the remaining six being Bayantel sites--and involved over 7,000 employees, occupants, and visitors in those sites. It was the first time this type of drill was conducted on this scale, and it featured high employee turnout, especially in The Globe Tower (98%), Globe Telecom Pioneer (94%), and Valero Telepark (89%).

WORKFORCE STATISTICS

Globe promotes a culture of collaboration in diversity, which gives a significant edge as customers shift to a digital lifestyle. Through this kind of culture, the company is able to draw from a wide range of ideas and experiences that help shape products and services that are better suited to what customers need.

Globe welcomes every employee regardless of their gender, age, religion or ethnicity. The company's full-time employees of approximately 6,800, 11% higher than the previous year due to the Bayantel merger, is almost evenly balanced as 53% are male, while the remaining 47% are female. At the board level, one female executive sits as independent director. In addition, five of Globe's 11 key officers are female, proof that both men and women receive equal opportunities in the organization.

Composition of Employees

	Total Headcount	**Percentage**
By Age		
Under 30	1,543	22%
30-50	5,116	75%
Over 50	205	3%
By Region		
Luzon	5,772	84%
Visayas	656	10%
Mindanao	436	6%

Number and Rate of Employee Turnover

	2014	**2015**
By Gender		
Male	286	302
Female	226	297
By Age		
Under 30	165	172
30-50	326	402
Over 50	21	25
By Region		
Luzon	434	497
Visayas	48	58
Mindanao	30	44

Under the internal employee tiering, Globe recognizes the right of employees to form organization for the purpose of collective bargaining. In Globe, employees under its collective bargaining unit (CBU) are part of Globe Telecom Employees' Union - Federation of Free Workers (GTEU-FFW). These ensures the company's compliance to the Department of Labor and Employment's Collective Bargaining Agreement (CBA). And part of the CBA, there is a Labor Management Council, a venue where Management and the Union, discuss and resolve issues pertaining to productivity, policy, and customer service. A grievance committee is also established to process any grievance that may arise from time to time in accordance with the grievance machinery. We do not discriminate, interfere, restrain or coerce any CBU in exercising their right as a member of the union.

Item 13. Societal Impact

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) lies at the heart of Globe Telecom. The company believes that integrating business with social responsibility makes the Globe brand meaningful for customers. At Globe, CSR is not only about doing programs for environment care, human and community development, but also to express genuine and innate care. Through Bridging Communities, Globe is committed to creating shared value for its customers, communities and business.

Aligned with the company's Corporate Social Responsibility (CSR) policy, Globe aims to transform and empower underserved communities through innovative solutions in order to nurture a better environment. Globe also adopts the best practices of the international standard for social responsibility, ISO 26000. Doing so enables the company to drive sustainability across the organization and seek continuous innovative solutions in creating a wonderful world. The standard also serves as a guide in integrating the company's social and environmental initiatives with its core business strategy to be a sustainable organization.

Making Healthcare Affordable and Accessible

Any society that aims to be productive and innovative relies on healthy citizens. But with under-resourced public hospitals, poor health infrastructure, costly medical consultations, and only 70,000 doctors serving a population of some 100 million, providing basic and affordable healthcare in the Philippines remains to be an enormous challenge.

In August, Globe launched KonsultaMD nationwide, its first foray into the life services industry. Subscriber of the service enjoy 24/7 service manned by licensed Filipino doctors that provide medical assessment, basic healthcare, and permissible medication over the phone.

Sufficient number of doctors are on duty to cover three shifts to provide advice on cases relating to general and family health, pediatrics, and general medical inquiries. From its soft launch in July, KonsultaMD has over 16,000 active subscribers and have answered a total of 951 successful health-related consultations.

For as little as ₱150, Globe postpaid subscribers can enroll up to four household members to the program. Meanwhile, prepaid subscribers can enroll themselves for as little as ₱15 per week, ₱60 per month, ₱120 for two months, or ₱180 for 3 months. Calls made from Globe landline phones nationwide are free while calls from Globe or TM mobile phones are charged at only ₱ 1 per minute. Calls made from non-Globe landlines within Metro Manila are free while calls from outside Metro Manila are charged regular NDD rates. Similarly, calls from non-Globe or non-TM mobile phones are charged regular cross network rates.

KonsultaMD was made possible through Globe's partnership with Salud Interactiva, a company that has been in the telehealth business in Mexico for 20 years. This enables the company to combine its ICT expertise with their industry experience to create healthcare solutions that will truly benefit Filipinos, especially those who lack sufficient access to basic health services.

In addition to KonsultaMD, Globe has made two strategic investments in the healthtech sector through its wholly-owned subsidiary, Kickstart Ventures.

First is Lifetrack Medical Systems, which is a digital healthcare startup that makes radiology readings from x-rays, CT scans, and MRIs more accessible and affordable through their unique radiology software platform. This helps address the shortage in the number of qualified radiology technicians around the world, particularly emerging markets like the Philippines. Kickstart has also invested in Medix, a cloud-based clinic management service. Initially designed for dental practices, it has eventually developed an electronic medical record platform that's already being used in hospitals and clinics in the Philippines, in addition to being the system used by the Ayala Corporation's chain of community clinics called Family Doc.

Expanding Avenues of Learning

A nation's economic development depends largely on the level and quality of education of its citizens. When they receive better education and achieve higher levels of learning, they have better chances of moving up the economic ladder.

Developments in technology, particularly mobile internet adoption and the availability of affordable data-capable phones and tablets, have made it easier for both students and teachers to access a vast library of information previously out of their reach. Students can go beyond what they learned in the classroom with just a few clicks. Teachers benefit, too, because the information they get from the internet can make for more interesting and enriching lessons. Meanwhile, tablets and internet-capable phones enable anyone to access the information they need whenever and wherever possible.

However, figures from the Department of Education (DepEd) Education Management Information System Division show that only 12,121 or 25.9% of the country's 46,739 public schools have internet access--7,800 for elementary schools and 4,321 for high schools. This means that more than three quarters of public schools are missing out on the benefits that having internet access provides. Lack of adequate infrastructure is one of the reason for this, which consequently slows down the progression of our country's human capital.

Globe has been a longtime advocate of education. This pushed the company to give Filipinos--especially those who are underprivileged yet deserving--more access to educational opportunities through ICT and setting up an environment that's conducive to learning.

Text2Teach, in partnership with Ayala Foundation, is Globe’s first large-scale effort in advancing mobile learning to boost quality education since 2008. Using its network, teachers can access, download and store videos and materials for Grade 5 and 6 students in subjects around english, math, science and values education to their mobile devices and connect it to a normal TV or a video projector to play the videos to a class. With a wide selection of materials, the program truly makes significant contribution in the learning of the underserved schools and communities in the country. To date, there are 1,493 Text2Teach recipient schools with 7,465 trained teachers, benefitting 315,600 students.

Then there is the Global Filipino School (GFS) program. Since 2012, this has transformed select public schools into centers of ICT excellence and create teacher training hubs that aim to increase understanding and effective usage of ICT in the classroom.

As of end 2014, Globe has transformed a total of 11 schools into GFS across the country, including Bilar National High School in Bohol, City Central in Cagayan de Oro City, and New Ormoc National High School in Ormoc City; benefiting an estimated 32,000 students nationwide. Through its partnership with the DepEd and selected public schools, the company been able to provide unparalleled online connectivity, a Globe Mobile Laboratory package, and 21st Century Teaching Methods using ICT in the classroom. Before the year ended, Globe closed a partnership with Ayala Foundation, Inc. to connect 9 more schools nationwide into GFS; totaling to 20 schools in 2015.

The 21st Century Teaching Method is based on P21's Framework for 21st Century Learning. This defines and shows student outcomes or the skills and knowledge that students need to succeed in the 21st century, not only in the classroom but also in their work, life, and in the society in which they live. Support systems complement these outcomes, which ensure students master the skills required of them.

The GFS falls under two student outcomes--Learning and Innovation Skills, and Information, Media, and Technology Skills. With Learning and Innovation Skills, students are trained to be creative, think critically, communicate, and collaborate in preparation for a more complex work and life environments ahead of them. Meanwhile, the Information, Media, and Technology Skills outcome helps students use the wealth of information available to them today more effectively. These outcomes are supported by 21st Century Learning Environments, the support system which aims to provide all students with equal access to "quality learning tools, technologies, and resources" among other things.

Teachers are also trained on ICT education and project-based learning through Global Filipino Teachers (GFT) program so they can maximize the resources provided to their school. To further extend quality education, mentors impart their 21st century teaching skills to their peers through the GFT lead program. To date, Globe was able to train 781 teachers from the program, 279 were trained by GFT Teachers and 502 were trained by the company's partner Coalition for Better Education (CBE).

Apart from preparing public schools for 21st century learning, Globe also find ways to showcase how technology can make learning even more exciting. In partnership with The Mind Museum, the company developed a mobile application called The Mind Museum App to increase interest in science and an appreciation towards the different initiatives that The Mind Museum accomplishes. Launched during World Teachers' Day in October 5, the app features a guide on its 250 different exhibit pieces, questions ranging from K to 12 topics that stir students' curiosity, and do-it-yourself experiments that both teachers and students can try in the classroom or at home.

In addition, Kickstart Ventures donated ₱1.5 million to the Bonifacio Art Foundation (BAFI)--The Mind Museum's parent company--to fund the design, construction, and management of The Maker Studio Pilipinas. It is an educational package composed of two components. First is a set of modules that encourage individuals seven years old and above to create and build their own inventions using available resources. Then there is a mobile maker space where people can access creative learning materials, which can be deployed within or outside the museum.

Kickstart's donation aims to provide an extraordinary educational experience that inspires better understanding of science by the public, create engagement, and build a feeder system for tech talent.

To push the boundaries in the learning innovation and transforming the full spectrum of education systems, the company launched Globe Education Solutions suite in 2015. The suite provides life-long learning by combining our vast infrastructure with solutions provided by top companies in the education sector--Brightspace of D2L, Educube of Globals, and Flipside.

Brightspace--an integrated learning platform--can increase student engagement, personalize students' learning experience, and enable teachers to fine tune their teaching methods through data-driven analytics.

Meanwhile, Educube helps school administrators streamline their business processes using Educube's Enterprise Resource Planning designed specifically for schools. With this kind of system built in, schools will be able to automate and integrate all of their administrative services, including staff and student information, admissions, enrollment, fees management, payroll, attendance, and grading system.

Finally, Globe's partnership with Flipside Publishing Services, Inc. can increase adoption of the use of electronic books--also known as e-books--through solutions such as conversion, aggregation, branding, retailing, publishing, and distribution of e-books for the Philippine educational system. We also lent our support for Flipside in introducing the Philippine Educational E-book Reader (PEER), an e-reader app where users can read and buy e-books using their desktop, Android, or iOS device. As of end 2015, there are a total of 286 books for sale in the Flipside library (http://flipreads.com) from 78 contributors. The company also distributed free collections of over 1,200 e-books with 35 different BISAC subject headings to libraries in Manila, Caliraya, and Ilocos Norte. In addition, Globe donated over 250 digital libraries to 158 academic libraries from schools and universities and 22 government institution and public libraries throughout the country through our partnership with the Philippine Librarians Association, Inc.

MEANINGFUL PRODUCTS AND SERVICES

Increasing Productivity and Prosperity

Micro, small, and medium enterprises (MSMEs) provide jobs and more opportunities for financial growth to millions of Filipinos. According to the Philippine Institute for Development Studies (PIDS), 99.6% of enterprises in the Philippines are MSMEs, which employ 62% of the country's workforce. A huge majority of these are micro enterprises, comprising 91.55% of the total number of enterprises, followed by small with 7.66%, medium enterprises with 0.40%, and finally large enterprises with 0.39%.

Despite the status of MSMEs as the country's main economic driver, many face challenges that usually include the lack of access to finance, technology, and skills, as well as supply chain problems. We help them overcome these challenges through Globe myBusiness, which supplies business owners with all the ICT tools they need to efficiently run and grow their enterprises.

First there's myWebsite where MSMEs are able to build online presence with their own customized website at a price point suited for small businesses. Their business can now be search optimized to reach a wider audience. The service comes with a free 30-day trial.

Meanwhile, the Google Apps for Work suite provides businesses with essential tools to get their work done, including a personalized business e-mail on the Gmail platform, Google Hangouts for video meetings and group messaging, and Google Drive for creating and collaborating on documents, spreadsheets, and presentations over the cloud system.

Globe also helps simplify inventory tracking with myShopkeeper that employs a paperless inventory tracking system. It also creates a centralized dashboard for inventory and sales transactions organized for the business owners. It can improve transaction time and efficiency especially for repetitive tasks and can make re-stocking easier with its stock balance feature.

When it comes to reducing physical documents, MSMEs can use Canvas. It's a digital form builder that businesses can use to create, organize, file, and process documents online that eliminate paperwork. They can customize their own forms or choose from over 16,000 templates to get them up and running instantly.

Shopify makes e-commerce much easier. Merchants use the platform to manage every aspect of their business — from products to orders to customers, selling online, in retail stores, and on the go. Accounts have a dashboard that business owners can use to manage their inventory, track their orders, and monitor their sales. We can also link up businesses with other services such as a payment gateway and courier services to streamline their operations further.

Physical stores can also start accepting credit and debit card payments with Globe Charge, a card reader that attaches to a smartphone or tablet. Getting the device is easier too because it has fewer requirements, a low service fee, a downloadable app for easy setup, and features next-day deposit to their account.

As it already is a growing expectation, establishments can provide WiFi access to their customers with myBusiness WiFi Hub. It has a built-in printer that generates and prints logins and passwords for customers. Up to 20 users can connect to the WiFi Hub simultaneously, and businesses can choose to provide access either on the basis of time or volume consumed.

To top off all of these tools and features, the Globe myBusiness postpaid plans also give businesses more flexibility when it comes to staying connected online through our various data offers. Businesses can get all-day access to app bundles through the myBIZ App. They can choose specific bundles for messaging, shopping, travel, and fitness as deemed fit for their own needs.

Moreover, Globe finds ways to bring our solutions closer to entrepreneurs nationwide through events like Globe myBusiness Day. The first one was held in Cauayan, Isabela, since it is considered as one of the country's first smarter cities as declared by the Department of Science and Technology (DOST), to enable businesses to avail of Globe solutions as well as to educate them on running their business. Different sectors and government units were pooled for the learning sessions to encourage participants to run their own business. The event also featured franchising options for people who were still unsure

about the type of business that they want to set up. Events like these not only help us promote Globe's products, but more importantly boost the growth of enterprises in regions outside of Metro Manila.

As more organizations adopt new business models related to mobility, cloud computing, the Internet of Things (IoT), and the Internet of Everything (IoE), the enterprise is becoming an amorphous environment.

Globe Business, through its information and communication technology (ICT) arm, commits to revolutionize and build up Philippine enterprises and business organizations through ICT. Globe Business helps them realize the importance of ICT in making them more efficient and productive so they can succeed and expand their reach globally.

As early as 2011, Globe broke ground as the first telecommunications company to offer infrastructure cloud computing solutions in the country. Cloud computing has become an important factor for any service that requires information coming from a digital network. In the past, this was only limited to private enterprises, but it has since expanded to serve different types of businesses developers and startups to large companies as served by Globe Business.

Businesses enjoy a number of benefits when they transition to cloud computing, including considerable savings and increased productivity. This is because this solution offers scalability where businesses can adapt immediately to the needs of their customers without upgrading their infrastructure. Meanwhile, productivity is improved as this technology allows employees to access files and collaborate wherever they are in the world.

More importantly, cloud computing addresses the issue of sustainability as it gives businesses the option to forego expensive data centers that require considerable energy to run. That is why when businesses choose cloud computing, it is not only they who win, but the environment as well. These environmentally conscious actions can also have an effect on the evaluations conducted by rating agencies, helping boost the company's image as a consequence.

These are the same benefits that our CloudSolutions product provides to businesses, regardless of their size and scale of operations. They can avail of these services: (a) Infrastructure-as-a-Service (IaaS), (b) Infrastructure Services and (c) Software-as-a-Service.

IaaS helps organizations save up on their file storage costs and equipment by using a virtual environment where business-critical information can be stored. Doing so enables them to let go of cumbersome and expensive physical hardware or servers. Globe enables businesses to use IaaS by providing them with a Virtual Private Cloud (VPC). Here, virtual servers are hosted in the company's data centers where consumers can store or launch their own private cloud resources.

This service is flexible as well, because consumers can scale their own requirements by customizing the service's vCPU, vRAM, storage, and other components.

Globe Business's CloudSolutions also comes with a Dedicated Private Cloud (DPC) service where businesses can build their own private cloud by leveraging pre-configured and tested components. Additionally, the solution also leases customizable Dedicated Server Hosting to clients.

Then there's our Disaster-Recovery-as-a-Service (DRaaS) solution. This protects our clients' data and their applications in case of natural or man-made disasters.

On top of IaaS, DRaaS, and SaaS solutions, we also provide Back-up-as-a-Service (BaaS), Google Apps for Work, Microsoft Office 365, Canvas, PayrollCloud, and DocumentCloud solutions for businesses that wish to fully utilize cloud computing.

Then there's AdSpark, a Philippine digital solutions startup and a wholly-owned subsidiary of Globe, which helps entrepreneurs tap into their customers online through affordable digital marketing and advertising. In 2015, AdSpark acquired social marketing company Socialytics to provide better understanding a social media analytics and metrics to improve performance on digital platforms.

LocalUp, formed under the AdSpark and Globe umbrella is a Digital Marketing Agency dedicated to bringing SMEs online. LocalUp focuses on helping Small & Medium Businesses establish themselves

in the local digital landscape through search optimization and SMS marketing that enable localized and targeted campaigns for their consumers.

Globe continues to increase productivity at the Bottom of the Pyramid (BoP) through its sustainable livelihood program. In 2015, the company helped generate ₱12.7 million in revenues for the sector, which is about a 92% increase from the previous year, by providing them ICT connection, capacity building support and market access. The company also enhanced its program strategy and partnered with KIVA and other organizations which contributed to the increase in revenue.

Globe also expanded sustainable livelihood opportunities for vocational students in collaboration with Educational Development Center (EDC), a global non-profit organization which addresses some of the world's most urgent challenges in education, health, and international development. Through EDC's Accelerating Work Achievement and Readiness for Employment (AWARE) program, the company hosted 54 technical-vocational students from Benigno Ninoy Aquino High School (BNAHS) and Eulogio "Amang" Rodriguez Vocational School to improve their work readiness by sharing EDC's ICT expertise.

Students received a five day mentoring on the latest technologies, shadowed Globe technicians, and received hands-on training on various hardware processes, as well as software installation. These activities exposes the students to new technologies and develops their knowledge and skills in ICT.

To generate additional income opportunities for the BoP, we continued with the AMAX caravan in partnership with the Department of Social Welfare and Development (DSWD) through their 4Ps program.

Meanwhile, as Globe further promotes the digital lifestyle, the company partnered with Kiva, a company with a mission to connect people through lending to alleviate poverty. Globe customers can easily send funds through GCash to people from local micro-enterprising programs under agriculture, services, food, and the retail sector. Beneficiaries of this program include Negros Women for Tomorrow Foundation, BagoSphere, and Paglaum Multipurpose Cooperative, among others.

Banking the Unbanked

Lack of access to financial services remains a common problem among Filipinos. According to Bangko Sentral ng Pilipinas (BSP), four out of ten Filipino adults put aside money to save. 68% of those who saved money keep their savings at home, 33% saved in banks, 7.5% in cooperatives and 2.6% in group savings, also known as *paluwagan*. As much as 12% of municipalities in the Philippines remain unserved.

These factors make obtaining credit difficult for the unserved and underserved, which is why many are forced to borrow from informal sources such as family, relatives and friends (62%) and informal lenders (10%). Meanwhile, getting their remittances from the overseas poses challenges as well due to high bank transaction costs and the time and effort needed to pick up the remittance from their outlet.

Through Mynt, a wholly owned subsidiary, Globe aims to build a unified Globe financial services structure that provides those financial services that previously were not available to most Filipinos. The continuing shift to a digital lifestyle presents a unique opportunity for us to boost financial inclusion in the Philippines with the use of mobile technology.

Since its launch in 2004, GCash has evolved from a mobile wallet into a digital money transmitting business service. There are 2.32 million GCash account holders who receive monetary transfer that can either be used for purchase, to pay for specific things like load and bills, or it can also be withdrawn in cash from our 7,555 Globe partner outlets nationwide. Also, 1.2 million account holders are carded with a GCash Mastercard, who enjoy the benefits of cashless shopping and online purchases on sites where credit cards are usually required. The PowerPay+ product simplifies salary disbursement for business owners and handling of employee’s loans.

With more Filipinos taking their business online, the lack of secure payment platforms needs to be addressed. Globe Charge enables businesses to accept credit card payments using a small device that can easily be connected to a data-capable phone. The system is more convenient than manual point-of-sale (POS) systems and can be activated on public WiFi or a mobile data subscription to operate the service. As of December 2015, we have 3,110 merchants are utilizing the service.

More than a million Filipinos riding the Light Rail Transit (LRT) and Metro Rail Transit (MRT) daily can finally enjoy the combined convenience of paying for their MRT and LRT fares plus engaging in cashless shopping and bills payments with the new GCash beep Mastercard.

GCash beep Mastercard is the first value-added card to be beep ready, allowing cardholders to load and pay for their MRT and LRT trips easily, while maintaining the functionality of an ATM and debit card. The tap, swipe and shop feature also makes it easy for customers to just tap the card to pay for their fares, swipe their card for purchases and even shop online for apps and online goods. Currently, the beep card can be used at any of the 33 million Mastercard merchants worldwide, LRT and MRT lines, and select partner establishments. Since our launch in October 2015, there are approximately 30,980 GCash beep Mastercards sold.
Working with BPI BanKO, Globe also offer microloans to commercial loan programs for entrepreneurs who wants to scale-up their businesses. For the year 2015, the company has disbursed ₱300 million loans to around 9,000 borrowers.

Mynt will pioneer initiatives that enables financial services previously not available to most Filipinos. Through mobile technology, Globe will provide its customers with instant access to payments, disbursements, e-commerce, insurance, investments, and remittances, while also providing an ultra-convenient and safe way to store and access their funds. By leveraging on technology and alternative credit scoring models, the company will also eliminate informal lending and drive loans that are quick and easy with affordable rates.

Fostering Connectivity

Over the past years, Globe has invested in a robust network infrastructure to enable an enjoyable digital lifestyle, empower businesses with digital capabilities, enhance productivity, and make them globally competitive.

The company reached a major milestone in late 2014 when it completed its rollout of HSPA+ technology, giving 100% 3G and 4G coverage across the Philippines. In addition, Globe made strategic partnerships that put the latest broadband technology to its customers.

Globe's partnership with Alcatel Lucent has helped further extend our mobile ultra-broadband infrastructure in the Visayas and Mindanao using LTE-TDD and LTE-FDD technologies. The company is also in the process of implementing LTE-CA and LTE-eMBMS technologies, which will increase bandwidth capacity and allow delivery of video and multimedia services on Globe's LTE network, respectively.

As the company foresees an explosive growth in mobile data services traffic, Globe became the first operator in the world to deploy Huawei Technologies' SingleSON (self-organizing network) solution in March. This will enable the company to manage a more complex network effectively and provide customers with unparalleled digital experience. Globe has since tested it live in its network's 20,000 2G, 3G, and 4G cells, which saw excellent results and immediate improvement on both drop call rates and users' throughput.

In November, Globe also signed a five-year partnership deal with Huawei in a bid to further enhance and expand its mobile network. The partnership involves planning and design of a mobile broadband network utilizing the latest state-of-the-art technology trends. The project also involves the creation of a "mobile innovation center" to yield innovative products and solutions that would ensure Globe maintains its competitive edge and leadership in the intensely competitive local telecommunications industry.

Globe posted one of the highest capex-to-revenue ratio in the last two years due to aggressive upgrading and enhancing of its network infrastructure. At a 27% index in 2014, which rose to 28% in 2015, the company was investing more compared to the local industry averaging only 23% in both years. In Asia, only China's capex-to-revenue ratio of 36% in 2015 and 33% in 2014 exceeded those of Globe based on the published financial statements online of publicly-listed telecommunications companies in the region, which were compiled and computed per country.

Globe also showcased its capability in providing world-class internet speeds during the Asia Pacific Economic Cooperation (APEC) summit in November as one of the official ICT partners. In the various meetings held in different locations in the Philippines, Globe provided data allocation of 12.5 Gbps, including those held at the Philippine International Convention Center, the World Trade Center, the Ninoy Aquino International Airport, Clark Pampanga, Subic, Iloilo City, Bacolod City, Boracay, and Cebu City.

APEC National Organizing Council Director General Marciano Paynor sent his commendation for the role Globe played in the two-day summit in a letter. "That the delegates were able to effectively utilize communication technology in aid of substantive discussions made during these meetings was due to in large measure to the facilities provided through the expertise, attention, and assistance of your company."

Customers were able to experience world-class internet speeds by providing them with the fastest fiber connection speeds at home at a more affordable price with our Platinum Broadband Plans. These plans bring exceptionally fast internet speeds of 50 Mbps to 1 Gbps with the fiber-to-the-home technology. These come with unlimited data, no data cap, and free access to Spotify, NBA League Pass, and HOOQ. These plans are initially available at select areas. The new pricing scheme effectively puts the Philippines at par, if not better, against other countries such as USA, Thailand, and Indonesia in terms of affordability of broadband services.

To effectively roll-out Globe's network capacity building program, the company is seeking Open Access legislation for the telecommunications industry to help mitigate bureaucratic red tape and other political hurdles that stand in the way in the deployment of telecommunication and broadband infrastructure. We are also calling for the equitable distribution of the 700 Megahertz (MHz) frequency spectrum which enables mobile operators to reduce capital and network costs while accelerating the rollout of services at lower prices, so service providers can address the rapidly increasing data traffic amid growing smartphone use in the country.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig on March 31 2016.

By:

1. [redacted] Date: 31 March 2016
Ernest L. Cu
President and Chief Executive Officer

2. [redacted] Date: 31 March 2016
Rosemarie Maniego-Eala
Acting Chief Financial Officer

3. [redacted] Date: 31 March 2016
Atty. Solomon M. Hermosura
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 13 2016 day of _____ 2016, affiants who are personally known to me or identified through competent evidence of identity, to wit

Name	Passport or ID No.	Date of Issue	Expiry Date
Ernest L. Cu	[redacted]		
Rosemarie Maniego-Eala			
Solomon M. Hermosura			

ATTY. CYNTHIA LYN P. PEREDO - MILLAN
Notary Public for Taguig City
28th Floor, The Globe Tower
32nd Street corner 7th Avenue
Bonifacio Global City, Taguig 1634
Appointment No. 15 (2016-2017)
Until December 31, 2017
PTR No. A-2784302/01-05-2016/Taguig City
IBP O.R. No. 1019837/01-06-16/Ilocos Sur
Roll of Attorneys No. 62287

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Page No. 18
Book No. I
Series of 2016

PART VI – EXHIBITS AND SCHEDULES

A. Exhibits – Please see accompanying Index to Exhibits in the following pages

B. Reports on SEC Form 17-C - The Company regularly files various reports on SEC Form 17-C relative to various company disclosures. Of these, the more significant ones are as follows:

Date	Title
January 8, 2015	GlobeTel Singapore secures license to offer telco services in Singapore
January 23, 2015	Notice of the Annual Stockholders' Meeting
January 26, 2015	4Q14 Analysts' Briefing Invite
January 30, 2015	2014 Progress Report in Disbursement of Proceeds (GLOPP)
January 30, 2015	Disclosure Regarding Peter Bithos
February 27, 2015	2014 Audited Financial Statements
March 9, 2015	Globe signs P7-B term loan with PNB
April 30, 2015	1Q15 Analysts' Briefing Invite
May 5, 2015	Certification of Independent Directors
June 15, 2015	Corporate Disclosure (June 15, 2015)
July 1, 2015	Corporate Disclosure (July 1, 2015)
July 2, 2015	Corporate Disclosure (July 2, 2015)
July 9, 2015	Report on Number of Shareholders (June 2015)
July 20, 2015	2Q15 Analysts' Briefing Invite
July 20, 2015	Corporate Disclosure (July 20, 2015)
July 21, 2015	Corporate Disclosure (July 21, 2015)
August 9, 2015	Report on Number of Shareholders (July 2015)
August 27, 2015	Corporate Disclosure (August 27, 2015)
September 1, 2015	Corporate Disclosure (September 1, 2015)
September 1, 2015	Corporate Disclosure (2) (September 1, 2015)
September 2, 2015	Corporate Disclosure (September 2, 2015)
September 9, 2015	Report on Number of Shareholders (August 2015)
September 15, 2015	Press Release: Globe and Xurpas formalize strategic partnership
September 17, 2015	Corporate Disclosure (September 17, 2015)
October 1, 2015	Globe signs P5Bn and US$45Mn term loan with Metrobank
October 9, 2015	Report on Number of Shareholders (September 2015)
October 26, 2015	3Q15 Analysts' Briefing Invite
Nov. 6, 2015	Corporate Disclosure (November 6, 2015)
Nov. 12, 2015	Corporate Disclosure (November 12, 2015)

INDEX TO EXHIBITS

Description of Exhibit	Remarks/Attachment
Statement of Management's Responsibility	√
Report of Auditors and Consolidated Financial Statements and Notes to Consolidated Financial Statements	√
Independent Auditors' Report on the Supplementary Schedules	√
Short Term Investments	*
Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders	√
Long-Term Investments in Securities (Non-current Marketable Securities, Other Long Term Investments in Stocks and Other Investments)	√
Deferred Charges and Others	*
Long Term Debt	√
Indebtedness to Related Parties (Other Long term Liabilities)	√
Capital Stock (Specimen of stock certificate)	√
Plan of Acquisition, Reorganization, Arrangements, Liquidation or Succession	*
Instruments Defining the Rights of Security Holders, Including Indentures	*
Voting Trust Agreement	*
Material Contracts	*
Schedule of Unappropriated Retained Earnings as of 12/31/2015	√
Annual Report to Security Holders	√
Letter re: Director Resignation	*
Report Furnished to Security Holders	*
Subsidiaries to Registrant	√
Published Report Regarding Matters Submitted to a Vote of Security Holders	*
Consent of Experts and Independent Counsel	*
Power of Attorney	*
Financial Assets	√
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	√
Intangible Assets-Other Assets	√
Indebtedness to Related Parties	√
Guarantees of Securities of Other Issuers	*
Capital Stock	√

*Note: * The exhibits are either Not Applicable to the Company or require No Answer.*

Globe

Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue
Bonifacio Global City
Taguig, Philippines

+632.7972000

www.globe.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Globe Telecom, Inc. and Subsidiaries ("Globe Group") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements including the additional components attached therein and submits the same to the stockholders.

Navarro Amper & Co. and SyCip Gorres Velayo & Co.,the independent auditors appointed by the stockholders for the period December 31, 2015 and 2014, respectively, have examined the consolidated financial statements of the Globe Group in accordance with the Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

[redacted]

JAIME AUGUSTO ZOBEL DE AYALA
Chairman of the Board

[redacted]

ERNEST L. CU
President and Chief Executive Officer

[redacted]

ROSEMARIE MANIEGO-EALA
Acting Chief Finance Officer and Treasurer

February 5, 2016

SUBSCRIBED AND SWORN to before me this FEB 09 2016 at TAGUIG CITY City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Expiry Date
Jaime Augusto Zobel De Ayala	[redacted]		
Ernest L. Cu			
Rosemarie Maniego-Eala			

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ATTY. CLARISA V. TEMBLADOR
Notary Public for Taguig City
28th Floor, The Globe Tower
32nd Street corner 7th Avenue
Bonifacio Global City, Taguig 1634
Appointment No. 267 (2015-2016)
Until December 31, 2016
PTR No. A-2588504/07-10-2015/Taguig City
IBP O.R. No. 1007215/04-16-15/Pasig City
Roll of Attorneys No. 54868

NavarroAmper&Co.

Navarro Amper & Co.
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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

The Stockholders and the Board of Directors
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue,
Bonifacio Global City, Taguig City

Gentlemen:

We have examined the consolidated financial statements of Globe Telecom, Inc. and Subsidiaries for the year ended December 31, 2015 in accordance with Philippine Standards on Auditing, on which we have rendered the attached report dated February 5, 2016.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Gregorio S. Navarro
Partner
CPA License No. 0033571
SEC A.N. 0820-AR-2, issued on May 21, 2015; effective until May 20, 2018, Group A
TIN 109-228-435
BIR A.N. 08-002552-33-2014, issued on September 15, 2014; effective until September 15, 2017
PTR No. A-2798364, issued on January 6, 2016, Taguig City

Taguig City, Philippines
February 5, 2016

NavarroAmper&Co.

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue,
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Globe Telecom, Inc. and Subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

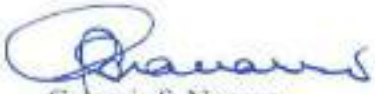
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Globe Telecom, Inc. and Subsidiaries as at December 31, 2015, and their financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information, were audited by another auditor who expressed an unmodified opinion on those statements on February 4, 2015.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:



Gregorio S. Navarro
Partner
CPA License No. 0033571
SEC A.N. 0820-AR-2, issued on May 21, 2015; effective until May 20, 2018, Group A
TIN 109-228-435
BIR A.N. 08-002552-33-2014, issued on September 15, 2014; effective until September 15, 2017
PTR No. A-2798364, issued on January 6, 2016, Taguig City

Taguig City, Philippines
February 5, 2016



GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



	Notes	December 31 2015	2014
		(In Thousand Pesos)	
ASSETS			
Current Assets			
Cash and cash equivalents	16, 28.10, 30	₱11,814,379	₱16,756,908
Receivables - net	4, 16, 28.2.2	21,935,775	17,860,750
Inventories and supplies - net	5	4,489,182	3,186,415
Derivative assets	28.10	600,939	8,319
Prepayments and other current assets	6	8,232,428	8,929,671
		47,072,703	46,742,063
Noncurrent Assets			
Property and equipment - net	7, 16	129,039,522	117,229,158
Intangible assets and goodwill - net	8	13,056,925	5,671,644
Investments and advances	10	1,498,565	450,717
Deferred income tax assets - net	24	1,324,081	1,904,298
Derivative assets	28.10	481,342	580,224
Other noncurrent assets	11,28	3,206,613	6,928,848
		148,607,048	132,764,889
Total Assets		₱195,679,751	₱179,506,952
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	12, 16, 28.10	₱49,827,302	₱47,526,539
Current portion of long-term debt	14, 28.10	7,973,594	6,129,663
Unearned revenues	4	4,938,233	4,609,967
Income tax payable	24	1,519,639	1,587,428
Provisions	13	1,160,118	401,288
Derivative liabilities	28.10	111,278	94,809
		65,530,164	60,349,714
Noncurrent Liabilities			
Long-term debt - net of current portion	14, 28.10	64,255,264	59,146,140
Deferred income tax	24	2,211	399
Other long-term liabilities	15, 18, 28.10	6,494,330	5,473,033
		70,751,805	64,619,572
Total Liabilities		136,281,969	124,969,286
Equity			
Paid-up capital	17	44,486,976	44,478,242
Cost of share-based payments	18.1	338,008	189,433
Other reserves	17, 28	(1,211,513)	(977,853)
Retained earnings	17	15,778,557	10,852,478
Equity attributable to equity holders of the Parent		59,392,028	54,542,300
Non-controlling interest		5,754	(4,634)
Total Equity		59,397,782	54,537,666
Total Liabilities and Equity		₱195,679,751	₱179,506,952

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the Years Ended December 31 2015	2014	2013
		(In Thousand Pesos, Except Per Share Figures)		
REVENUES				
Service revenues	16, 29	P113,679,226	P 99,024,604	P90,500,137
Nonservice revenues	29	6,289,968	4,211,109	4,640,848
		119,969,194	103,235,713	95,140,985
INCOME				
Interest income	19, 29	518,537	682,998	688,269
Gain on disposals of property and equipment - net	7, 29	57,642	101,159	64,333
Other income - net	10, 20, 29	2,330,853	470,647	475,246
		2,707,032	1,254,804	1,227,828
COSTS AND EXPENSES				
General, selling and administrative	21	48,766,962	41,382,877	37,318,839
Depreciation and amortization	7,8,29	21,132,695	18,125,524	27,477,494
Cost of sales	5	13,665,203	10,561,341	9,953,106
Interconnect costs	29	9,007,919	8,129,934	9,280,229
Financing costs	14, 22, 25, 29	3,372,924	2,565,705	2,911,785
Impairment losses and others	23	3,109,520	3,720,169	2,482,628
Equity in net losses of associates and joint ventures	10, 29	153,512	224,257	79,959
		99,208,738	85,107,811	89,504,040
INCOME BEFORE INCOME TAX		23,467,488	19,382,706	6,864,773
PROVISION FOR INCOME TAX				
Current	24	6,203,825	5,879,878	4,995,416
Deferred	24	779,213	130,636	(3,090,888)
		6,983,038	6,010,514	1,904,528
NET INCOME		16,484,450	13,372,192	4,960,245
OTHER COMPREHENSIVE INCOME (LOSS)	17			
Item that will not be reclassified into profit or loss in subsequent periods:				
Remeasurement losses on defined benefit plan - net		(266,173)	(278,551)	(344,406)
Items that will be reclassified into profit or loss in subsequent periods:				
Transactions on cash flow hedges - net		923	5,407	156,227
Changes in fair value of available-for-sale investment in equity securities		24,267	20,392	(32,500)
Exchange differences arising from translations of foreign investments		7,322	14,474	(2,357)
Other Comprehensive Income, net of tax		(233,660)	(238,278)	(213,036)
TOTAL COMPREHENSIVE INCOME		P16,250,790	P13,133,914	P4,747,209

(Forward)

	Notes	For the Years Ended December 31		
		2015	2014	2013
		(In Thousand Pesos, Except Per Share Figures)		
Total net income attributable to:				
Equity holders of the Parent		₱16,496,644	₱13,376,381	₱4,960,245
Non-controlling interest		(12,194)	(4,189)	-
		16,484,450	13,372,192	4,960,245
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent		16,262,984	13,135,103	4,747,709
Non-controlling interest		(12,194)	(4,189)	-
		₱16,250,790	₱13,130,914	₱4,747,209
Earnings Per Share	27			
Basic		₱ 120.11	₱ 98.64	₱ 37.23
Diluted		₱ 119.93	₱ 98.41	₱ 37.22
Cash dividends declared per common share	17	₱ 83.00	₱ 75.00	₱ 67.00

See accompanying Notes to Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		For the Year Ended December 31, 2015							
		Attributable to Equity Holders of the Parent							
	Notes	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 17)	Retained Earnings	Subtotal	Non-controlling Interest	Total
		(In Thousand Pesos)							
As of January 1, 2015		₱8,429,229	₱36,049,013	₱189,433	(₱977,853)	₱10,852,478	₱54,542,300	(₱4,634)	₱54,537,666
Total comprehensive income for the year		-	-	-	(233,660)	16,496,644	16,262,984	(12,194)	16,250,790
Dividends on:	17.3								
Common Stock		-	-	-	-	(11,017,355)	(11,017,355)	-	(11,017,355)
Preferred Stock - voting		-	-	-	-	(33,150)	(33,150)	-	(33,150)
Preferred Stock - non-voting		-	-	-	-	(520,060)	(520,060)	-	(520,060)
Cost of share-based payments	18.1	-	-	153,994	-	-	153,994	-	153,994
Exercise of stock options	17.2	484	8,196	(5,419)	-	-	3,261	-	3,261
Equity transaction costs on non-voting preferred stock		-	54	-	-	-	54	-	54
Non-controlling interest arising from subscription		-	-	-	-	-	-	10	10
Non-controlling interest arising from business combination		-	-	-	-	-	-	22,572	22,572
As of December 31, 2015		₱8,429,713	₱36,057,263	₱338,008	(₱1,211,513)	₱15,778,557	₱59,392,028	₱5,754	₱59,397,782

(Forward)

		For the Year Ended December 31, 2014							
		Attributable to Equity Holders of the Parent							
	Notes	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 17)	Retained Earnings	Subtotal	Non-controlling Interest	Total
					(In Thousand Pesos)				
As of January 1, 2014		₱7,422,360	₱26,980,036	₱261,144	(₱739,575)	₱7,715,286	₱41,639,251	₱-	₱41,639,251
Total comprehensive income for the year		-	-	-	(238,278)	13,376,381	13,138,103	(4,189)	13,133,914
Dividends on:	17.3								
Common stock		-	-		-	(9,952,702)	(9,952,702)	-	(9,952,702)
Preferred stock - voting		-	-	-	-	(26,457)	(26,457)	-	(26,457)
Preferred stock - non-voting		-	-	-	-	(260,030)	(260,030)	-	(260,030)
Cost of share-based payments	18.1	-	-	31,841	-	-	31,841	-	31,841
Issuance of non-voting preferred stock		1,000,000	9,000,000	-	-	-	10,000,000	-	10,000,000
Equity transaction costs on non-voting preferred stock		-	(61,429)	-	-	-	(61,429)	-	(61,429)
Non-controlling interest arising from a business combination		-	-	-	-	-	-	(445)	(445)
Exercise of stock options	17.2	6,869	130,406	(103,552)	-	-	33,723	-	33,723
As of December 31, 2014		₱8,429,229	₱36,049,013	₱189,433	(₱977,853)	₱10,852,478	₱54,542,300	(₱4,634)	₱54,537,666

		For the Year Ended December 31, 2013							
		Attributable to Equity Holders of the Parent							
	Notes	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 17)	Retained Earnings	Subtotal	Non-controlling Interest	Total
					(In Thousand Pesos)				
As of January 1, 2013		₱7,412,866	₱26,683,110	₱472,911	(₱526,539)	₱11,655,643	₱45,697,991	₱-	₱45,697,991
Total comprehensive income for the year		-	-	-	(213,036)	4,960,245	4,747,209	-	4,747,209
Dividends on:	17.3								
Common stock		-	-	-	-	(8,876,764)	(8,876,764)	-	(8,876,764)
Preferred stock		-	-	-	-	(23,838)	(23,838)	-	(23,838)
Cost of share-based payments	18.1	-	-	50,000	-	-	50,000	-	50,000
Exercise of stock options	17.2	9,494	296,926	(261,767)	-	-	44,653	-	44,653
As of December 31, 2013		₱7,422,360	₱26,980,036	₱261,144	(₱739,575)	₱7,715,286	₱41,639,251	₱-	₱41,639,251

See accompanying Notes to Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the Years Ended December 31 2015	2014	2013
			(In Thousand Pesos)	
Income before income tax		P23,467,485	P19,382,706	P16,864,773
Adjustments for:				
Depreciation and amortization	7, 8	21,133,698	18,123,524	17,477,494
Provisions and impairment losses	23	2,693,569	3,035,235	2,046,923
Interest expense	22	2,774,878	2,326,171	2,091,915
Pension expense	18.2	543,248	417,653	348,399
Foreign exchange losses (gains) – net	20, 22	457,295	(884)	486,308
Provisions for inventory obsolescence	23	384,143	437,51	329,460
Cost of share-based payments	18	553,994	31,84	50,000
Equity in net losses of associates and joint ventures	10	253,513	224,257	79,959
Impairment losses on property and equipment and intangible assets	23	72,751	110,238	26,312
Losses (Gains) on derivative instruments	20, 22	(31,808)	(103,560)	59,282
Provisions for (reversals of) claims and assessments	23	(40,943)	137,185	88,333
Gain on disposal of property and equipment	7	(57,642)	(101,159)	(64,333)
Gain on previously held equity interest	9.1	(431,115)	-	-
Gain on disposal of controlling interest in subsidiary	10.2, 20	(449,148)	-	-
Interest income	19	(518,537)	(682,998)	(688,249)
Gain on fair value of retained interest	10.2, 20	(745,831)	-	-
Operating income before working capital changes		49,536,552	43,337,720	39,188,196
Changes in operating assets and liabilities				
Decrease (Increase) in:				
Receivables		(5,714,476)	(6,275,244)	(5,654,381)
Inventories and supplies		(1,532,769)	(79,039)	(1,789,810)
Prepayments and other current assets		1,371,743	201,119	3,547,877
Other noncurrent assets		(825,851)	(275,506)	727,308
Increase (Decrease) in:				
Accounts payable and accrued expenses		(716,472)	4,017,846	965,321
Unearned revenues		40,085	356,504	1,750,561
Other long-term liabilities		(172,643)	215,490	328,633
Cash generated from operations		42,008,169	41,528,888	39,063,685
Income tax paid		(6,055,966)	(5,073,730)	(5,103,438)
Net cash flows from operating activities		35,952,203	36,455,158	33,960,247
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	7	(31,955,788)	(21,120,217)	(28,999,480)
Intangible assets	8	(174,698)	(114,933)	(101,956)
Investment in joint ventures	10	(332,500)	(548,000)	(59,010)
Interest received		134,340	786,531	771,868
Dividends received		12,000	-	-
Proceeds from loans receivable		-	532,027	187,536
Proceeds from sale of property and equipment		141,759	197,772	105,760
Proceeds from return of investments	10	-	62,944	-
Proceeds from sale of controlling interest in subsidiary, net of cash disposed	10.2	923,491	-	-
Acquisition of subsidiaries, net cash acquired	9	(1,318,589)	(12,251)	-
Net cash flows used in investing activities		(32,569,985)	(20,216,106)	(28,095,282)

(To be continued)

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the Years Ended December 31		
		2015	2014	2013
		(in Thousand Pesos)		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings:	14			
Long-term		12,110,050	7,000,000	16,695,035
Short-term		-	1,700,112	3,428,830
Repayments of borrowings:	14			
Long-term		(6,181,143)	(5,025,143)	(13,613,525)
Short-term		-	(6,917,068)	(432,070)
Payments of dividends to stockholders:	17			
Common		(11,012,356)	(9,952,702)	(8,876,764)
Preferred		(553,210)	(26,457)	(56,983)
Issuance of non-voting preferred stock	17	-	9,938,571	-
Exercise of stock options		3,261	33,723	44,653
Interest paid		(2,767,879)	(2,693,173)	(2,665,459)
Net cash used in financing activities		(8,406,277)	(6,942,137)	(5,476,233)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,014,759)	9,296,915	388,732
NET FOREIGN EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS		71,630	39,258	272,248
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		16,756,908	7,420,735	6,759,755
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	16, 28.10, 30	₱11,814,379	₱16,756,908	₱7,420,735

See accompanying Notes to Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate Information

Globe Telecom, Inc. (hereafter referred to as "Globe Telecom") is a stock corporation organized under the laws of the Philippines on January 16, 1935, and enfranchised under Republic Act (RA) No. 7229 and its related laws to render any and all types of domestic and international telecommunications services. Globe Telecom is one of the leading providers of digital wireless communications services in the Philippines under the Globe Postpaid and Prepaid, Touch Mobile (TM) and Tattoo brands using a fully digital network. It also offers domestic and international long distance communication services or carrier services. Globe Telecom's head office is located at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig, Metropolitan Manila, Philippines. Globe Telecom is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since September 17, 2001. Major stockholders of Globe Telecom include Ayala Corporation (AC), Singapore Telecom International Pte Ltd. (Singtel) and Asiacom Philippines, Inc. None of these companies exercise control over Globe Telecom.

Globe Telecom owns 100% of Innove Communications, Inc. (Innove). Innove is a stock corporation organized under the laws of the Philippines and enfranchised under RA No. 7372 and its related laws to render any and all types of domestic and international telecommunications services. Innove holds a license to provide digital wireless communication services in the Philippines. Innove also offers a broad range of broadband internet and wireline voice and data communication services, as well as domestic and international long distance communication services or carrier services. Innove also has a license to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services. On November 2, 2015, Innove and Techzone Philippines Incorporated TechGlobal Data Center, Inc. (TechGlobal), a joint venture company formed for the purpose of operating and managing all kinds of data centers, and providing information technology-enabled, knowledge-based and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. As of December 31, 2015, TechGlobal has not started commercial operations.

Globe Telecom owns 100% of G-Xchange, Inc. (GXI). GXI is a stock corporation organized under the laws of the Philippines and formed for the purpose of developing, designing, administering, managing and operating software applications and systems, including systems designed for the operations of bill payment and money remittance, payment facilities through various telecommunications systems operated by telecommunications carriers in the Philippines and throughout the world and to supply software and hardware facilities for such purposes. GXI is registered with the Bangko Sentral ng Pilipinas (BSP) as a remittance agent and electronic money issuer. GXI handles the mobile payment and remittance service using Globe Telecom's network as transport channel under the GCash brand. The service, which is integrated into the cellular services of Globe Telecom and Innove, enables easy and convenient person-to-person fund transfers via short messaging services (SMS) and allows Globe Telecom and Innove subscribers to easily and conveniently put cash into and get cash out of the GCash system.

Globe Telecom owns 100% of GTI Business Holdings, Inc. (GTI). GTI was incorporated and registered under the laws of the Philippines, on November 25, 2008, as a holding company. In July 2009, GTI incorporated its wholly owned subsidiary, GTI Corporation (GTIC), a company organized under the General Corporation Law of the United States of America, State of Delaware, for the purpose of engaging in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law. GTIC started commercial operations on April 1, 2011. In December 2011, GTI incorporated another wholly owned subsidiary, Globe Telecom HK Limited (GTHK), a limited company organized under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). GTHK started commercial operations on August 1, 2012. On May 10, 2013, GTI incorporated its wholly owned subsidiary, Globetel European Limited (GTEU) and the latter's wholly owned subsidiary, UK Globetel Limited (UKGT). GTEU was incorporated to act as holding company for the operating companies of Globe Telecom, which proposed to establish operations in Europe, marketing and selling mobile telecommunications services, as a mobile network operator, or through any other appropriate vehicle, to Filipino individuals and businesses located within, and to Filipino visitors, initially, in the United Kingdom, Spain and Italy. These entities are private limited companies under the Companies Act of 2006, wherein the registered addresses are in England and Wales. GTEU started commercial operations on the same date of incorporation while UKGT's commercial operations commenced on July 22, 2013.

On July 22, 2013 and October 4, 2013, respectively, GTEU incorporated additional two European wholly owned subsidiaries which are Globe Mobile Italy S.r.l. (GMI), a limited liability company, with registered address in Milan, Italy and Globetel Internacional European España, S.L. (GIEE), with registered address in Barcelona, Spain. GMI and GIEE commenced commercial operations on November 24, 2013 and August 7, 2014, respectively. GMI and GIEE were organized to operate similar to UKGT.

On November 12, 2014, GTI incorporated Globetel Singapore Pte. Ltd (GTSG), a wholly owned subsidiary, to provide international cable services that will help strengthen connectivity between Singapore and the Philippines, and for the purpose of offering full range of international data services in Singapore.

On March 28, 2012, Globe Telecom incorporated Kickstart Ventures, Inc. (Kickstart or KVI), a stock corporation organized under the laws of the Philippines and formed for the purpose of investing in individual, corporate, or start-up businesses, and to do research, technology development and commercializing of new business ventures. Kickstart started commercial operations on March 29, 2012. In February 2014, Kickstart acquired 40% equity interest in Flipside Publishing Services, Inc. (FPSI) which was accounted for as a subsidiary based on Kickstart's assessment of relevant facts and circumstances. In January 2015, FPSI is engaged primarily to acquire publishing rights, produce, publish, market, and sell printed and electronic books (e-books) and other electronic documents and content for international and domestic sales. FPSI was consolidated starting February 2014.

On June 3, 2014, Globe Telecom signed an agreement with Ayalea Technology, Inc. and SCS Computer Systems, Pte. Ltd. acquiring 100% ownership stake in Asticom Technology, Inc. (Asticom). It is engaged in trading, marketing, installing and servicing of computer equipment, peripherals, manpower, software and other data processing devices. Asticom was consolidated starting June 2014.

Globe Telecom previously owned 100% of Yondu, Inc. (formerly known as Entertainment Gateway Group Corp. [EGGC]) and EGGstreme (Hong Kong) Limited (EHL) (collectively referred here as "EGG Group"). Yondu is engaged in the development and creation of wireless products and services accessible through mobile devices or other forms of communication devices. It also provides internet and mobile value added services, information technology and technical services including software development and related services. EGGC is registered with the Department of Transportation and Communication (DOTC) as a content provider. On February 1, 2013, EHL was liquidated and the cost of investment amounting to ₱11.48 million was derecognized in the consolidated statements of financial position. On May 15, 2014, EGGC changed its corporate name from Entertainment Gateway Group Corp. to Yondu, Inc. (Yondu). On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of ₱670 million and has ceased to consolidate the latter's net assets and liabilities as of that date in its consolidated financial statements. Following this transaction and Yondu's issuance of additional shares to a third party, Globe Telecom's ownership in Yondu was reduced from 100% to 49% and Globe started to account for such investment using the equity method starting September 15, 2015, as disclosed in Note 10.2.

Globe Telecom owns 100% of Globe Capital Venture Holdings Inc. (herein referred to as "GCVHI"). GCVHI was incorporated on June 29, 2015. On July 8 and October 13, 2015, GCVHI incorporated its wholly owned subsidiaries, Globe Fintech Innovations, Inc. (GFI) and Adspark Holdings, Inc. (AHI), respectively (collectively referred here as "GCVHI Group"). GCVHI, GFI and AHI were incorporated to act as holding companies for Globe Telecom's non-core businesses. GCVHI was consolidated starting July 2015. On December 28, 2015, AHI incorporated its wholly-owned subsidiary, Adspark Inc. (AI), to operate as an advertising company.

On September 1, 2015, Yondu Inc. ("Yondu") and GCVHI entered into a Deed of Assignment to assign the former's 50% interest in Global Telehealth, Inc. ("GTHI") to GCVHI for a total consideration of ₱15 million.

On July 2, 2015, the National Telecommunications Commission (NTC) approved the conversion of Bayan Telecommunication Inc.'s ("BTI") Tranche A convertible portion of the debt to equity, and resulted to Globe Telecom's gaining a controlling interest in BTI with increased ownership from 38% to at least 57% of BTI's outstanding shares. On July 20, 2015, Globe Telecom acquired additional voting shares of BTI, which increased its controlling interest to approximately 99% in exchange for cash amounting to ₱1,829.84 million, as disclosed in Note 9. BTI was a subsidiary of Bayan Telecommunications Holdings Corporation (BTHC), a holding company also incorporated in the Philippines. BTHC was 52.48% owned by Lopez Holdings Corporation (Lopez Holdings) and 29.52% owned by Lopez Inc. BTI is a facilities-based provider of data services and fixed-line telecommunications. BTI was consolidated starting July 2015.

BTI's subsidiaries are: Radio Communications of the Philippines, Inc. (RCPI), Alarmnet, Inc. (Alarmnet), Telecoms Infrastructure Corp. of the Philippines (Telicphil), Sky Internet, Incorporated (Sky Internet), BTI Global Communications Japan, Inc. (BTI - Japan), BTI Global Communications Ltd. (BTI - UK), and NDTN Land, Inc. (NLI), (herein collectively referred to "BTI Group").

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

The accompanying consolidated financial statements of Globe Telecom, Inc. and its subsidiaries, collectively referred to as the "Globe Group", have been prepared under the historical cost convention method, except for derivative financial instruments and available-for-sale (AFS) investments that are measured at fair value, certain financial instruments carried at amortized cost, inventories which are carried at net realizable value, and accrued pension, which is measured as the excess of the present value of the defined benefit obligation over the fair value of the plan assets.

The consolidated financial statements of the Globe Group are presented in Philippine Peso (₱), Globe Telecom's functional currency, and rounded to the nearest thousands, except when otherwise indicated.

On February 5, 2016, the Board of Directors (BOD) approved and authorized the release of the consolidated financial statements of Globe Telecom, Inc. and its subsidiaries as of December 31, 2015 and 2014 and for each of the three years ended December 31, 2015, 2014 and 2013.

2.2 Statement of Compliance

The consolidated financial statements of the Globe Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and the Board of Accountancy, and adopted by the SEC.

2.3 Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Globe Telecom and the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Principal Activity	Percentage of Ownership 2015	2014
Innove	Philippines	Wireless and wireline voice and data communication services	100%	100%
GXI	Philippines	Software development for telecommunications applications and money remittance services	100%	100%
GTI	Philippines	Investment and holding company	100%	100%
GTIC	United States	Wireless and data communication services	100%	100%
GTHK	Hong Kong	Marketing and selling of products and services under distributorship agreement	100%	100%
GTSG	Singapore	Wireless and data communication services	100%	100%
GTEU	United Kingdom	Investment and holding company	100%	100%
UKGT	United Kingdom	Wireless and data communication services	100%	100%
GMI	Italy	Wireless and data communication services	100%	100%
GIEE	Spain	Wireless and data communication services	100%	100%
KVI	Philippines	Investment, research, technology development and commercializing for business ventures	100%	100%
FPSI	Philippines	E-book solutions	40%	40%
Yondu*	Philippines	Mobile content and application development services	-	100%
Asiacom	Philippines	Trading, marketing and installation of computer equipment and other data devices	100%	100%
GCVH	Philippines	Investment and Holding Company	100%	-
GFI	Philippines	Holding Company	100%	-
AHI	Philippines	Holding Company	100%	-
AI	Philippines	Advertising Company	100%	-
BTI	Philippines	Telecommunication services	99%	-
RCPI	Philippines	Telecommunication services	91%	-
Altimax	Philippines	Sale, maintenance and installation of intruder and other alarm equipment	100%	-
Telesat	Philippines	Design, planning, technical administration, and maintenance	58%	-
Sky Internet	Philippines	Communication and information networking services	100%	-
BTI - Japan	Japan	Call center and telemarketing services, international private leased circuits and internet services	100%	-
BTI – UK	United Kingdom	Prepaid international phone services	100%	-
NLI	Philippines	Acquire and lease land for the use and benefit of NLI's shareholders	65%	-

*Yondu was deconsolidated in 2015 and is being accounted for as an associate (Note 10.2)

The assets, liabilities, income and expense of subsidiaries are consolidated from the date on which control is transferred to the Globe Group and ceases to be consolidated from the date on which control is transferred out of the Globe Group.

Control is achieved when the Globe Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Globe Group controls an investee if and only if the Globe Group has: (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the Globe Group has less than a majority of the voting or similar rights of an investee, the Globe Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the Globe Group's voting rights and potential voting rights.

The Globe Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Globe Group. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the equity attributable to the Parent.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Globe Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent.

If the Globe Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting year as Globe Telecom accounting policies for like transactions and other events in similar circumstances. On February 2, 2015, SEC approved the change in accounting period of Asticom from fiscal year, April 1 - March 31, to calendar year, January 1 - December 31, and approved by BIR on January 15, 2016. All significant intercompany balances and transactions, including intercompany profits and losses, were eliminated in full during consolidation in accordance with the accounting policy on consolidation.

2.4 Adoption of New Standards, Amendments to Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Globe Group's consolidated financial statements as of and for the year ended December 31, 2014, except for the adoption of following new standards and amendment to standards and interpretations effective on January 1, 2015.

The nature and impact of each new standard and amendment is described below:

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments have no impact to the Globe Group since it has no defined benefit plans with contributions from employees or third parties.

- *Annual Improvements to PFRS (2010-2012 cycle)*

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to Globe Group. They include:

- PFRS 2, *Share-based Payment -Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, (or PFRS 9, *Financial Instruments*, if early adopted). The Globe Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- *Annual Improvements to PFRSs (2011-2013 cycle)*

  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to Globe Group. They include:

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

    Joint arrangements, not just joint ventures, are outside the scope of PFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*

    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

- PAS 40, *Investment Property*

  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Several other new standards and amendments apply for the first time in 2015. However, they do not significantly impact the consolidated financial statements of the Globe Group.

2.5 Future Adoption of New Standards and Amendments to Standards

The Globe Group will adopt the following new standards and amendment to standards enumerated below when these become effective. Except as otherwise indicated, the Globe Group does not expect the adoption of these new standards and amendment to standards to have significant impact on the consolidated financial statements.

Effective January 1, 2016

- PAS 16, *Property, Plant and Amortization (Amendments)*

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to Globe Group given that it has not used a revenue-based method to depreciate its non-current assets.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact to the Globe Group's financial statements.

- PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact to Globe Group.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to Globe Group.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Globe Group is an existing PFRS preparer, this standard would not apply.

- *Annual Improvements to PFRSs (2012-2014 cycle)*

  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to Globe Group. They include:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.



- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

- *Disclosure Initiative (Amendments to PAS 1)*

  The amendments to PAS 1 addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity's share on OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28)* clarifies that:

  - A subsidiary that provides investment-related services should not be consolidated if the subsidiary itself is an investment entity.
  - The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.

- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016.

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*

  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Globe Group's financial assets but will have no impact on the classification and measurement of the Globe Group's financial liabilities. The adoption will also have an effect on the Globe Group's application of hedge accounting. The Globe Group is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments (2014 or final version)*

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Globe Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Globe Group's financial liabilities. The adoption will also have an effect on the Globe Group's application of hedge accounting. The Globe Group is currently assessing the impact of adopting this standard. The Globe Group is currently assessing the impact of adopting this standard.

Standards issued by International Accounting Standards Board not yet adopted in the Philippines

Effective January 1, 2018

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Globe Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

  IFRS 16 Leases was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.

  IFRS 16 standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17. The Globe Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

2.6 Significant Accounting Policies

2.6.1 *Revenue Recognition*

The Globe Group provides mobile and wireline voice, data communication and broadband internet services which are both provided under postpaid and prepaid arrangements.

The Globe Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent (see Note 3.1.5).

Revenue is recognized when the delivery of the products or services has occurred and collectability is reasonably assured.

Revenue is stated at amounts invoiced and accrued to customers, taking into consideration the bill cycle cut-off (for postpaid subscribers), the amount charged against preloaded airtime value (for prepaid subscribers), switch-monitored traffic (for carriers and content providers) and excludes value-added tax (VAT) and overseas communication tax. Inbound and outbound traffic charges, net of discounts, are accrued based on actual volume of traffic monitored by Globe Group's network and in the traffic settlement system.



2.6.1.1 *Service Revenue*

2.6.1.1.1 Subscribers

Revenues from subscribers principally consist of: (1) fixed monthly service fees for postpaid wireless, wireline voice, broadband internet, data subscribers and wireless prepaid and postpaid subscription fees for promotional offers; (2) subscription to promotional offers, usage of airtime and toll fees for local, domestic and international long distance calls in excess of consumable fixed monthly service fees and subscription fees for the promotional offer over the validity period and, less (a) bonus airtime and short messaging services (SMS) on free Subscribers' Identification Module (SIM), and (b) prepaid reload discounts, (3) revenues from value-added services (VAS) such as SMS in excess of consumable fixed monthly service fees (for postpaid) and free SMS allocations (for prepaid), multimedia messaging services (MMS), content and infotext services, net of payout to content providers; (4) mobile data services, (5) inbound revenues from other carriers which terminate their calls to the Globe Group's network less discounts; (6) revenues from international roaming services for Voice, SMS and Data on top of the subscription promo offers, net of payout to roaming partners; (7) usage of broadband and internet services in excess of fixed monthly service fees; and (8) one-time service connection fees (for wireline voice and data subscribers).

Postpaid service arrangements include fixed monthly service fees, which are recognized over the subscription period on a pro-rata basis. Monthly service fees billed in advance are initially deferred and recognized as revenues during the period when earned. Telecommunications services provided to postpaid subscribers are billed throughout the month according to the bill cycles of subscribers. As a result of bill cycle cut-off, monthly service revenues earned but not yet billed at the end of the month are accrued.

Proceeds from over-the-air reloading channels and the sale of prepaid cards are deferred and shown as "Unearned revenues" in the consolidated statements of financial position. Revenue is recognized upon actual usage of airtime value net of free prepaid cards proportionately allocated across all services. Revenue on subscription based services are recorded over the validity period. Unused load value is recognized as revenue upon expiration based on the load denomination. The Globe Group offers loyalty programs which allow its subscribers to accumulate points when they purchase services from the Globe Group. The points can then be redeemed for free services, discounts, subject to a minimum number of points being obtained. The consideration received or receivable is allocated between the sale of services and award credits. The portion of the consideration allocated to the award credits is accounted for as unearned revenues. This will be recognized as revenue upon the award redemption.

2.6.1.1.2 Traffic

Inbound revenues refer to traffic originating from other telecommunications providers terminating to the Globe Group's network, while outbound charges represent traffic sent out or using agreed termination rates and/or revenue sharing with other foreign and local carriers. Adjustments are made to the accrued amount for discrepancies between the traffic volume per Globe Group's records and per records of the other carriers as these are determined and/or mutually agreed upon by the parties. Outstanding inbound revenues are shown as traffic settlements receivable under the "Receivables" account, while unpaid outbound charges are shown as traffic settlements payable under the "Accounts payable and accrued expenses" account in the consolidated statements of financial position unless a legal right of offset exists in which case the net amount is shown either under "Receivables" or "Accounts payable and accrued expenses" account.

2.6.1.1.3 GCash

Service revenues of GXI consist of SMS revenue arising from GCash transactions passing through the telecom networks of Globe Telecom. Service revenue also includes transaction fees and discounts earned from arrangements with partners and from remittances made through GCash partners using the Globe Group's facilities. The Globe Group earns service revenue from one-time connection fee received from new partners. Depending on the arrangement with partners and when the fee is nonconsumable, outright service revenue is recognized upon cash receipt.

2.6.1.2 *Nonservice Revenues*

Proceeds from sale of handsets, nomadic broadband sticks (Tattoos), modems, other mobile devices & accessories, SIM packs, call cards and others are recognized as revenue upon delivery of the items and the related cost or net realizable value are presented as "Cost of sales" in the consolidated statements of comprehensive income.

2.6.1.3 *Others*

Interest income is recognized as it accrues using the effective interest rate method.

Lease income from operating lease is recognized on a straight-line basis over the lease term.

Dividend income is recognized when the Globe Group's right to receive payment is established.

2.6.2 *Subscriber Acquisition and Retention Costs*

The related costs incurred in connection with the acquisition of wireless and wireline voice subscribers are charged against current operations, while the related acquisition costs of data communication and broadband internet subscribers are capitalized. Subscriber acquisition costs primarily include commissions, handset, phonekit, modems, mobile internet kit subsidies, device subsidies and selling expenses. Subsidies represent the difference between the cost of handsets, nomadic broadband sticks (Tattoos), modems, other mobile devices and accessories, SIM packs, call cards and others (included in the "Cost of sales" and "Impairment losses and others" account), and the price offered to the subscribers (included in the "Nonservice revenues" account). The data communication and broadband internet costs represent the acquisition cost of modems (included in the "Property and Equipment" account) which are depreciated over a period of two years or contract term whichever is shorter (included in the "depreciation and amortization" account). Retention costs for existing postpaid subscribers are in the form of free handsets, devices and bill credits. Retention costs are charged against current operations and included under the "General, selling and administrative expenses" account in the consolidated statement of comprehensive income upon delivery or when there is a contractual obligation to deliver. Bill credits are deducted from service revenues upon application against qualifying subscriber bills.

2.6.3 *Cash and Cash Equivalents*

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placement and that are subject to an insignificant risk of change in value.

2.6.4 *Financial Instruments*

2.6.4.1 *General*

2.6.4.1.1 Initial Recognition and Measurement

Financial instruments are recognized in the Globe Group's consolidated statements of financial position when the Globe Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized (regular way trades) on the trade date, i.e., the date that the Globe Group commits to purchase or sell the asset.

Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes directly attributable transaction costs.

The Globe Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Globe Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation every reporting date.

2.6.4.1.2 Financial Assets or Financial Liabilities at FVPL

This category consists of financial assets or financial liabilities that are held for trading or designated by management as FVPL on initial recognition. Financial assets or financial liabilities are classified as held for sale if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments as defined by PAS 39.

Financial assets or financial liabilities at FVPL are recorded in the consolidated statements of financial position at fair value, with changes in fair value being recorded in the consolidated profit or loss. Interest earned or incurred is recorded as "Interest income or expense", respectively, while dividend income is recorded when the right to receive payment has been established. Both are recorded in the consolidated profit or loss.

Financial assets or financial liabilities are classified in this category as designated by management on initial recognition when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Globe Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Globe Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Globe Group may elect to reclassify these financial assets. The reclassification to loans and receivables, AFS or HTM depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation because these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.6.4.1.3 HTM Investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Globe Group's management has the positive intention and ability to hold to maturity. Where the Globe Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. After initial measurement, HTM investments are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process. The amortization is included in "Interest income" in the consolidated statement of comprehensive income. The effects of restatement of foreign currency-denominated HTM investments are recognized in the consolidated statements of comprehensive income.

There are no outstanding HTM investments as of December 31, 2015 and 2014.

2.6.4.1.4 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated at FVPL.

This accounting policy relates to the consolidated statement of financial position caption "Receivables", which arise primarily from subscriber and traffic revenues and other types of receivables, "Short-term investments", which arise primarily from unquoted debt securities, and other nontrade receivables included under "Prepayments and other current assets" and loans receivables included under "Other noncurrent assets".

Receivables are recognized initially at fair value. After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Penalties, termination fees and surcharges on past due accounts of postpaid subscribers are recognized as revenues upon collection. The losses arising from impairment of receivables are recognized in the "Impairment losses and others" account in the consolidated statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on 2.6.4.2 Impairment of Financial Assets).

Other nontrade receivables and loans receivable are recognized initially at fair value, which normally pertains to the consideration paid. Similar to receivables, subsequent to initial recognition, other nontrade receivables and loans receivables are measured at amortized cost using the effective interest rate method, less any allowance for impairment losses.

2.6.4.1.5 AFS Investments

AFS investments are those investments which are designated as such or do not qualify to be classified or designated as at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments.

After initial measurement, AFS investments are subsequently measured at fair value. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. The unrealized gains and losses arising from the fair value changes of AFS investments are included in other comprehensive income and are reported as "Other reserves" (net of tax where applicable) in the equity section of the consolidated statement of financial position. When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the consolidated profit or loss.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. Dividends earned on holding AFS investments are recognized in the consolidated profit or loss when the right to receive payment has been established.

The losses arising from impairment of such investments are recognized as "Impairment losses and others" in the consolidated statements of comprehensive income.

2.6.4.1.6 Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Globe Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated profit or loss.

This accounting policy applies primarily to the Globe Group's debt, accounts payable and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

2.6.4.1.7 Derivative Instruments

2.6.4.1.7.1 *General*

The Globe Group enters into short-term deliverable and nondeliverable currency forward contracts to manage its currency exchange exposure related to short-term foreign currency-denominated monetary assets and liabilities and foreign currency linked revenues.

The Globe Group also enters into long-term currency and interest rate swap contracts to manage its foreign currency and interest rate exposures arising from its long-term loan. Such swap contracts are sometimes entered into in combination with options.

2.6.4.1.7.2 *Recognition and Measurement*

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment. The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated profit or loss. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment (both prospective and retrospective bases) and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

Upon inception of the hedge, the Globe Group documents the relationship between the hedging instrument and the hedged item, its risk management objective and strategy for undertaking various hedge transactions, and the details of the hedging instrument and the hedged item. The Globe Group also documents its hedge effectiveness assessment methodology, both at the hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is likewise measured, with any ineffectiveness being reported immediately in the consolidated profit or loss.

2.6.4.1.7.3 *Types of Hedges*

The Globe Group designates derivatives which qualify as accounting hedges as either: (a) a hedge of the fair value of a recognized fixed rate asset, liability or unrecognized firm commitment (fair value hedge); or (b) a hedge of the cash flow variability of recognized floating rate asset and liability or forecasted sales transaction (cash flow hedge).

Fair Value Hedges

Fair value hedges are hedges of the exposure to variability in the fair value of recognized assets, liabilities or unrecognized firm commitments. The gain or loss on a derivative instrument designated and qualifying as a fair value hedge, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in the consolidated profit or loss in the same accounting period. Hedge effectiveness is determined based on the hedge ratio of the fair value changes of the hedging instrument and the underlying hedged item. When the hedge ceases to be highly effective, hedge accounting is discontinued.

As of December 31, 2015 and 2014, there were no derivatives designated and accounted for as fair value hedges.

Cash Flow Hedges

The Globe Group designates as cash flow hedges the following derivatives:

(a) cross currency swaps as cash flow hedge of foreign exchange and interest rate risk of United States Dollar (USD) loans (b) principal only swaps as cash flow hedge of foreign exchange risk of USD loans (c) interest rate swaps as cash flow hedge of the interest rate risk of a floating rate obligation, and (d) certain foreign exchange forward contracts as cash flow hedge of expected USD revenues.

A cash flow hedge is a hedge of the exposure to variability in future cash flows related to a recognized asset, liability or a forecasted sales transaction. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in "Other reserves," which is a component of equity. Any hedge ineffectiveness is immediately recognized in the consolidated profit or loss.

If the hedged cash flow results in the recognition of a nonfinancial asset or liability, gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from equity to consolidated profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affect earnings.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been recognized in OCI is retained in "Other reserves" until the hedged transaction impacts consolidated profit or loss. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously recognized in "Other reserves" is immediately recycled in the consolidated profit or loss.

For cash flow hedges of USD revenues, the effective portion of the hedge transaction coming from the fair value changes of the currency forwards are subsequently recycled from equity to consolidated profit or loss and is presented as part of the US dollar-based revenues upon consummation of the transaction or when the hedge become ineffective.



2.6.4.1.7.4 *Other Derivative Instruments Not Accounted for as Accounting Hedges*

Certain freestanding derivative instruments that provide economic hedges under the Globe Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated profit or loss. For bifurcated embedded derivatives in financial and nonfinancial contracts that are not designated or do not qualify as hedges, changes in the fair values of such transactions are recognized in the consolidated profit or loss.

2.6.4.1.7.5 *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; thus, the related assets and liabilities are presented gross in the consolidated statements of financial position.

2.6.4.2 *Impairment of Financial Assets*

The Globe Group assesses at end of the reporting date whether a financial asset or group of financial assets is impaired.

2.6.4.2.1 Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is to be recognized in the consolidated profit or loss.

The Globe Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated profit or loss to the extent that the carrying value of the asset does not exceed what should have been its amortized cost at the reversal date.

With respect to receivables, the Globe Group performs a regular review of the risk profile of accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Globe Group.

2.6.4.2.1.1 Subscribers

Management regularly reviews its portfolio and assesses if there are accounts requiring specific provisioning based on objective evidence of high default probability. Observable data indicating high impairment probability could be deterioration in payment status, declaration of bankruptcy or national/local economic indicators that might affect payment capacity of accounts.

Full allowance for impairment losses, net of average recoveries, is provided for receivables from permanently disconnected wireless, wireline and broadband subscribers. Permanent disconnections are made after a series of collection steps following nonpayment by postpaid subscribers. Such permanent disconnections generally occur within a predetermined period from due date.

Impairment losses are applied to active wireless, wireline and broadband accounts specifically identified to be doubtful of collection where there is information on financial incapacity after considering the other contractual obligations between Globe Group and the subscriber. Allowance is applied regardless of age bucket of identified accounts.

Application of impairment losses to receivables, net of receivables with applied specific loss, is also determined based on the results of net flow to permanent disconnection methodology.

For wireless, net flow tables are derived from account-level monitoring of subscriber accounts between different age brackets depending on the defined permanent disconnection timeline, from current to 150 days past due and up. The net flow to permanent disconnection methodology relies on the historical data of net flow tables to establish a percentage ("net flow rate") of subscriber receivables that are current or in any state of delinquency as of reporting date that will eventually result to permanent disconnection. The allowance for impairment losses is then computed based on the outstanding balances of the receivables at the end of reporting date and the net flow rates determined for the current and each delinquency bucket. Full allowance net of recoveries is provided for receivables of active consumer accounts in the 150 days past due and up bucket.

For active wireline voice and broadband subscribers, the allowance for impairment loss is also determined based on the results of net flow rate to permanent disconnection computed from account-level monitoring of accounts from current to 90 days past due and up age bucket except for consumer where impairment rate applied at 90 days past due and up bucket is full allowance net of average recoveries prior to permanent disconnection.



2.6.4.2.1 2 Traffic

As per PAS 39, impairment provision is recognized in the light of actual losses incurred by the Globe Group as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of assets that can be reliably estimated.

For traffic receivables, impairment losses are provided on specific or per carrier basis observing objective evidence of impairment. Objective evidence of impairment includes the following: a) financial difficulty of interconnect carriers; b) default or delinquency; c) high probability of bankruptcy or financial re-organization; and d) historical pattern of collections that amounts due will not be collected. For receivable balances that appear doubtful of collection, allowance is provided after review of the status of settlement with each carrier and roaming partner, taking into consideration normal payment cycles, recovery experience and credit history of the counterparties.

2.6.4.2.1.3 Other receivables

Other receivables from dealers, credit card companies and other parties are provided with allowance for impairment losses if specifically identified to be doubtful of collection regardless of the age of the account.

2.6.4 2.2 AFS Investments Carried at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The carrying amount of the asset is reduced through the use of an allowance account.

2.6.4 2 3 AFS Investments Carried at Fair Value

If an AFS investment carried at fair value is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognized in the consolidated profit or loss. Reversals of impairment losses on debt instruments are made through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated profit or loss.

2.6.4.3 *Derecognition of Financial instruments*

2.6.4.3.1 Financial Asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Globe Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Globe Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Globe Group has transferred it's rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Globe Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, which is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Globe Group could be required to pay.

2.6.4.3.2 Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated profit or loss.

2.6.5 *Fair Value Measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Globe Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Globe Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Globe Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6.6 *Inventories and Supplies*

Inventories and supplies are initially measured at cost. Subsequently, stated at the lower of cost and net realizable value (NRV). NRV for handsets, modems, devices and accessories is the selling price in the ordinary course of business less direct costs to sell, while NRV for SIM packs, call cards, spare parts and supplies consists of the related replacement costs. In determining the NRV, the Company considers any adjustment necessary for obsolescence, which is generally provided at 80% for non-moving items after a certain period. Cost is determined using the moving average method.

When inventories and supplies are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

2.6.7 *Noncurrent Assets Held for Sale*

Non current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Non-current assets (and the related liabilities) are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is considered as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

Items of property and equipment and intangible assets once classified as held for sale are not depreciated/amortized.

Assets that cease to be classified as held for sale are measured at the lower of its carrying value before the assets were classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale, and its recoverable amount at the date of the changes to the plan of sale. Adjustment is recognized in profit or loss.

2.6.8 *Prepayments*

Prepayments, included under "Other current assets" account in the consolidated statement of financial position, are expenses paid in advance and recorded as asset before they are utilized.

This account comprises of advance payment to suppliers and contractors, prepaid rentals and insurance premiums and other prepaid items and creditable withholding taxes. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Creditable withholding taxes are deducted from income tax payable. Prepayments that are expected to be realized for no more than 12 months after the balance sheet date are classified as current assets, otherwise, these are classified as other noncurrent assets.

2.6.9 *Value Added Tax (VAT)*

Input VAT is recognized when the Globe Group purchases goods or services from a VAT registered supplier or vendor. This account is offset against any output VAT previously recognized. Input VAT on capital goods exceeding P1 million and input VAT from purchases of goods and services which remain unpaid at each reporting date are recognized as "Deferred input VAT."

2.6.10 *Property and Equipment*

Property and equipment, except land, are carried at cost less accumulated depreciation, amortization and impairment losses. Land is stated at cost less any impairment losses.

The initial cost of an item of property and equipment includes its purchase price and any cost attributable to bringing the property and equipment to its intended location and working condition. Cost also includes: (a) interest and other financing charges on borrowed funds specifically used to finance the acquisition of property and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligations (ARO) specifically on property and equipment installed/constructed on leased properties.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Globe Group and the cost of the item can be measured reliably.

Assets under construction (AUC) are carried at cost and transferred to the related property and equipment account when the construction or installation and the related activities necessary to prepare the property and equipment for their intended use are complete, and the property and equipment are ready for service.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line method over the estimated useful lives (EUL) of the property and equipment.

Leasehold improvements are amortized over the shorter of their EUL or the corresponding lease terms.

The EUL of property and equipment are reviewed annually based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior to ensure that the period of depreciation and amortization is consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and impairment losses are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

2.6.11 *ARO*

The Globe Group is contractually required under various contracts to restore leased property to its original condition and to bear the cost of dismantling and deinstallation at the end of the contract period. The Globe Group recognizes the present value of these obligations and capitalizes these costs as part of the carrying value of the related property and equipment accounts, and are depreciated on a straight-line basis over the useful life of the related property and equipment or the contract period, whichever is shorter.

The amount of ARO is recognized at present value and the related accretion is recognized as interest expense.

2.6.12 *Intangible Assets*

Intangible assets consist of: (1) telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment; (2) intangible assets identified to exist during the acquisition of Yondu for its existing customer contracts (3) exclusive dealership right in Taodharma, Inc and (4) intangible assets identified to exist during the acquisition of BTI for its customer contracts, franchise and frequency. Costs directly associated with the development of identifiable software that generate expected future benefits to the Globe Group are recognized as intangible assets. All other costs of developing and maintaining software programs are recognized as expense when incurred.

Intangible assets are initially measured at cost. Subsequently, intangible assets are measured at cost less accumulated amortization and any impairment losses. The EUL of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives. The periods and method of amortization for intangible assets with finite useful lives are reviewed annually or more frequently when an indicator of impairment exists.

Intangible assets are derecognized on disposal, or when no future economic benefits are expected from use or disposal. A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statements of comprehensive income when the asset is derecognized.

As a result of Globe Telecom's sale of its controlling stake in Yondu, the related intangible assets were derecognized starting September 15, 2015 (Note 8).

2.6.13 *Business Combinations and Goodwill*

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Globe Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses in the consolidated profit or loss.

When the Globe Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Globe Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained

The Globe Group and acquiree may have a relationship that existed before they contemplated the business combination, referred to here as a 'pre-existing relationship'. A pre-existing relationship between the acquirer and acquiree may be contractual or non-contractual.

If the business combination in effect settles a pre-existing relationship, the acquirer recognizes a gain or loss, measured as follows:

(a) for a pre-existing non-contractual relationship (such as a lawsuit), fair value.

(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the contract is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items. (An unfavourable contract is a contract that is unfavourable in terms of current market terms. It is not necessarily an onerous contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.)

(ii) the amount of any stated settlement provisions in the contract available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of the business combination accounting. The amount of gain or loss recognized may depend in part on whether the acquirer had previously recognized a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

2.6.14 *Investments in Associate and Joint Ventures*

An associate is an entity over which the Globe Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture (JV) is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associate or joint venture are measured initially at cost. Subsequent to initial recognition, Globe Group's investments in its associate and JV are accounted for using the equity method. Under the equity method, the investments in an associate and JV are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Globe Group's share in net assets of the associate and JV, less any allowance for impairment losses. The profit or loss includes Globe Group's share in the results of operations of its associate or JV. Any change in OCI of those investees is presented as part of the Globe Group's OCI. In addition, where there has been a change recognized directly in the equity of the associate or JV, the Globe Group recognizes its share of any changes and discloses this, when applicable, in OCI.

When the share of losses recognized under the equity method has reduced the investment to zero, the Globe Group shall discontinue recognizing its share of further losses and apply it to other interests that, in substance, form part of Globe Group's net investment in the associate or JV. If the associate or JV subsequently reports profits, the Globe Group will resume recognizing its share of those profits only after its share of the profits equal the share in losses not recognized.



The financial statements of the associate or joint venture are prepared for the same reporting period as the Globe Group.

Upon loss of significant influence over the associate or joint control over the joint venture, the Globe Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated profit or loss

2.6.15 *Related Party Transactions*

A related party transaction is a transfer of resources, services or obligations between the Parent Company and a related party, regardless of whether a price is charged. Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Globe Group and the key management personnel of the Globe Group are also considered to be related parties.

2.6.16 *Impairment of Nonfinancial Assets*

For nonfinancial assets, excluding goodwill, an assessment is made at the end of the reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset or CGU to which the asset belongs is written down to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs. For impairment loss on specific assets or investments, the recoverable amount represents the fair value less cost to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property and equipment and intangible assets) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

After application of the equity method, the Globe Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Globe Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Globe Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as "Equity in net losses of associates and joint ventures" account in the consolidated profit or loss.

For assessing impairment of goodwill, a test for impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods

2.6.17 *Unearned Revenues*

Unearned revenues are recognized when proceeds are collected from wireless subscribers under prepaid arrangements. These also represent advance payments for leased lines, installation fees and monthly service fees and points expected to be redeemed under its Loyalty programmes.

2.6.18 *Income Tax*

2.6.18.1 *Current Income Tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting date.

2.6.18.2 *Deferred Income Tax*

Deferred income tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be used.

Deferred income tax is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred income tax liabilities/assets are not recognized for taxable/deductible temporary differences associated with investments in foreign subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax relating to items recognized directly in equity or OCI is included in the related equity or OCI account and not in profit or loss.

The carrying amounts of deferred income tax assets are reviewed every end of reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.



Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities are settled based on tax rates (and tax laws) that have been enacted or substantively enacted as at the end of the reporting date.

Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

2.6.19 *Provisions*

Provisions are recognized when: (a) the Globe Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed every end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense under "financing costs" in consolidated statement of comprehensive income.

2.6.20 *Share-based Payment Transactions*

Certain employees (including directors) of the Globe Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions") (see Note 38).

The cost of equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will vest.

The cost of equity-settled transactions is recognized in the consolidated profit or loss, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the management of the Globe Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest. Costs of exercised awards plus the corresponding strike amount are reclassified to the capital accounts.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (EPS) (see Note 27).

2.6.21 *Capital Stock*

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as part of that transaction and are deducted from additional paid-in capital, net of related income tax benefits.

2.6.22 *Additional Paid-in Capital*

Additional paid-in capital includes any premium received in excess of par value on the issuance of capital stock.

2.6.23 *Treasury Stock*

Treasury stock is recorded at cost and is presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

2.6.24 *Other Comprehensive Income*

OCI are items of income and expense that are not recognized in the consolidated profit or loss for the year in accordance with PFRS.

2.6.25 *Retained Earnings*

Retained earnings represent accumulated profit attributable to equity holders of the Parent Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

2.6.26 *Pension Cost*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.



Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Globe Group, nor can they be paid directly to the Globe Group. Fair value of plan assets is based on market price information. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

2.6.27 *Borrowing Costs*

Borrowing costs are capitalized if these are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities for the asset's intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. These costs are amortized using the straight-line method over the EUL of the related property and equipment. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other related financing charges incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs. Premiums on long-term debt are included under the "Long-term debt" account in the consolidated statement of financial position and are amortized using the effective interest rate method.

Other borrowing costs are recognized as expense in the period in which these are incurred.

2.6.28 *Leases*

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for any of the scenarios above, and at the date of renewal or extension period for the second scenario.

2.6.28.1 *Globe Group as Lessee*

Finance leases, which transfer to the Globe Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in the "Property and equipment" account with the corresponding liability to the lessor included in the "Other long-term liabilities" account in the consolidated statements of financial position. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly as "Interest expense" in the consolidated statements of comprehensive income.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated profit or loss on a straight-line basis over the lease term.

2.6.28.2 *Globe Group as Lessor*

Leases where the Globe Group does not transfer substantially all the risk and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.6.29 *General, Selling and Administrative Expenses*

General, selling and administrative expenses, except for rent, are charged against current operations as incurred.

2.6.30 *Foreign Currency Transactions*

The functional and presentation currency of the Globe Group is the Philippine Peso, except for GTIC US and GTHK whose functional currency is the USD, GMI and GIEE whose functional currency is Euro, GTSG whose functional currency is the Singapore Dollar (SGD), BTI – UK, GTBU and UKGT whose functional currency is GBP, and BTI – Japan whose functional currency is JPY. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of reporting period.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other OCI.

As at the reporting date, the assets and liabilities of GTIC and GTHK, GTEU, UKGT, GMI, GIBE, GTSG, BTI – UK, and BTI - Japan are translated into the presentation currency of the Globe Group at the rate of exchange prevailing at the end of reporting period and its profit or loss is translated at the monthly weighted average exchange rates during the year. The exchange differences arising on the translation are taken directly to a separate component of equity under "Other reserves" account. Upon disposal of GTIC, GTHK, GTEU, UKGT, GMI, GIBE, GTSG, BTI – UK, and BTI - Japan the cumulative translation adjustments shall be recognized in the consolidated profit or loss.

2.6.31 *EPS*

Basic EPS is computed by dividing net income attributable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted, would decrease the basic EPS, then such convertible preferred shares would be deemed dilutive. Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

2.6.32 *Operating Segment*

The Globe Group's major operating business units are the basis upon which the Globe Group reports its primary segment information. The Globe Group's business segments consist of: (1) mobile communication services; and (2) wireline communication services. The Globe Group generally accounts for intersegment revenues and expenses at agreed transfer prices.

2.6.33 *Contingencies*

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

2.6.34 *Events after the Reporting Period*

Any post period-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Globe Group's position at the end of reporting period (adjusting event) is reflected in the consolidated financial statements. Any post period-end event that is not an adjusting event is disclosed in the consolidated financial statements when material.

3 Management's Significant Accounting Judgments and Use of Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such judgments, estimates and assumptions.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Judgments

3.1.1 *Leases*

3.1.1.1 *Operating Lease Commitments as Lessor*

The Globe Group has entered into lease agreements as a lessor. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Globe Group has determined that it retains all the significant risks and rewards of ownership of the properties and so accounts for the agreement as an operating leases (see Note 25.1.1).

3.1.1.2 *Operating Lease Commitments as Lessee*

The Globe Group has entered into various lease agreements as a lessee where it has determined that the lessors retain all the significant risks and rewards of ownership of the properties and, as such, accounts for the agreements as operating lease (see Note 25.1.1).

3.1.1.3 *Finance Lease*

The Globe Group has entered into finance lease agreements related to hardware infrastructure and information technology equipment. Management has determined based on the evaluation of the terms and conditions of the arrangements, that the Globe Group bear substantially all the risks and rewards incidental to ownership of the said machineries and equipment and so account for the contracts as finance leases (see Note 25.1.2).

3.1.2 *Fair Value of Financial Instruments*

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.1.3 *Financial Assets not Quoted in an Active Market*

The Globe Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

3.1.4 *Allocation of Goodwill to Cash-Generating Units*

The Globe Group allocated the carrying amount of goodwill on the Yondu acquisition to the mobile content and application development services business, while the goodwill arising from BTI's existing acquisition has not yet been allocated to a specific CGU until provisional status expires. The Globe Group believes that CGUs represent the lowest level within the Globe Group at which the goodwill is monitored for internal management reporting purposes; and not larger than an operating segment determined in accordance with PFRS 8.

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognized.

The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgment and estimates. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognized as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognized in the income statement.

The fair values of BTI's net assets at the time of acquisition amounted to ₱2,277.02 million and was estimated using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar assets for which market observable prices exist and other relevant valuation models.

3.1.5 *Determination of Whether the Globe Group is Acting as a Principal or an Agent*

The Globe Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Globe Group has primary responsibility for providing the goods and services;
- whether the Globe Group has inventory risk;
- whether the Globe Group has discretion in establishing prices; and
- whether the Globe Group bears the credit risk.

If the Globe Group has determined it is acting as a principal, the Globe Group recognizes revenue on a gross basis, with the amount remitted to the other party being accounted for as part of costs and expenses.

If the Globe Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Globe Group assessed its revenue arrangements and concluded that it is acting as a principal in some arrangements and as an agent in other arrangements.

3.1.6 *Provisions and Contingencies*

Globe Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsel handling Globe Group's defense in these matters and is based upon an analysis of potential results. Globe Group currently does not believe that these proceedings will have a material adverse effect on the consolidated statements of financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Notes 13 and 26).

3.1.7 *Classification of Non-current Assets Held for Sale*

The Globe Group classified certain non-current assets as held-for-sale in 2010. PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, requires that the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, with certain exceptions. Globe Group has determined that circumstances have occurred which will qualify as exception to the timing of the recognition of the sale in previous years.

In 2013, the Globe Group ceased to classify these assets as held for sale due to the substantial delay in the completion of the transaction. The Globe Group recognized a catch up depreciation amounting to ₱397.00 million for the year ended December 31, 2013 (see Note 25.4).

3.1.8 *Assessment of Investment in Automated Fare Payments Inc. (formerly Automated Fare Collection Services (AFCS))*

On January 10, 2014, the Department of Transportation and Communication awarded to AF Payments Inc., composed of BPI Card Finance Corporation, AC Infrastructure Holdings Corp., Smart Communications, Inc., Meralco Financial Services Corporation, Metro Pacific Investments Corporation and Globe Telecom the rights to design, build and operate the P1.72 billion automated fare collection system.

Critical judgment was exercised to assess the facts and circumstances indicating the elements of control or level of influence of Globe Telecom over AFCS. Globe Telecom has determined that it has significant influence, but no control, over the financial and operating policy decisions of AFCS. The total capital contribution of ₱460.00 million equivalent to 20% ownership is recognized as investment in an associate and is accounted for using the equity method.

3.1.9 *Consolidation of FPSI*

As of December 31, 2015, Globe Group holds less than 50% of the voting rights on the investment in FPSI. The Globe Group has a contractual arrangement to purchase additional equity interest in FPSI to bring the Globe Group's total ownership in FPSI to 65% and has rights arising from this agreement. As such Globe Group has assessed that it holds control over the financial and operating policies of FPSI.

3.1.10 *Assessment of Investment in Yondu*

Note 10.2 describes that Yondu is an associate of the Globe Group although the Globe Group only owns a 49% ownership interest in Yondu.

Critical judgment was exercised to assess the facts and circumstances indicating the elements of control or level of influence of Globe Telecom over Yondu. Globe Telecom has determined that it has significant influence, but no control, over the financial and operating policy decisions of Yondu.

3.1.11 *Assessment of Investment in GTHI*

The Group has an immaterial joint operation arrangement on GTHI, as disclosed in Note 10.6. There is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the net assets of the joint arrangement. Accordingly, based on the assessment made by the Management, Globe Group has classified its joint arrangement as joint operation because of its rights over the assets and obligations for the liabilities of GTHI.

3.1.12 *Assessment of Investment in TechGlobal*

The Group has an immaterial joint operation arrangement on TechGlobal, as disclosed in Note 10.7. There is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the net assets of the joint arrangement. Accordingly, based on the assessment made by the Management, Globe Group has classified its joint arrangement as joint operation because of its rights over the assets and obligations for the liabilities of TechGlobal.

3.2 Estimates

3.2.1 *Revenue Recognition*

The Globe Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

The Globe Group estimates the fair value of points awarded under its Loyalty programmes, which are within the scope of Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, by applying estimation procedures using historical data and trends. The points expected to be redeemed is estimated based on the remaining points, the run-rate redemption by the subscribers and the points to peso conversion. As of December 31, 2015 and 2014, the estimated liability for unredeemed points included in "Unearned revenues" amounted to ₱133.92 million and ₱265.50 million, respectively.

3.2.2 *Allowance for Impairment Losses on Receivables*

The Globe Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Globe Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Globe Group. The amount and timing of recorded expenses for any period would differ if the Globe Group made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

Impairment losses on receivables for the years ended December 31, 2015, 2014 and 2013 amounted to ₱2,693.57 million, ₱3,035.24 million and ₱2,046.52 million, respectively (see Note 23). Receivables, net of allowance for impairment losses, amounted to ₱21,935.78 million and ₱17,860.75 million as of December 31, 2015 and 2014, respectively (see Note 4).

The carrying value of loans receivable presented under prepayments and other current assets and other noncurrent assets as of December 31, 2015 and 2014 amounted to ₱1,126.62 million and ₱5,570.58 million, respectively (see Note 6 and 11).

3.2.3. Obsolescence and Market Decline

The Globe Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally provided at 80% for nonmoving items after a certain period. The Globe Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect market decline in the value of the recorded inventories. The Globe Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow moving inventories by reference to prevailing values of the same inventories in the market. Provisions are generally made based on expected recoveries, which is 80% of the cost.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in allowance for obsolescence and market decline would increase recorded cost of sales and impairment losses, and decrease current assets.

Inventory obsolescence and market decline for the years ended December 31, 2015, 2014 and 2013 amounted to ₱384.14 million, ₱437.51 million and ₱321.46 million, respectively (see Note 23).

Inventories and supplies, net of allowances, amounted to ₱4,489.18 million and ₱3,186.42 million as of December 31, 2015 and 2014, respectively (see Note 5).

3.2.4 ARO

The Globe Group is legally required under various contracts to restore leased property to its original condition and to bear the costs of dismantling and deinstallation at the end of the contract period. These costs are accrued based on an in-house estimate, which incorporates estimates of asset retirement costs and interest rates. The Globe Group recognizes the present value of these obligations and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are being depreciated and amortized on a straight-line basis over the EUL of the related asset or the lease term, whichever is shorter.

The present value of dismantling costs is computed based on an average credit-adjusted risk-free rate of 6.97% and 6.64% for the years ended December 31, 2015 and 2014, respectively. Assumptions used to compute ARO are reviewed and updated annually.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in ARO would increase recorded operating expenses and increase noncurrent liabilities.

The Globe Group updated its assumptions on timing of settlement and estimated cash outflows arising from ARO on its leased premises. As a result of the changes in estimates, the Globe Group adjusted downward its ARO liability (included under "Other long-term liabilities" account) by ₱42.02 million and ₱2.71 million for the years ended December 31, 2015 and 2014, respectively, against the book value of the assets on leased premises (see Note 15).

As of December 31, 2015 and 2014, ARO amounted to ₱2,055.69 million and ₱1,868.01 million, respectively (see Note 15).

3.2.5 *EUL of Property and Equipment, Investment Properties and Intangible Assets*

The useful life of each of the Globe Group's property and equipment, investment properties and intangible assets with finite useful lives is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The Globe Group reviews annually the EUL of these assets based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

A reduction in the EUL of property and equipment and intangible assets would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

The EUL of property and equipment are as follows:

	Years
Telecommunications equipment:	
Tower	20
Switch	5-10
Outside plant, cellsite structures and improvements	10-20
Distribution dropwires and other wireline assets	3-10
Cellular equipment and others	3-10
Buildings	20
Investments in cable systems	15
Office equipment	3-5
Transportation equipment	3-5
Leasehold improvements	5 years or lease term, whichever is shorter

Intangible assets comprising of licenses and application software are amortized over the EUL of the related hardware or equipment ranging from three (3) to ten (10) years or life of the telecommunications equipment where it is assigned while exclusive dealership rights are amortized over the life of the dealership agreement.

In 2012, the Globe Group changed the EUL of certain wireless and wireline telecommunications equipment and licenses resulting from new information affecting the expected utilization of these assets. The net effect of the change in EUL resulted in higher depreciation of ₱1,623.17 million and ₱9,065.97 million in 2014 and 2013, respectively. By the end of 2014, these assets are fully depreciated and carried at estimated residual value.

As of December 31, 2015 and 2014, the aggregate carrying value of property and equipment and intangible assets (excluding goodwill) amounted to ₱140,942.42 million and ₱122,573.68 million, respectively (see Notes 7 and 8).

3.2.6 *Estimation of Residual Value*

The Globe Group estimates a residual value (RV) for assets subjected to accelerated depreciation caused by network transformation. The Globe Group adjusted the RV based on the progress of disposal of decommissioned assets as of December 31, 2015 and 2014.

The Globe Group regularly assesses the need to adjust the RV on a periodic basis.

3.2.7 *Asset Impairment*

3.2.7.1 *Impairment of Nonfinancial Assets Other Than Goodwill*

The Globe Group assesses impairment of assets (property and equipment, intangible assets and investments in associates and joint ventures) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Globe Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for the overall business; and,
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset or investment exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

For impairment loss on specific assets or investments, the recoverable amount represents the fair value less cost to sell.

For the Globe Group, the CGU is the combined mobile and wireline asset groups of Globe Telecom, Innove and BTI. This asset grouping is predicated upon the requirement contained in Executive Order (EO) No.109 and Republic Act (RA) No.7925 requiring licensees of Cellular Mobile Telephone System (CMTS) and International Digital Gateway Facility (IGF) services to provide 400,000 and 300,000 Local Exchange Carrier lines, respectively, as a condition for the grant of such licenses. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets or holding of an investment, the Globe Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The aggregate carrying value of property and equipment, intangible assets, goodwill and investments and advances amounted to ₱143,595.01 million and ₱123,351.51 million as of December 31, 2015 and 2014, respectively (see Notes 7, 8 and 9).

3.2.7.2 *Impairment of Goodwill*

The Globe Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the business plan for the next five years and do not include restructuring activities that the Globe Group is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. As of December 31, 2015 and 2014, the carrying value of goodwill amounted to ₱1,154.03 million and ₱327.13 million, respectively (see Note 8).

The recoverable amount of the CGU, which exceeds the carrying amount of the related goodwill by ₱5,656.02 million and ₱3,899.79 million as of December 31, 2015 and 2014, respectively, has been determined based on value in use calculations using cash flow projections from business plans covering a five-year period. The pre-tax discount rate applied to cash flow projections was 14% in 2015 and 9.40% in 2014 and cash flows beyond the five-year period are extrapolated using a 2% and 3% long-term growth rate in 2015 and 2014, respectively.

3.2.8 *Deferred Income Tax Assets*

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized (see Note 24).

As of December 31, 2015, the combined net deferred tax assets of Globe Telecom, Innove, GXI, BTI and Asticom amounted to ₱1,324.08 million. As of December 31, 2014, the combined net deferred tax assets of Globe Telecom, Innove, GXI and Yondu amounted to ₱1,904.30 million (Note 24).

As of December 31, 2015, the combined net deferred income tax liabilities of KVI, and GTI amounted to ₱2.21 million. As of December 31, 2014, GTI has net deferred income tax liabilities amounting to ₱0.40 million (Note 24).

3.2.9 *Financial Assets and Financial Liabilities*

The Globe Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates), the amount of changes in fair value would differ if the Globe Group utilized different valuation methodologies. Any changes in fair value of these financial assets and liabilities would affect the consolidated statement of comprehensive income and consolidated statement of changes in equity.

Financial assets comprising AFS investments and derivative assets carried at fair values as of December 31, 2015 and 2014 amounted to ₱1,659.86 million and ₱853.33 million, respectively, and financial liabilities comprising derivative liabilities carried at fair values as of December 31, 2015 and 2014 amounted to ₱111.28 million and ₱94.81 million (see Note 28.12).

3.2.10 *Estimation of Losses*

The Globe Group assesses the extent of losses arising from natural calamities. Certain methodology and reasonable estimates are exercised considering all factors including insurance coverage, type of losses sustained. The Globe Group determines the recoverability of losses from insured assets.

A provision for impairment of assets was recognized in 2013 amounting to ₱139.00 million, out of which ₱90.9 million and ₱6.9 million were written off in 2014 and 2015, respectively.

3.2.11 *Pension and Other Employee Benefits*

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rates for males and females and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The net pension liability as at December 31, 2015 and 2014 amounted to ₱3,217.78 million and ₱2,321.20 million, respectively. Further details are provided in Note 18.

The Globe Group also determines the cost of equity-settled transactions using assumptions on the appropriate pricing model. Significant assumptions for the cost of share-based payments include, among others, share price, exercise price, option life, expected dividend and expected volatility rate.

Cost of share-based payments in 2015, 2014 and 2013 amounted to ₱153.99 million, ₱31.84 million and ₱50.00 million, respectively (see Notes 16.6 and 18.1).

The Globe Group also estimates other employee benefit obligations and expenses, including cost of paid leaves based on historical leave availments of employees, subject to the Globe Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

The accrued balance of other employee benefits (included in the "Accounts payable and accrued expenses" account and in the "Other long-term liabilities" account in the consolidated statements of financial position) as of December 31, 2015 and 2014 amounted ₱651.57 million and ₱614.23 million, respectively (see Notes 12 and 15).

While the Globe Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

3.2.12 *Provision for Restructuring Costs*

Prior to consolidation, BTI recognized provisions for restructuring costs for the expected termination benefits, related to the restructuring of BTI's business. Globe Telecom and BTI regularly reviews these provisions against the latest restructuring plans. In determining the value of the provisions, assumptions and estimates are made in relation to the expected timing of those costs. Provisions recognized on the consolidated profit and loss from the date of acquisition amounted to ₱59.00 million (Note 13).

4 Receivables - net

This account consists of receivables from:

	Notes	2015	2014
		(In Thousand Pesos)	
Subscribers	16, 28.2.2	₱27,059,482	₱19,361,384
Traffic settlements - net	12, 16, 28.2.2	1,727,324	2,045,919
Dealers	28.2.2	1,617,289	1,655,366
Others	28.2.2	493,937	479,963
		30,898,032	23,542,632
Less: Allowance for impairment losses:			
Subscribers	28.2.2	8,332,540	5,372,535
Traffic settlements and others	28.2.2	629,717	309,347
		8,962,257	5,681,882
		₱21,935,775	₱17,860,750

Receivables are noninterest-bearing and are generally collectible in the short-term.

Subscriber receivables arise from wireless and wireline voice, data communications and broadband internet services provided under postpaid arrangements. As of December 31, 2015, the account includes acquired receivables and allowance for impairment from BTI related to subscribers amounting to ₱2,056.07 million and ₱1,826.81 million, respectively.

Traffic settlement receivables are presented net of traffic settlement payables from the same carrier amounting to ₱1,817.48 million and ₱1,611.47 million as of December 31, 2015 and 2014, respectively.

Amounts collected from wireless subscribers under prepaid arrangements are reported under "Unearned revenues" in the consolidated statements of financial position and recognized as revenues upon actual usage of airtime value, application of subscription fees or upon expiration of the unused load value prepaid credit. The unearned revenues from these subscribers amounted to ₱2,615.75 million and ₱2,617.05 million as of December 31, 2015 and 2014, respectively.

Advance monthly service fee which is also reported under "Unearned revenue" account in the statements of financial position amounted to ₱2,188.56 million and ₱1,727.42 million as of December 31, 2015 and 2014, respectively.

5 Inventories and Supplies - net

This account consists of:

	2015	2014
	(In Thousand Pesos)	
At cost:		
Call cards and others	₱12,206	₱9,474
SIM cards and SIM packs	6,784	8,877
Spare parts and supplies	3,161	6,933
Handsets, devices and accessories	563	-
Modem and accessories	415	1,327
	23,129	26,611
At NRV:		
Handsets, devices and accessories	3,535,249	2,122,255
Spare parts and supplies	307,144	288,403
Nomadic broadband device	274,259	588,712
Modem and accessories	179,870	35,661
SIM cards and SIM packs	152,020	121,801
Call cards and others	17,511	2,972
	4,466,053	3,159,804
	₱4,489,182	₱3,186,415

Inventories recognized as expense during the year amounting to ₱14,049.25 million, ₱11,098.47 million and ₱10,274.57 million in 2015, 2014 and 2013, respectively, are included as part of "Cost of sales" and "Impairment losses and others" accounts (see Note 23) in the consolidated statements of comprehensive income. An insignificant amount is included under "General, selling and administrative expenses" as part of "Utilities, supplies and other administrative expenses" account (see Note 21). Inventories written off in 2015 and 2014 amounted to ₱48.74 million and ₱67.17 million, respectively.

Cost of sales incurred consists of:

	2015	2014	2013
	(In Thousand Pesos)		
Inventories:			
Handsets, devices and accessories	₱10,800,718	₱ 7,734,702	₱8,028,405
Nomadic broadband device	2,160,294	2,370,154	1,314,176
SIM cards and SIM packs	566,100	498,986	349,558
Call cards and others	104,640	48,318	251,692
Spare parts and supplies	7,001	8,386	8,014
Modems and accessories	364	414	1,261
Services	96	384	-
	₱13,665,203	₱10,661,344	₱9,953,106

There are no unusual purchase commitments and accrued net losses as of December 31, 2015.

6 Prepayments and Other Current Assets

This account consists of:

	Notes	2015	2014
		(In Thousand Pesos)	
Advance payments to suppliers and contractors	25.3	₱4,522,775	₱5,731,121
Prepayments	25.1	1,107,577	792,820
Creditable withholding tax		804,519	532,966
Deferred input VAT	11	630,573	504,213
Miscellaneous receivable - net	16	345,107	225,827
Dividend receivable	16.4	244,485	-
Input VAT - net		65,623	321,368
Current portion of loan receivable from BTI		-	424,761
Other current assets	25.11	511,769	396,595
		₱8,232,428	₱8,929,671

The "Prepayments" account includes prepaid insurance, rent, maintenance, and licenses fee among others.

Other current assets include advances to employees amounting to ₱66.54 million and ₱200.21 million as of December 31, 2015 and 2014, respectively.

Deferred input VAT pertains to various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities, pursuant to the existing VAT rules and regulations. However, these can be applied on future output VAT liabilities.

As of December 31, 2015, Globe Telecom, BTI, Innove, GTI, KVI, GCVH and Asticom reported net input VAT amounting to ₱65.62 million, net of output VAT of ₱1,044.27 million. As of December 31, 2014, Innove, GTI and Asticom reported net input VAT amounting to ₱321.37 million, net of output VAT of ₱781.65 million.

7 Property and Equipment - net

The rollforward analysis of this account follows:

2015

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
			(In Thousand Pesos)					
Cost								
At January 1	P217,848,794	P38,910,997	P13,788,482	P10,649,751	P2,453,137	P1,618,062	P15,921,265	P301,190,488
Additions	13,347,186	334,584	243,584	111,372	261,936	-	18,821,938	33,220,620
Acquired on acquisition of a subsidiary	25,756,144	1,418,857	-	1,434,899	157,999	1,838,061	346,801	31,619,842
Retirements/Disposals	(20,635,699)	(61,468)	(306,795)	(694,814)	(247,163)	-	(7)	(21,455,861)
Reclassifications/adjustments	6,204,657	2,317,186	2,758,585	1,378,646	95,567	-	(20,458,247)	(7,703,606)
At December 31	419,241,081	47,018,230	35,677,748	18,660,352	2,805,476	3,456,123	33,631,849	556,149,884
Accumulated Depreciation and Amortization								
At January 1	147,268,362	32,349,453	9,887,715	8,507,907	1,214,754	-	-	185,320,286
Depreciation and amortization	13,805,358	2,023,558	1,255,441	1,384,710	352,782	-	-	18,750,852
Acquired on acquisition of a subsidiary	21,748,508	1,219,372	-	1,361,339	144,291	-	-	24,473,510
Retirements/disposals	(20,552,078)	(58,831)	(75,379)	(332,687)	(234,281)	-	-	(21,253,256)
Reclassifications/adjustments	(680,644)	(454,159)	1,506,467	(495,433)	(42,496)	-	-	(167,445)
At December 31	161,671,167	35,079,393	12,574,244	10,425,836	1,435,050	-	-	397,184,132
Impairment Losses								
At January 1	121,377	-	-	-	9,850	-	445,493	576,720
Additions(Note 23)	-	-	-	-	-	-	92,758	92,758
Acquired on acquisition of a subsidiary	1,364,612	23,252	-	-	-	-	-	1,387,864
Write-off/adjustments	(287,389)	-	-	-	-	-	-	(287,389)
At December 31	1,198,584	23,252	-	-	9,850	-	538,251	1,870,248
Carrying amount at December 31	P256,369,330	P35,105,586	P23,103,504	P8,234,516	P824,564	P3,145,123	P33,093,598	P159,075,523

2014

	Telecommunication Equipment	Buildings and Leasehold Improvements	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
			(In Thousand Pesos)					
Cost								
At January 1	P199,393,449	P31,805,499	P13,979,986	P9,223,935	P2,338,024	P1,508,413	P20,338,463	P286,461,701
Additions	9,399,049	851,765	197,749	276,089	353,632	-	15,492,972	26,969,546
Retirements/disposals	(6,255,088)	(7,549)	-	(45,184)	(279,754)	-	(13,712)	(6,601,286)
Reclass/Equipment/adjustments	11,213,274	3,261,303	642,795	1,194,861	21,235	9,649	(19,636,058)	(3,292,941)
At December 31	213,848,704	35,910,997	14,782,452	10,649,751	2,433,137	1,518,062	15,921,265	305,156,368
Accumulated Depreciation and Amortization								
At January 1	141,460,546	16,080,535	8,689,269	7,544,309	1,300,206	-	-	175,817,865
Depreciation and amortization (accretional effect of retirements/ modernization	1,347,141	2,433	-	12,157	-	-	-	1,361,731
Others	10,738,854	1,835,548	1,199,446	987,193	307,802	-	-	15,023,838
Retirements/disposals	(6,185,854)	(3,446)	-	(41,339)	(362,212)	-	-	(6,592,849)
Reclassifications/adjustments	(16,385)	10,350	3	3,684	12,958	-	-	12,610
At December 31	147,340,302	17,849,652	9,887,715	8,507,907	1,214,754	-	-	185,320,286
Impairment Losses								
At January 1	243,832	-	-	3,182	-	-	322,798	569,802
Additions (Note 23)	-	-	-	-	-	-	110,238	110,238
Write-off/adjustments	(92,245)	-	-	(3,182)	9,850	-	(37,543)	(123,110)
At December 31	151,577	-	-	-	9,850	-	445,493	606,930
Carrying amount at December 31	P66,335,765	P21,061,345	P5,894,737	P2,141,754	P908,533	P1,680,062	P15,475,772	P117,229,152

In the last quarter of 2011, the Globe Group announced to undertake a network and IT transformation program for an estimated investment of USD790.00 million over the next two or three years. External partners were engaged in 2011 to help manage the modernization effort. In the first quarter of 2012, the estimated useful life (EUL) of certain wireless and wireline telecommunications equipment were changed as a result of continuing upgrade and migration to a modernized network. The EUL of these assets were being reviewed periodically based on expected remaining economic benefits that can be derived from these assets. The net effect of the change in EUL resulted in higher depreciation expense of ₱1,361.72 million and ₱7,829.72 million for the years ended December 31, 2014 and 2013, respectively. By the end of 2014, these assets are fully depreciated and carried at estimated residual value.

Assets under construction include intangible components of a network system which are to be reclassified to depreciable intangible assets only when assets become available for use (see Note 8).

Investments in cable systems include the cost of the Globe Group's ownership share in the capacity of certain cable systems under a joint venture or a consortium or private cable set up and indefeasible rights of use (IRUs) of circuits in various cable systems. It also includes the cost of cable landing station and transmission facilities where the Globe Group is the landing party.

The costs of fully depreciated property and equipment that are still being used as of December 31, 2015 and 2014 amounted to ₱115,118.04 million and ₱119,393.98 million, respectively.

The Globe Group uses its borrowed funds to finance the acquisition of property and equipment and bring it to its intended location and working condition. Borrowing costs incurred relating to these acquisitions were included in the cost of property and equipment using 0.46%, 3.05% and 2.83% capitalization rates in 2015, 2014 and 2013, respectively. The Globe Group's total capitalized borrowing costs amounted to ₱147.51 million, ₱647.98 million and ₱823.90 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The carrying value of the hardware infrastructure and information equipment held under finance lease included under "Office and Equipment", "Asset under Construction" and "Intangible assets" amounted to ₱584.23 million, ₱18.70 million and nil, respectively, as of December 31, 2015 and ₱318.85 million, ₱300.68 million, ₱77.98 million, respectively, as of December 31, 2014 (see Note 25.1.2).

Included under asset retirement and disposals for the year ended December 31, 2014 are network assets damaged by a typhoon amounting to ₱73.71 million which is covered under existing insurance contracts. Partial recoveries from insurance company, which is presented under "Gain on disposals of property and equipment - net" in the consolidated statements of comprehensive income, amounted to ₱47.25 million and ₱125.47 million for the years ended December 31, 2015 and 2014, respectively, and the remaining recoveries presented under "Other income - net" in the consolidated statements of comprehensive income amounted to ₱51.16 million for the year ended December 31, 2015.

As of July 2, 2015, the carrying value of the property and equipment arising from the acquisition of controlling interest in BTI amounted to ₱6,602.45 million, as discussed in Note 9.1. These include: Indefeasible Right of Use (IRU) agreements on its network capacity which are accounted for as a finance lease as the significant risks and rewards of ownership are transferred to the buyer; and capitalized Asset Retirement Obligation (ARO) amounting to ₱39.16 million to include in the cost of the assets its future dismantling costs. From the date of acquisition, BTI did not derecognize any assets related to IRU transactions and there were reversals and adjustments due to changes in estimates on the capitalized ARO amounting to ₱24.08 million.

Pursuant to the Amended Rehabilitation Plan (ARP) and Master Restructuring Agreement (MRA), the remaining outstanding restructured debt of BTI to creditors other than Globe Telecom amounting to USD4.47 million will be secured by a real estate mortgage on identified real property assets (see Note 14.1). The processing of the real properties to be mortgaged is still ongoing as at December 31, 2015.

8 Intangible Assets and Goodwill - net

The rollforward analysis of this account follows:

2015

	Licenses and Application Software	Customer Contracts	Exclusive Dealership Right	Other Intangible Assets and Goodwill	Total Intangible Assets and Goodwill
Cost					
At January 1	₱17,170,998	₱28,381	₱139,960	₱327,125	₱17,666,464
Additions	174,698	-	-	-	174,698
Acquired on acquisition of a subsidiary	321,731	571,760	-	1,644,864	2,938,355
Retirements/disposals	(2,519,474)	(28,381)	-	(327,125)	(2,874,980)
Reclassifications/ adjustments (Note 7)	7,176,725	-	1,059	-	7,377,784
At December 31	22,324,678	571,760	141,019	1,644,864	24,282,321
Accumulated Amortization					
At January 1	11,940,399	28,381	26,040	-	11,994,820
Amortization	2,261,893	71,470	20,961	21,542	2,381,866
Retirements/disposals	(2,516,549)	(28,381)	-	-	(2,544,930)
Reclassifications/adjustments	393,640	-	-	-	393,640
At December 31	12,082,383	71,470	47,001	21,542	12,225,396
Carrying Amount at December 31	₱10,842,295	₱500,290	₱94,018	₱1,620,322	₱12,056,925

2014

	Licenses and Application Software	Customer Contracts	Exclusive Dealership Right	Other Intangible Assets and Goodwill*	Total Intangible Assets and Goodwill
Cost					
At January 1	₱13,681,879	₱28,381	₱67,552	₱327,125	₱14,104,937
Additions	114,913	-	-	-	114,913
Retirements/disposals	-	-	-	-	-
Reclassifications/ adjustments (Note 3)	3,374,206	-	72,408	-	3,446,614
At December 31	17,170,998	28,381	139,960	327,125	17,666,464
Accumulated Amortization					
At January 1	₱10,232,761	₱28,381	₱3,135	₱-	₱10,264,277
Amortization					
Allocated by network modernization	261,451	-	-	-	261,451
Others	1,453,616	-	22,905	-	1,476,521
Retirements/disposals	-	-	-	-	-
Reclassifications/adjustments	(7,429)	-	-	-	(7,429)
At December 31	11,940,399	28,381	26,040	-	11,994,820
Carrying Amount at December 31	₱5,230,599	₱-	₱113,920	₱327,125	₱5,671,644

Pertains solely to goodwill related to Yondu acquisition

No impairment loss on intangible assets was recognized in 2015, 2014 and 2013.

Licenses and Application Software with carrying amount of P10,843.35 million and P5,230.50 million as of December 31, 2015 and 2014, respectively, has average remaining amortization period of 3.89 years and 1.61 years in 2015 and 2014, respectively.

In the first quarter of 2012, the EUL of certain wireless licenses were changed as a result of continuing upgrade and migration to a modernized network. The net effect of the change in EUL resulted in higher amortization expense of nil, P261.45 million and P1,236.24 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Intangible assets pertain to (1) telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment; (2) intangible assets identified to exist during the acquisition of Yondu for its existing customer contracts (3) exclusive dealership right in Taodharma, Inc and (4) intangible assets identified to exist during the acquisition of BTI for its customer contracts, franchise and license.

As a result of Globe Telecom's sale of its controlling stake in Yondu, the related intangible assets with carrying amount of P2.92 million were derecognized starting September 15, 2015 (Note 10.2).

9 Business Combinations

9.1 Investment in BTI

On July 2, 2015, the National Telecommunications Commission (NTC) approved the conversion of BTI's Tranche A convertible portion of the debt to equity, and resulted in Globe Telecom's gaining a controlling interest in BTI with increased ownership from 38% to at least 54% of BTI's outstanding shares.

On July 20, 2015, Globe Telecom acquired additional voting shares of BTI, which increased its controlling interest to approximately 99% in exchange for cash amounting to P1,829.84 million. The transaction was accounted for as an acquisition of a subsidiary.

Globe Telecom's acquisition of BTI is intended to augment its current wireline data and voice businesses using BTI's existing platform. The consolidated financial statements include the results of BTI for the six-month period from acquisition date.

The initial accounting for the acquisition of BTI has only been provisionally determined pending the finalization of necessary market valuations and determined based on management's best estimate of the likely values. As allowed under the relevant standard, Globe Telecom will recognize any adjustment to those provisional values as an adjustment to goodwill upon determining the final fair values of identifiable assets and liabilities within 12 months from the acquisition date.

	Amount recognized on acquisition
	(In Thousand Pesos)
ASSETS	
Current assets	₱2,638,360
Property and equipment	6,602,451
Other non-current assets	894,418
	10,135,229
LIABILITIES	
Current Liabilities	5,732,124
Long-term debt*	4,738,264
Other long term liabilities	452,392
	10,922,780
Total net liabilities at fair value	(787,551)
Intangible assets arising on acquisition	1,784,324
Property and equipment appraisal increase	945,018
Deferred tax liabilities	(818,803)
Net assets acquired and liabilities assumed	(₱1,122,988)
Purchase consideration transferred	₱1,829,843
Net assets acquired and liabilities assumed	(1,122,988)
Non-controlling interest measured at fair value	16,059
Share in previously held equity interest	431,115
Goodwill arising on acquisition	₱1,154,029

**As a result of the acquisition and consolidation of BTI, the long-term debt amounting to P4.5 million was effectively settled against Globe Telecom's loans receivable as discussed in Note 11*

The fair value of the trade receivables included in the current assets amounted to ₱1,157.77 million. The gross amount of trade receivables is ₱3,638.71 million.

The goodwill comprises the fair value of expected synergies arising from the acquisition and presented under Goodwill and other intangible assets in the statements of the financial position, as disclosed in Note 8. None of the goodwill recognized is expected to be deductible for income tax purposes.

For the valuation of identifiable intangible assets, the "multi-period-excess-earnings method" was used. The respective future excess cash flows were identified and adjusted in order to eliminate all elements not associated with these assets. Future cash flows were measured on the basis of the expected sales by deducting variable and sales-related imputed costs for the use of the contributory assets. Subsequently, the outcome was discounted using the appropriate discount rate and adding a tax amortization benefit.

The fair value of the properties is based on valuations performed by an independent appraiser using acceptable valuation techniques within the industry. However, these techniques make use of inputs which are not based on observable market data. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates. As a result of fair value remeasurement of BTI's net assets at the date of business combination, a gain on previously held equity interest amounting to ₱431.11 million was recognized in the consolidated profit or loss for the period ended December 31, 2015.

As of December 31, 2015, any reasonable possible changes to the key assumptions applied are not likely to cause the recoverable amounts to be lower than the carrying amounts

From the date of acquisition, BTI has contributed ₱3,059.28 million in revenues and income before tax of ₱31.04 million. If the combination had taken place at the beginning of the year, BTI's contribution to revenue would have been ₱6,056.71 million and income before tax would have been ₱144.10 million.

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total purchase consideration	₱1,829,843
Cash and cash equivalents acquired from BTI	(511,154)
Net cash outflow on acquisition	₱1,318,689

Acquisition related costs of ₱26.50 million were expensed and are included within "general, selling and administrative" line item in the consolidated statements of comprehensive income.

The Globe Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's net assets acquired and liabilities assumed.

9.2 Investment in FPSI

On December 19, 2013, Kickstart entered into a Memorandum of Agreement with FPSI and FPSI's stockholders to subscribe the 5.07 million common shares of FPSI for a total subscription price of ₱18.88 million.

FPSI is engaged in acquiring publishing rights to produce, publish, market and sell printed and electronic books and other electronic documents and content for international and domestic sales.

On February 4, 2014, Kickstart entered into a subscription agreement with FPSI for the acquisition of 2.08 million common shares for a total subscription price of ₱8.22 million which constitutes 40% ownership as of reporting period. The remaining balance will be paid upon completion of certain conditions. The transaction was accounted for as an acquisition of a subsidiary.

The Globe Group's acquisition of Flipside Publishing Services, Inc. (FPSI) aims to provide an additional platform for digital content in the book publishing business.

The share in the fair values of the identifiable assets and liabilities of FPSI as at the date of acquisition is equal to the purchase price consideration.

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total cash paid on acquisition	₱8,216
Cash and cash equivalents acquired from FPSI	(198)
Net cash outflow on acquisition	₱8,018

From the date of acquisition, FPSI has contributed ₱5.16 million and ₱1.13 million of revenue in 2015 and 2014, respectively, and loss before income tax of ₱10.21 million and ₱2.83 million in 2015 and 2014, respectively. If the combination had taken place at the beginning of the year, revenue from FPSI would have been ₱1.27 million in 2014 and loss before tax would have been ₱2.99 million in 2014.

9.3 **Investment in Asticom**

On June 3, 2014, Globe Telecom signed an agreement with Azalea Technology, Inc. and SCS Computer Systems, Pte. Ltd. acquiring 100% ownership of Asticom, for a total consideration of ₱12.54 million. The transaction was accounted for as an acquisition of a subsidiary.

Formerly known as Ayala Systems Technology, Inc., Asticom provides enterprise resource planning, customer relationship management systems, manpower, other systems integration and information technology services to domestic and international markets. Asticom was 49% owned by Azalea, a 100%-owned subsidiary of Ayala Corporation and 51% owned by SCS Computer Systems, a subsidiary of Singapore Telecom.

Globe Telecom's acquisition of Asticom is in line with its strategy to expand its business operations in the information technology space. The acquisition has been accounted for using the acquisition method.

The share in the fair values of the identifiable assets and liabilities of Asticom as at the date of acquisition is equal to the purchase price consideration.

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total cash paid on acquisition	₱12,454
Cash and cash equivalents acquired from Asticom	($,221)
Net cash outflow on acquisition	₱4,233

From the date of acquisition, Asticom has contributed ₱84.30 million and ₱27.56 million of revenue in 2015 and 2014, respectively, and income before income tax of ₱81.39 million and loss before income tax of ₱2.04 million in 2015 and 2014, respectively. If the combination had taken place at the beginning of the year, revenue from Asticom would have been ₱39.01 million in 2014 and income before tax would have been ₱9.66 million in 2014.

10 **Investments and Advances**

This account consists of the following as of December 31:

	2015	2014
	(In Thousand Pesos)	
Investments at equity	₱1,498,565	₱307,150
Advances - net of share in equity in net losses of JV	-	143,567
	₱1,498,565	₱450,717

Details of the Globe Group's investments in associates and joint ventures and the related percentages of ownership are shown below:

	Country of Incorporation	Principal Activities	2015	2014
Associates				
BTI*	Philippines	Telecommunication services	-	38%
Yondu Inc.**	Philippines	Mobile content and application development services	49%	-
Automated Fare Payments Inc. (AFPI)	Philippines	Construction and establishment of systems, infrastructure	20%	20%
Joint Ventures				
BPI Globe BanKO Inc., A Savings Bank (BPI Globe BanKO)	Philippines	Micro-finance enterprises banking services	40%	40%
Bridge Mobile Pte. Ltd. (BMPL)	Singapore	Mobile technology infrastructure and common service	10%	10%
TechGlobal Data Center, Inc.	Philippines	Installation and management of data centers	49%	-

**Globe Telecom acquired 99% of the shares in 2015 and accordingly reclassified to investment in subsidiaries (Note 31.)*
***Yondu was deconsolidated in 2015 and is being accounted for as an associate (Note 2.3)*

The movement in investments in associates and joint ventures are as follows:

	2015	2014
	(In Thousand Pesos)	
Acquisition Costs		
At January 1	₱648,676	₱411,620
Acquisition during the year	332,500	300,000
Advances reclassed to investment	143,573	-
Fair value adjustment arising from sale of controlling interest in Yondu	864,706	-
Return of capital during the year	-	(62,944)
At December 31	1,989,455	648,676
Accumulated Equity in Net Losses:		
At January 1	(358,438)	(238,614)
Equity in net losses	(153,512)	(119,824)
At December 31	(511,950)	(358,438)
Other Comprehensive Income		
At January 1	16,912	(10,252)
Net foreign exchange difference	2,034	965
Others	2,114	26,199
At December 31	21,060	16,912
Carrying Value at December 31	₱1,498,565	₱307,150

Investment in Associates

10.1 Investment in BTI

On October 1, 2013, Globe Telecom acquired 38% interest in BTI following the conversion of its unsustainable debt (Tranche B) into 45 million common shares based on the confirmation of the Court dated August 27, 2013 on the Amended Rehabilitation Plan.

In July 2015, as a result of conversion of additional debt to equity and acquisition of voting shares, Globe Telecom gained a controlling interest in BTI, as discussed in Note 9. The assets and liabilities of BTI are included in the statements of consolidated financial position of Globe Telecom starting July 2015 (Note 9).

The following is the share in net losses and other comprehensive loss of BTI as of December 31, 2014 which is not considered material to the Globe Group:

	2014
	(In Thousand Pesos)
Share in net loss	(₱830,679)
Share in other comprehensive loss	(32,362)
Share in total comprehensive loss - unrecognized	(₱863,041)

10.2 Investment in Yondu

Globe Telecom previously owned 100% interest in Yondu and consolidated its net assets in the consolidated statement of financial position as of December 31, 2014. On September 1, 2015, Yondu and GCVHI entered into a Deed of Assignment to assign the former's interest in Global Telehealth, Inc. ("GTHI") to GCVHI for a total consideration of P15 million.

On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of P670 million. On the same date, Yondu issued additional 5,000 common shares from its unissued authorized capital stock to a third party which further diluted Globe Telecom's ownership interest to 49%. Gain on disposal of controlling interest in subsidiary and gain on fair value of retained interest was recognized in the consolidated statements of comprehensive income amounting to ₱449.15 million and ₱745.83 million, respectively, for the period ended December 31, 2015.

The fair value of retained interest in Yondu is based on the most recent market transaction.

Total assets and liabilities of Yondu as of the date of disposal of controlling interest amounted to ₱740.79 million and ₱728.10 million, respectively, including cash and cash equivalents of ₱75.51 million. The fair value of the Yondu shares held by Globe Telecom amounted to ₱864.71 million as of September 15, 2015.

The share in total comprehensive income from this investment amounted to ₱22.28 million for the period ended December 31, 2015.

The following table presents the summarized financial information of Yondu as at December 31, 2015 and for the period September 16, 2015 to December 31, 2015.

	December 31, 2015
Statements of Financial Position:	
Current assets, including cash and cash equivalents	₱851,259
Noncurrent assets	59,716
Current liabilities	627,757
Equity	283,218

	2015
Statements of Comprehensive Income:	
Revenue	925,719
Cost of sales and services	(626,879)
Gross income	298,840
Other expense	(1,093)
Income before tax	297,747
Provision for income tax	96,227
Total comprehensive income/Net income for the period	₱201,520
Globe Group's share in net income for the period	₱22,280

The Globe Group has no share of any contingent liabilities of any associates as of December 31, 2015.

10.3 Investment in AF Payments Inc. (formerly AFCS)

On January 30, 2014, following a competitive bidding process, the Department of Transportation and Communication awarded to AF Consortium, composed of AC Infrastructure Holdings Corp., BPI Card Finance Corp., Globe Telecom, Inc., Meralco Financial Services, Inc., Metro Pacific Investments Corp., and Smart Communications, Inc. the rights to design, build and operate the ₱1.72 billion automated fare collection system. This is a public-private partnership project intended to upgrade and consolidate the fare collection systems of the three urban rail transit systems which presently serve Metro Manila.

On February 10, 2014, AF Consortium incorporated AFCS, a special purpose company, which will assume the rights and obligations of the concessionaire. These rights and obligations include the construction and establishment of systems, infrastructure including implementation, test, acceptance and maintenance plans, and operate the urban transit system for a period of 10 years.

In February 2015, Globe Telecom made an additional capital contribution of ₱160.00 million.

On March 11, 2015, AFCS changed its name from Automated Fare Collection Services, Inc. to AF Payments Inc. (AFPI).

As of December 31, 2015 and 2014, Globe Telecom has invested a total of ₱460.00 million, and ₱300.00 million, respectively, in the consortium with 20% equivalent equity interest. This is accounted for as investment in associate with carrying value as of December 31, 2015 and 2014, amounting to ₱371.19 million and ₱288.68 million, respectively.

The following table presents the summarized financial information of the AFPI as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014.

	December 31, 2015	December 31, 2014
	(In Thousand Pesos)	
Statements of Financial Position:		
Current assets, including cash and cash equivalents	₱618,119	₱831,671
Noncurrent assets	1,974,411	671,975
Current liabilities	439,410	73,925
Equity	1,855,062	1,429,721

	2015	2014
Statements of Comprehensive Loss:		
Revenue	23,262	8,511
Cost and expenses	409,171	65,098
Loss before tax	(385,909)	(56,587)
Provision for income tax	-	-
Net loss for the year	(385,909)	(56,587)
Other comprehensive loss	(1,575)	-
Total comprehensive loss	(₱387,484)	(₱56,587)
Globe Group's share in net loss for the year	(₱77,497)	(₱11,318)

Investment in Joint Ventures

10.4 Investment in BPI Globe BanKO

On July 17, 2009, Globe Telecom acquired a 40% stake in BPI Globe BanKO for P141.33 million, pursuant to a Shareholder Agreement with Bank of the Philippine Islands (BPI), Ayala Corporation and PS Bank, and a Deed of Absolute Sale with BPI. BPI Globe BanKO provides financial services to micro-finance institutions and retail clients through mobile and related technology.

On May 10, 2011, the BOD of Globe Telecom approved the additional investment of P100.00 million as share for BPI Globe BanKO's increase in capitalization to cover its expansion plan for the next three years. Globe Telecom made the initial capital infusion of ₱79.01 million in 2011 and ₱20.99 million in 2012. Globe infused additional capital recorded under "Investments and advances" account amounting to ₱248.00 million and ₱59.00 million in 2014 and 2013, respectively

On August 27, 2015, Globe Telecom, AC and BPI Globe BanKO entered into an agreement to turn over full ownership of BPI Globe BanKO to BPI, one of the majority owners of the joint venture. As of December 31, 2015, completion of regulatory and business requirements is still on going.

As of December 31, 2015 and 2014, the carrying value of the investment and advances amounted to ₱53.16 million and ₱143.57 million, respectively, representing 40% interest.

The following table presents the summarized financial information of the BPI Globe BanKO as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014.

	December 31, 2015	December 31, 2014
	(In Thousand Pesos)	
Statement of Financial Position:		
Current assets, including cash and cash equivalents	₱402,079	₱1,097,312
Noncurrent assets	267,985	222,343
Current liabilities	537,155	1,291,002
Equity	132,909	28,652

	2015	2014
Statement of Comprehensive Loss:		
Revenue	97,997	85,534
Cost and expenses	333,728	670,824
Loss before tax	(235,731)	(585,290)
Income tax benefit	(11,284)	(25,912)
Total comprehensive loss /Net loss for the year	(₱224,447)	(₱559,378)
Globe Group's share in net loss for the year	(₱89,779)	(₱219,006)

10.5 Investment in BMPL

Globe Telecom and other leading Asia Pacific mobile operators (JV partners) signed an Agreement in 2004 (JV Agreement) to form a regional mobile alliance, which will operate through a Singapore-incorporated company, BMPL. The JV Company is a commercial vehicle for the JV partners to build and establish a regional mobile infrastructure and common service platform and deliver different regional mobile services to their subscribers.

Globe Group has a ten percent (10%) stake in BMPL. The other joint venture partners each with equal stake in the alliance include SK Telecom, Co. Ltd., Advanced Info Service Public Company Limited, Bharti Airtel Limited, Maxis Communications Berhad, Optus Mobile Pty. Limited, Singapore Telecom Mobile Pte, Ltd., Taiwan Mobile Co. Ltd., PT Telekomunikasi Selular and CSL Ltd. Under the JV Agreement, each partner shall contribute USD4.00 million based on an agreed schedule of contribution. Globe Telecom may be called upon to contribute on dates to be determined by the JV. On November 25, 2014, Globe Telecom received a return of capital amounting to USD1.40 million.

As of December 31, 2015 and 2014, the carrying value of the investment in BMPL amounted to ₱29.80 million and ₱21.21 million, respectively.

The following table presents the summarized financial information of the BMPL as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014.

	2015	2014
	(In Thousand Pesos)	
Statement of Financial Position:		
Current assets, including cash and cash equivalents	₱357,616	₱323,583
Noncurrent assets	28,403	28,097
Current liabilities	91,630	142,769
Equity	294,389	208,911
Statement of Comprehensive Income:		
Revenue	223,156	208,122
Cost and expenses	155,768	156,370
Total comprehensive income/ Net income for the year	₱67,388	₱51,752
Globe Group's share in net income for the year	₱6,550	₱6,066

10.6 Investment in Global Telehealth, Inc. (GTHI)

On October 23, 2014, Yondu and Salud Interactiva (SI) signed a shareholder's agreement for the purpose of entering into a joint venture through a Philippine corporation. The Joint Venture (JV) Company was registered with the Securities and Exchange Commission on June 3, 2015 under the name Global Telehealth, Inc. (GTHI) as a stock corporation with 50% foreign equity formed to establish, operate, manage and provide a health hotline facility, including ancillary Information Technology services with intent to operate as a domestic market enterprise. GTHI started commercial operations in July 2015.

On September 1, 2015, Yondu assigned its interest to GCVHI. This is accounted for using the equity method.

As of December 31, 2015, total investment and carrying value of investment in GTHI amounted to ₱50.00 million and ₱34.93 million, respectively. The share in total comprehensive loss from this investment amounted to ₱15.07 million for the period ended December 31, 2015.

The following table presents the summarized financial information of the GTHI as at December 31, 2015 and for the period ended December 31, 2015.

	2015
	(In Thousand Pesos)
Statement of Financial Position:	
Current assets, including cash and cash equivalents	₱30,415
Noncurrent assets	6,123
Current liabilities	16,671
Equity	69,867
Statement of Comprehensive Loss:	
Revenue	81
Cost and expenses	4,958
Total comprehensive loss/ Net loss for the year	(₱4,877)
Globe Group's share in net loss for the year	(₱4,877)

10.7 Investment in TechGlobal Data Center, Inc. (TechGlobal)

On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal Data Center, Inc., a Joint Venture Company, formed to install, own, operate, maintain and manage all kinds of data centers and to provide information technology-enabled services and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. As of December 31, 2015, TechGlobal has not started commercial operations.

As of December 31, 2015, total investments in TechGlobal amounted to ₱122.50 million.

The Globe Group has no share of any contingent liabilities of the joint ventures as of December 31, 2015.

11 Other Noncurrent Assets

This account consists of:

	Notes	2015	2014
		(In Thousand Pesos)	
Loan receivables from:			
BTI - net of current portion		₱ -	₱4,019,195
GGRP	16.3, 18.2	968,000	968,000
BHI	16.3	158,620	158,620
Miscellaneous deposits - net	25.1	934,686	750,010
AFS investment in equity securities	28.12	577,580	264,785
Deferred input VAT	6	464,426	740,927
Others - net		103,331	27,311
		₱3,206,613	₱6,928,848

Loan Receivable from BTI

On November 5, 2012, Globe Telecom obtained internal approvals to commence offers to purchase up to 100% of the financial obligations of BTI and Radio Communications of the Philippines, Inc. (RCPI), a subsidiary of BTI, collectively referred to as "BTI loans", to their respective financial creditors.

On December 21, 2012, Globe Telecom settled its tender offers for:

i. 93.66% of the aggregate remaining principal amount of the USD-denominated notes originally due in 2006;

ii. 98.26% of the aggregate remaining principal amount of peso and USD-denominated BTI loans; and

iii. 100% of the aggregate remaining principal amount of peso and USD-denominated RCPI loans.

The total consideration for the tender offers is USD/₱310.00 per USD/₱1,000.00 face amount, for a total payment of ₱5,354.76 million, composed of US Dollar and Philippine peso-denominated loans amounting to USD110.55 million and ₱818.74 million, respectively.

The acquired loans were part of the original debt covered in a rehabilitation plan approved on June 28, 2004. The plan was reviewed and evaluated by a court appointed receiver who was tasked to monitor and oversee the implementation of the Plan. The implementing term sheet submitted by the receiver was approved on March 15, 2005.

The restructured loan is divided into sustainable (Tranche A) and unsustainable debt (Tranche B) and is denominated in existing currencies with an option for any of the creditors of Tranche B to convert their USD-denominated restructured debt into PHP at an agreed exchange rate on the date of implementation.

Tranche A is repayable semi-annually on a pari passu basis up to December 31, 2023 based on a table of debt reduction computed at certain percentages of the principal. Tranche B is a non-interest bearing convertible debt and to be repaid only if there are sufficient future cash flows and upon full repayment of Tranche A. At the conclusion of the rehabilitation period, other than as the result of an event of default, Tranche B to the extent not previously converted is to be converted into new BTI shares considering no conversion had been previously made. The conversion rights in relation to Tranche B are up to a maximum of 40% of the authorized share capital as at the effective date. The loans were initially accounted for at fair value, and the entire acquisition price was allocated to Tranche A.

On May 30, 2013, Globe Telecom and BTI jointly filed a motion with the court having jurisdiction over BTI's debt to significantly restructure the financial debt in order to prevent the recurrence of default and ensure BTI's continued viability. The joint motion is intended to achieve a successful rehabilitation at the earliest possible date. The restructuring, including the debt to equity conversion feature would apply to all of BTI's creditors equally upon receipt of certain regulatory approvals, including the confirmation of the court.

On July 1, 2013, Globe Telecom purchased additional BTI bonds with face value of USD2.80 million bringing total aggregate principal amount of the USD-denominated notes originally due in 2006 from 93.66% to 95.10%.

On August 27, 2013, the joint motion to amend BTI's current debt restructuring plan was granted by the Court. Accordingly, a new Master Restructuring Agreement (MRA) for all BTI creditors will be implemented. This principally involves a conversion of up to 56.60% of its capital stock, cancellation of all of the old loan documents and the issuance of new promissory notes. Globe Telecom and BTI were directed to provide separate reports on the implementation procedures of the Amended Rehabilitation Plan and its accompanying MRA within a certain period as mandated by the Court. Likewise, Globe Telecom and BTI were directed by the Court to ensure that the details of the mechanics for converting debt positions are clear and properly communicated to the creditors involved.

Pursuant to the resolution of the Court dated August 27, 2013 confirming the Amended Rehabilitation Plan jointly filed by Globe Telecom and BTI, BTI issued common shares certificate to Globe Telecom on October 1, 2013 for the conversion of its unsustainable debt (Tranche B) into 38% equity (Note 10.2). Globe Telecom intends to further convert portion of Tranche A debt, which together with the converted Tranche B debt would represent more than 50% of BTI's outstanding shares upon certain regulatory approvals.

On October 29, 2013, Globe filed a report with the court covering the mechanics for converting debt positions as provided for under MRA.

On October 9, 2014, the Court of Appeals issued a 60-day temporary restraining order (TRO) on the petition of Philippine Long Distance Company (PLDT), preventing the NTC from acting on Globe and BTI's joint application for the acquisition by Globe of a majority stake in BTI.

In a Joint Rejoinder filed by Globe and BTI on October 30, 2014, both asked the CA to correspondingly lift the TRO issued against NTC. The TRO automatically ended last December 19, 2014 as the Court of Appeals did not extend it.

On July 3, 2015, as a result of substantial modification, the original loans receivable from BTI were extinguished and new loans receivable were booked based on the new terms. Those loans were eliminated in consolidation, as discussed in Note 9.

Pursuant to the ARP and the MRA, BTI filed its Final Report with Motion for Termination of Rehabilitation Proceedings on August 14, 2015 and was approved by the Court in a Resolution on November 11, 2015.

Prior to consolidation, interest income for the period ended December 31, 2015 and 2014 related to loans receivable from BTI amounted to P269.95 million and P376.09 million, respectively.

As of December 31, 2015 and 2014, loans receivable from BTI amounted to nil and P4,444.00 million, respectively, comprising of principal and interest due until 2023, with quarterly interest payments and semi-annual principal payments. Noncurrent portion of the loans receivable amounted to nil and P4,019.2 million as of December 31, 2015 and 2014, respectively.

12 Accounts Payable and Accrued Expenses

This account consists of:

	Notes	2015	2014
		(In Thousand Pesos)	
Accrued project costs	25.3	₱20,862,122	₱22,025,721
Accounts payable	16	13,050,017	12,458,225
Accrued expenses	16		
Services		3,695,142	1,907,438
Repairs and maintenance		2,605,407	1,590,523
Manpower		1,945,611	2,031,114
General, selling and administrative		1,931,195	2,093,660
Advertising		1,768,127	1,877,680
Lease		1,635,900	876,285
Utilities		1,045,435	809,122
Interest		385,672	392,632
Traffic settlements – net	4	444,211	1,182,691
Output VAT - net		198,433	31,438
Dividends payable	17.3	260,030	260,030
		₱49,827,302	₱47,526,559

General, selling and administrative accrued expenses include travel, professional fees, supplies, commissions and miscellaneous, which are individually immaterial.

Traffic settlements payable are presented net of traffic settlements receivable from the same carrier amounting to ₱1,143.42 million and ₱1,425.25 million as of December 31, 2015 and 2014, respectively.

As of December 31, 2015, Globe Telecom, GXI, Innove, Asticom and KVI reported net output VAT amounting to ₱198.43 million, net of input VAT of ₱1,044.75 million. As of December 31, 2014, Globe Telecom, GXI, Yondu and KVI reported net output VAT amounting to ₱31.44 million, net of input VAT of ₱782.00 million.

13 Provisions

The rollforward analysis of this account follows:

	Notes	2015	2014
		(In Thousand Pesos)	
At beginning of year		₱401,288	₱294,700
Assumed provisions from a business combination	10.1	891,954	-
Provisions for claims	23	257,587	137,185
Payments/reversals		(390,711)	(30,597)
At end of year		₱1,160,118	₱401,288

Provisions relate to various pending unresolved claims over the Globe Group's businesses such as provision for taxes, employee benefits, onerous contracts and various labor cases. Included under employee benefits is the restructuring cost of BTI amounting to ₱416.86 million which is expected to be settled in 2016. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of these on-going claims and assessments. As of February 5, 2016, the remaining pending claims are still being resolved.

14 Notes Payable and Long-term Debt

Notes payable consist of short-term unsecured US dollar and peso-denominated promissory notes from local banks for working capital requirements. There are no short-term notes payables outstanding as of December 31, 2015.

Long-term debt consists of:

	2015	2014
	(In Thousand Pesos)	
Term Loans:		
Peso	₱35,683,362	₱31,834,026
Dollar	17,560,999	14,464,146
Corporate notes	2,067,024	2,086,067
Retail bonds	16,917,473	16,891,564
	72,228,858	65,275,803
Less current portion	(7,973,594)	(6,129,663)
	₱64,255,264	₱59,146,140

The maturities of long-term debt at nominal values as of December 31, 2015 follow (in thousands):

Due in:	
2016	₱8,006,167
2017	10,473,330
2018	7,768,855
2019	11,109,666
2020 and thereafter	35,176,418
	₱72,534,436

Unamortized debt issuance costs included in the above long-term debt as of December 31, 2015 and 2014 amounted to ₱305.58 million and ₱328.60 million, respectively (see Note 28.2.3).

Total interest expense recognized related to long-term debt, excluding the capitalized interest, amounted to ₱2,504.10 million, ₱2,067.34 million and ₱1,850.02 million in 2015, 2014 and 2013, respectively (see Notes 7 and 22).

The interest rates and maturities of the above debt are as follows:

	Maturities	Interest Rates
Term Loans:		
Peso	2016-2025	2.02% to 6.00% in 2015
	2015-2022	1.02% to 6.00% in 2014
Dollar	2016-2023	1.12% to 5.00% in 2015
	2015-2022	1.25% to 1.75% in 2014
Corporate notes	2016	8.43% in 2015
	2015-2016	1.65% to 8.43% in 2014
Retail bonds	2017-2023	4.89% to 6.00% in 2015
	2017-2023	4.89% to 6.00% in 2014

14.1 Term Loans and Corporate Notes

Globe Group's unsecured bank loans and corporate notes, which consist of fixed and floating rate notes and dollar and peso-denominated bank loans, bear interest at stipulated and prevailing market rates. Globe Group also has secured debt amounting to USD4.47 million as of December 31, 2015 arising from its acquisition of BTI (see Note 7).

On March 6, 2013, Globe Telecom signed a USD75 million 3-year term loan with floating interest rate with Bank of Tokyo - Mitsubishi UFJ, Ltd., Singapore Branch as lender. The purpose of the loan is to fund Globe Telecom's capital expenditures.

On March 22, 2013, Globe Telecom signed a USD120 million 7-year term loan with floating interest rate with Metrobank as lender to finance Globe Telecom's capital expenditure.

On July 29, 2013, Globe Telecom signed a USD40 million 3-year term loan with floating interest rate with Mizuho Bank Ltd as lender to prepay and refinance certain debts.

On December 4, 2013, Globe Telecom signed a ₱7,000 million 7-year term loan credit facility with fixed interest rate with Land Bank of the Philippines as lender. The proceeds of the loan were used to partially finance Globe Telecom's general financing and corporate requirements for capital expenditures. The total loan amount was drawdown in 2014.

On March 9, 2015, Globe Telecom signed a ₱7,000.00 million 7-year term loan with fixed interest rate with Philippine National Bank. The proceeds of the loan were used to partially finance the capital expenditures and general corporate requirements.

On October 1, 2015, Globe Telecom signed a USD45 million 7-year term loan with floating interest rate and a ₱5,000.00 million 10-year term loan with fixed interest rate with Metrobank. The proceeds of the loan were used to finance the capital expenditures and/or reimburse capital expenditures.

The loan agreements with banks and other financial institutions provide for certain restrictions and requirements with respect to, among others, maintenance of financial ratios and percentage of ownership of specific shareholders, incurrence of additional long-term indebtedness or guarantees and creation of property encumbrances.

The financial tests under Globe Group's loan agreements include compliance with the following ratios:

- Total debt* to equity not exceeding 2:1;
- Total debt* to EBITDA not exceeding 3:1;
- Debt service coverage exceeding 1.3 times; and
- Secured debt ratio not exceeding 0.2 times.

**Composed of notes payable, long term debt and net derivative liabilities.*

As of December 31, 2015, the Globe Group is not in breach of any loan covenants.

14.2 Retail Bonds

On June 1, 2012, Globe Telecom issued ₱10,000.00 million fixed rate bonds. The amount comprises ₱4,500.00 million and ₱5,500.00 million fixed rate bonds due in 2017 and 2019, with interest rate of 5.75% and 6.00%, respectively. The net proceeds of the issue were used to partially finance the Globe Telecom's capital expenditure requirements in 2012.

The five-year and seven-year retail bonds may be redeemed in whole, but not in part only, starting two years before maturity date and on the anniversary thereafter at a price equal to 101.00% and 100.50%, respectively, of the principal amount of the bonds and all accrued interest to the date of the redemption.

On July 17, 2013, the Globe Telecom issued P7,000.00 million fixed rate bond. The amount comprises P4,000.00 million and P3,000.00 million bonds due in 2020 and 2023, with interest rate of 4.8375% and 5.2792%, respectively. The net proceeds of the issue were used to partially finance the Globe Telecom's capital expenditure requirements in 2013.

The seven-year and ten-year retail bonds may be redeemed in whole, but not in part only, starting two years for the seven-year bonds and three years for the ten-year bonds before the maturity date and on the anniversary thereafter at a price ranging from 101.0% to 100.5% and 102.0% to 100.5%, respectively, of the principal amount of the bonds and all accrued interest depending on the year of redemption.

The prepayment feature is assessed as clearly and closely related to the host debt instrument, and hence need not be separately accounted for at FVPL.

The Globe Group has to meet certain bond covenants including a maximum debt-to-equity ratio of 2 to 1. As of December 31, 2015, the Globe Group is not in breach of any bond covenants.

15 Other Long-term Liabilities

This account consists of:

	Notes	2015	2014
		(In Thousand Pesos)	
Accrued pension	16.2, 18.2	P3,217,784	P2,321,195
ARO	7	2,055,690	1,868,006
Accrued lease obligations and others	25.1.2	1,220,856	1,283,832
		P6,494,330	P5,473,033

The rollforward analysis of the Globe Group's ARO follows:

	Notes	2015	2014
		(In Thousand Pesos)	
At beginning of year		P1,868,006	P1,724,304
Accretion expense during the year	22	152,829	141,358
Capitalized to property and equipment during the year	30	39,269	9,495
Assumed ARO from a business combination		39,158	-
Reversals		(3,865)	(4,442)
Adjustments due to changes in estimates	3.2.4	(40,427)	(2,707)
At end of year		P2,055,690	P1,868,006

16 Related Party Transactions

Parties are considered to be related to Globe Group if it has the ability, directly or indirectly, to control the Globe Group or exercise significant influence over the Globe Group in making financial and operating decisions, or vice versa, or where the Globe Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are under the significant influence of related parties of the Globe Group where those parties are individuals, and post-employment benefit plan which are for the benefit of employees of the Globe Group or of any entity that is a related party of the Globe Group.

The Globe Group, in their regular conduct of business, enter into transactions with their major stockholders, AC and Singtel, associates, joint ventures and certain related parties.

16.1 Entities with Joint Control over Globe Group – AC and Singtel

- Globe Telecom has interconnection agreements with Singtel. The related net traffic settlements receivable (included in "Receivables" account in the consolidated statements of financial position) and the interconnection revenues earned (included in "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

	2015	2014	2013
	(In Thousand Pesos)		
Traffic settlements receivable – net	P22,824	P 79,191	P201,216
Interconnection revenues	725,635	784,965	921,540
Interconnection costs	50,346	112,976	116,477

- Globe Telecom and Singtel have a technical assistance agreement whereby Singtel will provide consultancy and advisory services, including those with respect to the construction and operation of Globe Telecom's networks and communication services, equipment procurement and personnel services. In addition, Globe Telecom has software development, supply, license and support arrangements, lease of cable facilities, maintenance and restoration costs and other transactions with Singtel.

  The details of fees (included in repairs and maintenance under the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) incurred under these agreements are as follows:

	2015	2014	2013
		(In Thousand Pesos)	
Technical assistance fee	P67,907	P160,534	P163,004
Software development, supply, license and support	7,069	19,642	16,681
Maintenance and restoration costs and other transactions	57,551	63,695	61,841

The outstanding balances due to Singtel (included in the "Accounts payable and accrued expenses" account in the consolidated statements of financial position) arising from these transactions are as follows:

	2015	2014	2013
	(In Thousand Pesos)		
Technical assistance fee	₱57,967	₱135,877	₱35,775
Software development, supply, license and support	-	-	4,014
Maintenance and restoration costs and other transactions	8,985	10,832	20,695

- Globe Telecom and BTI earns subscriber revenues from AC. The outstanding subscribers receivable from AC (included in "Receivables" account in the consolidated statements of financial position) and the amount earned as service revenue (included in the "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

	2015	2014	2013
	(In Thousand Pesos)		
Subscriber receivables	₱12,215	₱9,662	₱14,761
Service revenues	19,338	18,990	14,107

- Globe Telecom reimburses AC for certain operating expenses. The net outstanding liabilities to (included in "Accounts payable and accrued expenses" account in the consolidated statements of financial position) and the amount of expenses incurred (included in the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) are as follows:

	2015	2014	2013
	(In Thousand Pesos)		
General, selling and administrative expenses	₱48,743	₱37,135	₱7,768
Accounts payable and accrued expenses	50	755	-

16.2 Joint Ventures in which the Globe Group is a venturer (see Note 10)

- Globe Telecom has preferred roaming service contract with BMPL. Under this contract, Globe Telecom will pay BMPL for services rendered by the latter which include, among others, coordination and facilitation of preferred roaming arrangement among JV partners, and procurement and maintenance of telecommunications equipment necessary for delivery of seamless roaming experience to customers. Globe Telecom also earns or incurs commission from BMPL for regional top-up service provided by the JV partners. The net outstanding liabilities to BMPL related to these transactions amounted to ₱3.11 million and ₱2.37 million as of December 31, 2015 and 2014, respectively. Balances related to these transactions (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounted to ₱18.68 million, ₱23.76 million and ₱3.76 million, as of December 31, 2015, 2014 and 2013, respectively.

- In October 2009, the Globe Group entered into an agreement with BPI Globe BanKO for the pursuit of services that will expand the usage of GCash technology. As a result, the Globe Group recognized revenue amounting to ₱8.96 million, ₱6.13 million and ₱0.54 million in 2015, 2014 and 2013, respectively. The related receivables amounted to ₱7.47 million and ₱14.85 million as of December 31, 2015 and 2014, respectively.

16.3 Transactions with the Globe Group Retirement Plan (GGRP) (see Note 11)

- In 2007, Globe Telecom, Innove and GXI pooled its plan assets for single administration by the GGRP, which was created for the management of the retirement fund. The decisions of the GGRP are made through collective decision of the Board of Trustees.

  The plan is funded by contributions as recommended by the independent actuary on the basis of reasonable actuarial assumptions. Those assumptions and the funded status of the pension plan are disclosed in Note 18.2.

  The funded status for the pension plan of Globe Group as of December 31, 2015 and 2014 amounted to ₱3,063.12 million and ₱2,321.20 million, respectively (see Note 18.2).

  The fair value of plan assets by each class held by the retirement fund, on a pooled basis follows:

	2015	2014
	(In Thousand Pesos)	
Cash and cash equivalents	₱192,982	₱143,746
Loans and receivables	968,782	968,000
Investment in fixed income securities		
Government	829,539	796,424
Corporate	341,576	200,488
Loans	5,038	4,945
Others	23,611	128,035
Investment in equity securities	1,755,411	1,636,204
Liabilities	(968,782)	(968,000)
Balance at end of year	₱3,148,157	₱2,909,842

  All equity and debt instruments held, except for investment in preferred shares of HALO Group, debt securities issued by private corporations and long-term negotiable certificates of deposit, have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

  Loans and receivables consist of interest and dividend receivables, receivable on securities sold to brokers and loan granted by the plan to BHI.

  Liabilities pertain to interest and trust fee payables, accrued professional fees and loan granted to the plan by Globe Telecom.

- As of December 31, 2015 and 2014, the pension plan assets of the retirement plan include shares of stock of Globe Telecom with total fair value of ₱31.20 million and ₱26.32 million, and shares of stock of other related parties with total fair value of ₱144.07 million and ₱111.55 million, respectively. Gains arising from these investments amounted to ₱11.75 million, ₱12.91 million and ₱8.34 million in 2015, 2014 and 2013, respectively.

- In 2008, the Globe Group granted a short-term loan to the GGRP amounting to ₱800.00 million with interest at 6.20%. Upon maturity in 2009, the loan was rolled over until September 2014 with interest at 7.75%. Further, in 2009, the Globe Group granted an additional loan to the retirement fund amounting to ₱168.00 million which bears interest at 7.75% and is due also in September 2014.

  On September 16, 2014, the maturity of the outstanding balance of loan receivable from GGRP amounting to ₱968.00 million was extended to September 11, 2017 and the interest rate was reduced to 5% per annum effective on September 11, 2014. Interest income amounted to ₱49.07 million, ₱68.02 million and ₱76.26 million in 2015, 2014 and 2013, respectively (see Note 19).

  The retirement plan utilized the loan to fund its investments in BHI, a domestic corporation organized to invest in media ventures. BHI has controlling interest in Altimax Broadcasting Co., Inc. (Altimax) and Broadcast Enterprises and Affiliated Media Inc. (BEAM), respectively.

- On August 13 and December 21, 2009, the Globe Group granted five-year loans amounting to ₱250.00 million and ₱45.00 million, respectively, to BHI at 8.275% interest. The ₱250.00 million loan is covered by a pledge agreement whereby in the event of default, the Globe Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Globe Group. The ₱45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between Globe Group and BEAM (see Note 25.5). Interest income amounted to ₱8.04 million, ₱11.30 million and ₱13.72 million in 2015, 2014 and 2013, respectively (see Note 19).

  On August 13, 2014, the maturity of the outstanding balance of loan receivable from BHI amounting to ₱158.62 million was extended to August 13, 2017 and the interest rate was reduced to 5% per annum effective August 14, 2014 (see Note 11).

- On February 1, 2009, the Globe Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast service to Globe subscribers using the mobile TV service. As a result, the Globe Group recognized an expense (included in "Professional and other contracted services") amounting to ₱190.00 million in 2015 and ₱155.00 million in 2014 and 2013. Effective January 1, 2015, BEAM charged an increased service fee rate to Globe Group as a result of an amendment to the MOA.

- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. As a result, the Globe Group recognized an expense (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounting to ₱24.85 million in 2015 and ₱40.88 million in 2014 and 2013.

16.4 Transactions with Yondu

As a result of Globe Telecom's sale of its controlling stake in Yondu, transactions are recognized in the consolidated statements of financial position starting September 16, 2015.

The Globe Group has a VAS sharing agreement with Yondu. Under the agreement, Yondu is entitled to a 30% share on revenue (included in the "Service revenues" account of the Parent Company statements of comprehensive income) for providing mobile contents to Globe and TM subscribers. The Globe Group's payout to Yondu on mobile content transactions for the period September 16, 2015 to December 31, 2015 amounted to ₱78.85 million.

Yondu also provides various enterprise solutions-based services to the Globe Group for network, platform and applications development under its Business Process Outsourcing Unit (BPO) and mobile content. The Globe Group's related expenses for the period September 16, 2015 to December 31, 2015 amounted to ₱39.32 million, out of which ₱1.49 million were capitalized under "Intangible Assets and Goodwill".

The outstanding balances of receivable and payables resulting from transactions with Yondu amounted to ₱74.23 million and ₱373.54 million, respectively, as of December 31, 2015. Dividends receivable amounting to ₱266.49 million was recognized in the consolidated statements financial position as of December 31, 2015.

16.5 Transactions with other related parties

Globe Telecom has money market placements and bank balances, and subscriber receivables (included in "Cash and cash equivalents" and "Receivables" accounts in the consolidated statements of financial position, respectively) and earns service revenues (included in the "Service revenues" account in the consolidated statements of comprehensive income) from its other related parties namely, Ayala Land Inc., Ayalu Property Management Corporation, Bank of the Philippine Islands, Manila Water Company, Inc., Integrated Microelectronics, Inc., Stream Global Services, Inc., HR Mall Inc., Honda Cars, Inc., Isuzu Automotive Dealership, Inc., Accendo Commercial Corp., Affinity Express Philippines, Inc., Alveo Land Corp., Asian I-Office Properties,Inc., Avida Land Corp., Avida Sales Corporation, Ayala Hotels, Inc., Ayala Plans, Inc., Ayala Systems Technology, Inc., Cebu Holdings, Inc., Makati Development Corp., myAyala.com, Inc., North Triangle Depot Commercial Corp., PSI Technologies, Inc., Roxas Land Corp, Serendra, Inc., Station Square East Commercial Corp., Ten Knots Development, KHI ALI Manila, Inc., Lagoon Development Corp., Subic Bay Town Center, Inc., Ayala Aviation Corporation, Laguna AAA Water Corp., Liveit Solution, Inc., Liveit Investments, Ltd., Integreon, Inc., Arvo Commercial Corp., Amaia Land Corp., Michigan Power, Philippine Intergrated Energy Solutions, Inc., Southcrest Hotel Ventures, Inc., Bonifacio Hotels and Crestview E-Office.

The balances with other related parties are recorded under the following accounts:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Cash and cash equivalents	30	₱1,621,045	₱1,385,635	₱166,074
Subscriber receivables (included in "Receivables" account)	6	204,226	218,837	212,391
Property and equipment	7	59,417	64,300	60,457
Accounts payable and accrued expenses	12	23,527	15,454	72,440
Service revenues	29	509,715	479,923	439,702
General, selling and administrative expenses	21	208,351	171,873	346,280

The balances under "General, selling and administrative expenses" and "Property and equipment" accounts consist of expenses incurred on rent, utilities, customer contract services, other miscellaneous services and purchase of vehicles, respectively.

These related parties are either controlled or significantly influenced by AC.

16.6 Transactions with key management personnel of the Globe Group

The Globe Group's compensation of key management personnel by benefit type are as follows:

	Notes	2015	2014
		(In Thousand Pesos)	
Short-term employee benefits	21	₱185,000	₱237,100
Share-based payments	18.1	31,282	9,649
Post-employment benefits	18.2	52,960	30,466
		₱269,242	₱277,2155

There are no agreements between the Globe Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Globe Group's retirement plans.

The Globe Group has no non-interest bearing short-term loans to its key management personnel in 2015 and 2014.

The summary of balances arising from related party transactions for the relevant financial year follows (in thousands):

2015

	Amount/Volume			Outstanding Balance			
	Revenue	Costs and Expenses	Property and Equipment (Note 7)	Cash and Cash Equivalents (Note 10)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over the Company								
AC	₱19,338	₱48,743	₱ -	₱ -	₱42,215	₱50	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	675,289	132,527	-	-	22,824	66,953	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BA/PL	-	15,681	-	-	-	3,213	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BanCO	8,965	-	-	-	7,468	-	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
Vonda	40,961	59,517	-	-	368,711	373,538	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	49,078	-	-	-	948,090	-	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	8,048	-	-	-	158,620	-	3 years, 5%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BPAM	-	190,000	-	-	-	-	Interest-free, settlement in cash	-
Alaska	-	24,847	-	-	-	-	Interest-free, settlement in cash	-
Key management personnel		269,242						Unsecured, no impairment
Others	589,715	208,351	59,417	1,621,845	204,226	23,527	Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
	₱1,311,398	₱931,708	₱59,417	₱1,621,845	₱1,452,064	₱467,280		

2014

	Amount/Volume			Outstanding Balance			
	Revenue	Costs and Expenses	Property and Equipment (Note 7)	Cash and Cash equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over the Company								
AC	₱18,900	997,135	₱ -	₱-	99,662	₱ 755	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	671,989	242,879	-	-	29,191	146,759	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BMPL	-	23,765	-	-	-	2,367	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BanKO	6,812	-	-	-	7,160	-	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
BTI	504,671	5,000	-	-	6,443,916	80,334	Loan receivable - 20 years, 9.00% to 11.55%; lease capacity provisioning - interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRF	68,013	-	-	-	968,000	-	3 years, 5%, settlement in cash	Unsecured, no impairment
BEI	11,304	-	-	-	158,620	-	3 years, 5%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BEAM	-	155,000	-	-	-	-	Interest-free, settlement in cash	
Altimax	-	40,880	-	-	-	-	Interest-free, settlement in cash	
Key management personnel	-	277,215	-	-	-	-		Unsecured, no impairment
Others	479,923	171,871	64,300	1,385,625	218,817	15,454	Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
	₱1,761,704	₱954,739	₱64,300	₱1,385,625	₱8,885,426	₱245,669		

17 Equity and Other Comprehensive Income

Globe Telecom's authorized capital stock consists of:

	2015		2014	
	Shares	Amount	Shares	Amount
	(In Thousand Pesos and Number of Shares)			
Voting preferred stock - P5 per share	160,000	P800,000	160,000	P800,000
Non-voting preferred stock - P50 per share	40,000	2,000,000	40,000	2,000,000
Common stock P50 per share	148,934	7,446,719	148,934	7,446,719

Globe Telecom's issued, subscribed and fully paid capital stock consists of:

	2015		2014	
	Shares	Amount	Shares	Amount
	(In Thousand Pesos and Number of Shares)			
Voting preferred stock	158,515	P 792,575	158,515	P 792,575
Non-voting preferred stock	20,000	1,000,000	20,000	1,000,000
Common stock	132,743	6,637,138	132,733	6,636,654
Total capital stock		P8,429,713		P8,429,229

Below is the summary of the Globe Telecom's track record of registration of securities:

	Number of shares registered	Issue/offer price	Date of approval
	(In Thousands, Except for Issue/Offer price)		
Voting preferred stock	158,515	P5.00	June 2001
Non-voting preferred stock	20,000	500.00	August 11, 2014
Common stock*	30,000	0.50	August 11, 1975

**Initial number of registered shares only*

17.1 Preferred Stock

Non-Voting Preferred Stock

On February 10, 2014, Globe Telecom's BOD approved the amendment of Articles of Incorporation (AOI) to reclassify 31 million of unissued common shares with par value of P50 per share and 90 million of unissued voting preferred shares with par value of P5 per share into a new class of 40 million non-voting preferred shares with par value of P50 per share.

On April 8, 2014, the stockholders approved the issuance, offer and listing of up to 20 million non-voting preferred shares, with an issue volume of up to P10 billion. The preferred shares shall be redeemable, non-convertible, non-voting, cumulative and may be issued in series.

On June 5, 2014, the Securities and Exchange Commission (SEC) approved the amendment of AOI to implement the foregoing reclassification of shares.

On August 8, 2014, the SEC approved the offer of non-voting preferred perpetual shares and on August 15, 2014, the 20 million non-voting preferred shares were fully subscribed and issued. Subsequently, the shares were listed at the Philippines Stock Exchange (PSE) on August 22, 2014.

The proceeds from the preferred shares issuance were used to partially finance capital expenditures.

Non-voting preferred stock has the following features.

a) Issued at ₱50 par;

b) Dividend rate to be determined by the BOD at the time of issue;

c) Redemption - at Globe Telecom's option at such times and price(s) as may be determined by the BOD at the time of issue, which price may not be less than the par value thereof plus accrued dividends;

d) Eligibility of investors - Any person, partnership, association or corporation regardless of nationality wherein at least 60% of the outstanding capital stock shall be owned by Filipino

e) No voting rights;

f) Cumulative and non-participating;

g) No pre-emptive rights over any sale or issuance of any share in Globe Telecom's capital stock; and

h) Shares shall rank ahead of the common shares and equally with the voting preferred shares in the event of liquidation.

Voting Preferred Stock

Voting preferred stock has the following features:

(a) Issued at ₱5 par;

(b) Dividend rate to be determined by the BOD at the time of issue;

(c) One preferred share is convertible to one common share starting at the end of the 10th year of the issue date at a price to be determined by Globe Telecom's BOD at the time of issue which shall not be less than the market price of the common share less the par value of the preferred share;

(d) Call option – Exercisable any time by Globe Telecom starting at the end of the 5th year from issue date at a price to be determined by the BOD at the time of issue;

(e) Eligibility of investors - Only Filipino citizens or corporations or partnerships wherein 60% of the voting stock or voting power is owned by Filipino;

(f) With voting rights;

(g) Cumulative and non-participating;

(h) Preference as to dividends and in the event of liquidation; and

(i) No preemptive right to any share issue of Globe Telecom, and subject to yield protection in case of change in tax laws.

The dividends for preferred shares are declared upon the sole discretion of the Globe Telecom's BOD.

17.2 Common Stock

The rollforward of outstanding common shares follows:

	2015		2014		2013	
	Shares	Amount	Shares	Amount	Shares	Amount
	(In Thousand Pesos and Number of Shares)					
At beginning of year	132,733	P6,636,654	132,596	P6,629,785	132,406	P6,620,291
Exercise of stock options	10	484	137	6,869	190	9,494
At end of year	132,743	P6,637,138	132,733	P6,636,654	132,596	P6,629,785

Fully paid common stock, which have a par value of P50, carry one vote per share and carry a right to dividends.

17.3 Cash Dividends

Information on the Globe Telecom's BOD declaration of cash dividends follows:

			Date	
	Per Share	Amount	Record	Payable
		(In Thousand Pesos, Except Per Share Figures)		
Voting Preferred stock dividends declared on:				
November 8, 2013	P0.15	P23,838	November 22, 2013	December 8, 2013
November 11, 2014	0.17	26,457	November 25, 2014	December 11, 2014
November 6, 2015	0.21	33,150	November 24, 2015	December 4, 2015
Non-voting Preferred stock dividends declared on:				
December 12, 2014	13.00	260,030	January 26, 2015	February 22, 2015
May 12, 2015	13.00	260,030	August 10, 2015	August 22, 2015
December 11, 2015	13.00	260,030	January 26, 2016	February 22, 2016
Common stock dividends declared on:				
February 5, 2013	33.50	4,435,828	February 19, 2013	March 12, 2013
August 6, 2013	33.50	4,440,936	August 22, 2013	September 13, 2013
February 10, 2014	37.50	4,975,331	February 26, 2014	March 20, 2014
August 5, 2014	18.75	2,488,624	August 19, 2014	September 4, 2014
November 11, 2014	18.75	2,488,727	November 25, 2014	December 11, 2014
February 4, 2015	20.75	2,754,224	February 18, 2015	March 4, 2015
May 12, 2015	20.75	2,754,346	May 26, 2015	June 11, 2015
August 3, 2015	20.75	2,754,373	August 17, 2015	September 2, 2015
November 6, 2015	20.75	2,754,412	November 24, 2015	December 4, 2015

17.4 Common Stock Dividend

The dividend policy of Globe Telecom as approved by the BOD is to declare cash dividends to its common stockholders on a regular basis as may be determined by the BOD. On November 8, 2011, the BOD approved the current dividend policy of Globe Telecom to distribute cash dividends at the rate of 75% to 90% of prior year's core net income. On August 6, 2013, the BOD further approved the change in distribution from semi-annual dividend payments to quarterly dividend distributions. However, on December 10, 2013, the BOD approved to defer the implementation of the quarterly dividend payout to the second semester of 2014.

The dividend distribution policy is reviewed annually and subsequently each quarter of the year, taking into account Globe Telecom's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

17.5 Retained Earnings Available for Dividend Declaration

The total unrestricted retained earnings available for dividend declaration amounted to ₱5,203.49 million as of December 31, 2015. This amount excludes the undistributed net earnings of consolidated subsidiaries, accumulated equity in net earnings of joint ventures accounted for under the equity method, and unrealized gains recognized on asset and liability currency translations and unrealized gains on fair value adjustments. The Globe Group is also subject to loan covenants that restrict its ability to pay dividends (see Note 14).

17.6 Other Comprehensive Income

Other Reserves

2015

	Cash flow hedges	AFS	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined benefit plan	Total
			(In Thousand Pesos)		
As of January 1	₱40,434	₱78,167	₱8,454	(₱1,164,506)	(₱977,853)
Fair value changes	399,772	24,267	-	-	424,039
Remeasurement losses on defined benefit plan	-	-	-	(379,491)	(379,491)
Transferred to profit or loss	(298,453)	-	-	-	(298,453)
Income tax effect					
as or transferred from equity	(396)	-	-	112,929	112,533
Exchange differences	-	-	7,322	-	7,322
As of December 31	₱141,357	₱102,434	₱15,776	(₱1,371,068)	(₱1,211,543)

2014

	Cash flow hedges	AFS	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined benefit plan	Total
			(In Thousand Pesos)		
As of January 1	₱35,027	₱57,775	(₱6,920)	(₱826,357)	(₱739,575)
Fair value changes	(207,522)	20,392	-	-	(187,130)
Remeasurement losses on defined benefit plan				(397,930)	(397,930)
Transferred to profit or loss	215,246	-	-	-	215,246
Income tax effect					
on or transferred from equity	(2,317)	-	-	119,379	117,062
Exchange differences	-	-	14,474	-	14,474
As of December 31	₱40,434	₱78,167	₱8,454	(₱1,104,908)	(₱977,853)

2013

	Cash flow hedges	AFS	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined benefit plans	Total
			(In Thousand Pesos)		
As of January 1	(₱121,200)	₱60,275	(₱3,663)	(₱481,951)	(₱526,539)
Fair value changes	406,194	(22,500)	-	-	383,694
Remeasurement loss on defined benefit plan	-	-	-	(492,009)	(492,009)
Transferred to profit or loss	(183,042)	-	-	-	(183,042)
Income tax effect	(66,955)	-	-	147,603	80,648
Exchange differences	-	-	(2,357)	-	(2,357)
As of December 31	₱35,027	₱37,775	(₱6,020)	(₱826,357)	(₱759,575)

18 Employee Benefits

18.1 Stock Plans

The Globe Group has Executive Stock Option Plan (ESOP) and Long-Term Incentive Plan (LTIP). The number of shares allocated under these plans shall not exceed the aggregate equivalent of 6% of the authorized capital stock.

18.1.1 *Executive Stock Option Plan*

The following are the stock option grants to key executives and senior management personnel of the Globe Group under the ESOP and LTIP from 2003 to 2015:

The number of shares allocated under the above plans shall not exceed the aggregate equivalent of 6% of the authorized capital stock.

Date of Grant	Number of Options/ Grants	Exercise Price	Exercise Dates	Fair Value of Each Option/Grants	Fair Value Measurement
April 4, 2003	680,200	547.00 per share	50% of options exercisable from April 4, 2005 to April 14, 2013; the remaining 50% exercisable from April 4, 2006 to April 14, 2013	287.11	Black-Scholes option pricing model
July 1, 2004	883,600	840.75 per share	50% of options exercisable from July 1, 2006 to June 30, 2014; the remaining 50% from July 1, 2007 to June 30, 2014	357.94	Black-Scholes option pricing model
March 24, 2006	749,500	854.35 per share	50% of the options become exercisable from March 24, 2008 to March 23, 2016, the remaining 50% become exercisable from March 24, 2009 to March 23, 2016	292.12	Trinomial option pricing model
May 17, 2007	604,400	1,270.50 per share	50% of the options become exercisable from May 17, 2009 to May 16, 2017, the remaining 50% become exercisable from May 17, 2010 to May 16, 2017	375.39	Trinomial option pricing model
August 1, 2008	635,350	1,064.00 per share	50% of the options become exercisable from August 1, 2010 to July 31, 2018, the remaining 50% become exercisable from August 1, 2011 to July 31, 2018	305.03	Trinomial option pricing model
October 1, 2009	298,950	993.76 per share	50% of the options become exercisable from October 1, 2011 to September 30, 2019, the remaining 50% become exercisable from October 1, 2012 to September 30, 2019	346.79	Trinomial option pricing model

The exercise price is based on the average quoted market price for the last 20 trading days preceding the approval date of the stock option grant.

A summary of the Globe Group's ESOP activity and related information follows:

	2015		2014	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
	(In Thousand Number of Shares Except per Share Figures)			
Outstanding, at beginning of year	267	P1,068.56	574	P1,087.26
Exercised	(16)	1,111.62	(302)	1,109.96
Expired/forfeited	-	-	(5)	840.75
Outstanding and exercisable, at end of year	251	P1,084.20	267	P1,068.56

The average share prices at dates of exercise of the stock options in 2015, 2014 and 2013 amounted to P2,211.92, P1,697.34 and P1,586.10, respectively.

As of December 31, 2015 and 2014, the weighted average remaining contractual life of options outstanding is 2.87 years and 3.87 years, respectively.

The following assumptions were used to determine the fair value of the stock options at effective grant dates:

	October 1, 2009	August 1, 2008	May 17, 2007	March 24, 2006	July 1, 2004	April 4, 2003
Share price	P995.00	P1,130.00	P1,340.00	P930.00	P835.00	P580.00
Exercise price	P993.75	P1,064.00	P1270.5	P854.75	P840.75	P547.00
Expected volatility	48.49%	31.73%	38.14%	29.51%	39.50%	34.64%
Option life	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividends	6.43%	6.64%	4.93%	5.38%	4.31%	2.70%
Risk-free interest rate	8.08%	9.62%	7.04%	10.30%	12.91%	11.46%

The expected volatility measured at the standard deviation of expected share price returns was based on analysis of share prices for the past 365 days. Cost of share-based payments for the years ended December 31, 2015, 2014 and 2013 amounted to P153.99 million, P31.84 million and P50.00 million, respectively (Note 16.6).

18.1.2 *Long-Term Incentive Plan*

In November 2014, the Globe Group obtained approval from the Board to implement a Long-Term Incentive Plan (LTIP) also called a Performance Share Plan (PSP) covering key executives and senior management. Under the PSP, the grantees are awarded a specific number of shares at the start of the performance period which vest over a specified performance period and contingent upon the achievement of specified long-term goals.

The following are the stock grants to key executives and senior management personnel of the Globe Group under the LTIP:

Date of Grant	Number of Grants	Settlement Dates	Fair Value of Each Grant	Fair Value Measurement
January 1, 2014	106,293	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,630.35	Share price
January 1, 2015	114,292	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,738.30	Share price

18.2 Pension Plan

The Globe Group has a funded, noncontributory, defined benefit pension plans covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The Plan which covers Globe Telecom, Innove and GXI employees is managed and administered by a Board of Trustees (BOT) whose members are unanimously appointed by the Globe Group acting through its BOD, while the BTI Plan is managed and administered by a different retirement committee (BTRC). The BOT and BTRC are authorized to appoint one or more fund managers to hold, invest and reinvest the assets of the Plans and execute an Investment Agreement with the said fund managers. The Plans are held and invested by the fund managers, in accordance with the guidelines set by the BOT and BTRC.

Under the existing regulatory framework, Republic Act 7641 mandates that a retiring qualified private sector employee shall be entitled to receive retirement benefits under any collective bargaining agreement and other agreements, provided that an employee's retirement benefits under said agreements shall not be less than those provided under the same law. In the absence of a retirement plan or agreement providing for retirement benefits of employees in the entity, a qualified private sector employee may retire and shall be paid the retirement pay by the company in accordance with the minimum retirement pay set out in RA 7641.

The components of pension expense (included in staff costs under "General, selling and administrative expenses" account) in the consolidated statements of comprehensive income are as follows:

	2015	2014	2013
		(In Thousand Pesos)	
Current service cost	₱543,248	₱417,653	₱348,399

The accrued pension is as follows:

	2015	2014
	(In Thousand Pesos)	
Present value of benefit obligation	₱6,481,297	₱5,236,037
Fair value of plan assets	(3,263,513)	(2,914,842)
Liabilities recognized in the consolidated statements of financial position	₱3,217,784	₱2,321,195

The following tables present the changes in the present value of defined benefit obligation and fair value of plan assets:

Present value of defined benefit obligation

	2015	2014
	(In Thousand Pesos)	
Balance at beginning of year	₱5,236,037	₱4,262,206
Acquired on acquisition of a subsidiary	726,121	-
Derecognized upon sale of controlling interest in Yondu	(12,279)	-
Current service cost	543,243	417,653
Past service cost	(518,736)	-
Interest cost	247,376	208,358
Benefits paid from plan assets	(84,284)	(106,988)
Remeasurements in other comprehensive income:		
Changes in demographic assumptions	14,390	336,002
Experience adjustments	329,424	118,806
Balance at end of year	₱6,481,297	₱5,236,037

Fair value of plan assets

	2015	2014
	(In Thousand Pesos)	
Balance at beginning of year	₱2,914,842	₱2,654,907
Acquired on acquisition of a subsidiary	209,793	-
Derecognized upon sale of controlling interest in Yondu	(5,001)	-
Return on plan assets (excluding amount included in net interest)	(25,889)	56,877
Contributions	217,484	172,440
Benefits paid	(84,284)	(106,988)
Interest income on plan assets	136,079	137,606
Settlements	(98,288)	-
Actuarial gain (losses)	(1,223)	-
Balance at end of year	₱3,263,513	₱2,914,842
Actual return on plan assets	₱108,966	₱194,483

The recommended contribution for the Globe Group retirement fund for the year 2016 amounted to ₱521.06 million. This amount is based on the Globe Group's actuarial valuation report as of December 31, 2015.

As of December 31, 2015 and 2014, the allocation of the fair value of the plan assets of the Globe Group follows:

	2015	2014
	(In Thousand Pesos)	
Cash and cash equivalents	₱211,003	₱148,746
Loans receivables	969,321	968,000
Investment in fixed income securities		
Government	886,907	796,424
Corporate	341,576	200,488
Loans	5,038	4,945
Others	55,931	128,035
Investment in equity shares		
Quoted		
Holding firm	250,004	164,202
Property	153,471	133,920
Industrial	142,527	121,543
Financials	118,725	88,342
Mining and oil	11,821	30,550
Others	63,382	95,647
Unquoted	1,022,002	1,000,000
Liabilities	(968,195)	(968,000)
	₱3,263,513	₱2,914,842

The assumptions used to determine pension benefits for the Globe Group are as follows:

	2015	2014
Discount rate	3.16%-4.50%	4.50%
Salary rate increase	4.50%-5.00%	4.50%

The assumptions regarding future mortality rates which are based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rate for males and females.

In 2015 and 2014, the Globe Group applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2015 and 2014, assuming all other assumptions were held constant (in thousand pesos):

December 31, 2015

	Increase (decrease) in basis points	Impact on defined benefit obligation Increase (decrease)
Discount rates	+.50%	(410,410)
	-.50%	453,299
Future salary increases	+1%	941,362
	-1%	(787,204)
Rate of return	+10%	(1,243)
	-10%	1,243

December 31, 2014

	Increase (decrease) in basis points	Impact on defined benefit obligation Increase (decrease)
Discount rates	+.50%	(335,974)
	-.50%	370,470
Future salary increases	+1%	772,823
	-1%	(646,860)
Rate of return	+10%	(1,044)
	-10%	1,044

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The objective of the plan's portfolio is capital preservation by earning higher than regular deposit rates over a long period given a small degree of risk on principal and interest. Asset purchases and sales are determined by the plan's investment managers, who have been given discretionary authority to manage the distribution of assets to achieve the plan's investment objectives. The compliance with target asset allocations and composition of the investment portfolio is monitored by the BOT on a regular basis.

The defined benefit retirement plan is funded by the participating companies, namely Globe Telecom, Innove, BTI and GXI. The plan contributions are based on the actuarial present value of accumulated plan benefits and fair value of plan assets are determined using an independent actuarial valuation.

The average duration of the defined benefit obligation at the end of the reporting period is 17.67 years in 2015 and 17.38 years in 2014.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2015 and 2014:

	2015	2014
	(In Thousand Pesos)	
Within 1 year	₱345,994	₱215,168
More than 1 year to 5 years	1,314,685	1,115,523
More than 5 years	2,630,750	2,148,394
	₱4,291,429	₱3,479,085

19 Interest Income

Interest income is earned from the following sources:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Short-term placements	30	₱181,787	₱91,044	₱79,813
Cash in banks	30	8,891	7,964	16,205
Loans receivable:				
BTI	11	269,945	508,671	475,822
GGRP	15.3	49,071	62,015	76,257
BHI	16.3	8,841	11,304	13,721
Others		802	-	24,431
		₱518,537	₱682,998	₱688,249

20 Other Income - net

This account consists of:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Gain on fair value of retained interest	10.2	₱745,831	₱-	₱-
Gain on disposal of controlling interest in subsidiary	10.2	449,148	-	-
Gain on previously held equity interest	9.1	431,155	-	-
Lease income	25.4, 25.1.1	173,695	172,499	172,459
Gain on derivative instruments	28	19,591	70,829	-
Foreign exchange gain - net	22, 28.2.1.2	-	884	-
Others		211,373	226,435	302,787
		₱2,130,853	₱470,647	₱475,246

The peso to US dollar exchange rates amounted to ₱47.118, ₱44.740 and ₱44.398 as of December 31, 2015, 2014 and 2013, respectively.

The Globe Group's net foreign currency-denominated liabilities amounted to USD556.86 million, USD312.43 million and USD357.85 million as of December 31, 2015, 2014 and 2013, respectively (see Note 28.2.1.2).

These combinations of net liability movements and peso rate depreciation/appreciation resulted in net foreign exchange loss in 2015 and 2013, and net foreign exchange gain in 2014 (see Note 22).

The "Others" account includes insurance claims and other items that are individually immaterial.

21 General, Selling and Administrative Expenses

This account consists of:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Staff costs	16.6, 18	P9,761,471	P8,665,757	P7,473,499
Selling, advertising and promotions		9,594,482	8,000,982	7,014,729
Professional and other contracted services	16	8,878,068	6,653,441	5,966,481
Rent	15, 25.1	4,932,388	4,116,372	3,534,975
Repairs and maintenance	16	4,796,403	4,099,986	3,656,671
Utilities, supplies and other administrative expenses	5	4,785,452	4,481,830	4,399,110
Taxes and licenses		1,958,281	1,787,694	2,055,909
Courier, delivery and miscellaneous expenses		1,777,053	1,486,356	1,320,112
Insurance and security services		1,598,290	1,439,942	1,383,294
Others		685,057	650,517	514,059
		P48,766,962	P41,382,877	P37,318,839

The "Others" account includes various other items that are individually immaterial.

22 Financing costs

This account consists of:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Interest expense - net*	7, 14	P2,774,078	P2,326,171	P2,091,915
Foreign exchange loss – net	20, 28.2.1.2	457,295	-	486,308
Swap and other financing costs	28.4	141,551	239,535	245,187
Loss on derivative instruments - net	20,28.4	-	-	88,375
		P3,372,924	P2,565,706	P2,911,785

**This account is net of the amount capitalized borrowing costs (see Note 7).*

In 2015, 2014 and 2013, gain on derivative instruments amounting to P19.69 million, P70.83 million and nil, respectively, and net foreign exchange gain amounting to nil, P0.88 million and nil, respectively, were presented as part of the "Other income" account in the consolidated statements of comprehensive income (see Note 20).

Interest expense - net is incurred on the following:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Long-term debt	14	P2,396,605	P1,958,594	P1,660,094
Accretion expense	15	161,686	171,493	193,815
Amortization of debt issuance cost	14	107,490	108,746	131,967
Short-term notes payable	14	-	-	57,954
Net interest cost on defined benefit obligation		99,326	70,752	43,111
Others		9,071	16,586	4,974
		P2,774,078	P2,326,171	P2,091,915

23 Impairment Losses and Others

This account consists of:

	Notes	2015	2014	2013
			(In Thousand Pesos)	
Impairment loss on:				
Receivables	4, 6, 28.2.2	₱2,693,569	₱3,035,235	₱2,046,523
Property and equipment and intangible assets	7, 8	72,751	110,238	26,312
Provisions for (reversal of):				
Inventory obsolescence and market decline	5	384,143	437,511	321,460
Other probable losses	13	(40,943)	137,185	88,333
		₱3,109,520	₱3,720,169	₱2,482,628

24 Income Tax

The significant components of the deferred income tax assets and liabilities of the Globe Group represent the deferred income tax effects of the following:

	2015	2014	Movements in 2015			
			Acquired from a business combination	Profit or Loss	Other Comprehensive Income	Net
Deferred tax assets						
Allowance for impairment losses on receivables	₱2,642,588	₱1,725,003	₱662,087	₱265,499	₱-	₱917,586
Unearned revenues and advances already subjected to income tax	791,532	864,049	-	(72,517)	-	(72,517)
ARO	565,582	520,985	16,599	25,108	-	45,697
Accumulated impairment losses on property and equipment	387,589	379,121	-	8,468	-	8,468
Accrued rent expense under PAS 17	141,135	122,248	11,642	7,245	-	18,887
Inventory obsolescence and market decline	239,745	183,384	10,899	45,462	-	56,361
Accrued manpower cost	659,545	709,141	31,291	(59,887)	-	(28,596)
Accrued pension	1,090,748	826,897	250,313	(99,083)	112,915	264,145
Unrealized loss on derivative transactions	-	-	2,434	(2,434)	-	-
Provision for claims and assessment	96,047	64,858	-	31,189	-	31,189
Cost of share-based payments	79,787	71,115	-	8,672	-	8,672
NOLCO	33,759	561	-	33,198	-	33,198
Allowance for doubtful account for long-outstanding net advances	-	58,532	-	(58,532)	-	(58,532)
Unrealized foreign exchange losses	335,669	69,067	-	266,602	-	266,602
Others	89,838	43,958	3,953	41,927	-	45,880
	6,654,564	5,637,818	979,218	424,919	112,915	1,517,052
Deferred tax liabilities						
Excess of accumulated depreciation and amortization of Globe Telecom and Innove equipment for (a) tax reporting over (b) financial reporting	(4,707,930)	(2,884,385)	(815,803)	(1,384,742)	-	(2,700,545)
Undepreciated capitalized borrowing costs already claimed as deductions for tax reporting	(858,619)	(1,233,860)	-	525,241	-	525,241
Unrealized foreign exchange gain	(4,907)	(2,217)	(71,772)	69,822	-	(2,750)
Unamortized discount on noninterest bearing liability	(231)	(5,583)	-	4,752	-	4,752
Unrealized gain on derivative transaction	(13,511)	(6,970)	-	(6,545)	(396)	(6,941)
Others	(16,136)	(104)	(4,472)	(11,860)	-	(16,332)
	(5,632,694)	(4,533,119)	(895,047)	(1,204,132)	(396)	(2,099,575)
Deferred tax income (expense)			₱84,661	(₱779,213)	₱112,523	(₱581,029)
Net deferred tax assets	₱1,321,870	₱1,103,699				

[a] *Sum-of-the-years digit method*

[b] *Straight-line method*

	2014				
			Movements in 2014		
	2014	2013	Profit or Loss	Other Comprehensive Income	Net
Deferred tax assets					
Allowance for impairment losses on receivables	P1,725,002	P1,267,443	P457,559	P-	P457,559
Unrecognized revenues and advances already subjected to income tax	864,049	801,636	62,413	-	62,413
ARO	519,885	476,901	42,984	-	42,984
Accumulated impairment losses on property and equipment	179,121	185,941	(6,820)	-	(6,820)
Accrued rent expense under PAS 17	122,248	119,087	3,161	-	3,161
Inventory obsolescence and market decline	183,284	146,965	36,419	-	36,419
Accrued manpower cost	709,341	116,561	592,580	-	592,580
Accrued pension	826,097	643,823	62,895	119,379	182,274
Unrealized loss on derivative transactions	-	26,414	(24,692)	(1,722)	-26,414
Provision for claims and assessment	64,858	52,696	12,162	-	12,162
Cost of share-based payments	71,115	136,424	(65,309)	-	(65,309)
NOLCO	561	-	561	-	561
Allowance for doubtful accounts for long-outstanding net advances	58,532	40,497	18,035	-	18,035
Unrealized foreign exchange losses	59,067	128,713	(59,646)	-	(59,646)
Others	43,958	29,390	14,568	-	14,568
	5,437,018	4,172,511	1,146,850	117,657	1,264,507
Deferred tax liabilities					
Excess of accumulated depreciation and amortization of Globe Telecom and Innove equipment for (a) tax reporting over (b) financial reporting	(2,084,285)	(815,677)	(1,188,708)	-	(1,188,708)
Undepreciated capitalized borrowing costs already claimed as deduction for tax reporting	(1,513,560)	(1,482,724)	(30,836)	-	(30,836)
Unrealized foreign exchange gain	(2,217)	-	(2,217)	-	(2,217)
Unamortized discount on noninterest bearing liability	(5,483)	(850)	(4,733)	-	(4,733)
Unrealized gain on derivative transaction	(6,970)	-	(6,970)	-	(6,970)
Others	(104)	(6,382)	6,278	-	6,278
	(3,612,619)	(2,295,633)	(1,227,486)	-	(1,227,486)
Deferred tax income (expense)			(P130,636)	P117,657	(P12,979)
Net deferred tax assets	P1,903,899	P1,916,878			

(a) *Sum-of-the-years digit method*
(b) *Straight-line method*

Net deferred tax assets and liabilities presented in the consolidated statements of financial position on a net basis by entity are as follows:

	2015	2014
	(In Thousand Pesos)	
Net deferred tax assets*	₱1,324,081	₱1,904,298
Net deferred tax liabilities (GTI and KVI)	2,211	399

**2015 consist of Globe Telecom, Innove, GXI, BTI and Asticom*
**2014 consist of Globe Telecom, Innove, GXI, Yondu, KVI and Asticom*

The composition of deferred income tax assets follows:

	2015	2014
	(In Thousand Pesos)	
Deferred income tax recognized in profit or loss	₱751,989	₱1,447,696
Deferred income tax recognized in OCI	569,881	456,203
	₱1,321,870	₱1,903,899

The reconciliation of the provision for income tax at statutory tax rate and the actual current and deferred provision for income tax follows:

	2015	2014	2013
		(In Thousand Pesos)	
Provision at statutory income tax rate	₱7,040,246	₱5,814,812	₱2,059,432
Add (deduct) tax effects of:			
Equity in net losses of associates and joint ventures	46,054	67,277	23,988
Deferred tax on unexercised stock options and basis differences on deductible and reported stock compensation expense	(14,393)	3,252	(176,949)
Income subjected to lower tax rates	(166,108)	(64,633)	(16,861)
Others	77,239	189,806	14,918
Actual provision for income tax	₱6,983,038	₱6,010,514	₱1,904,528

The current provision for income tax includes the following:

	2015	2014	2013
		(In Thousand Pesos)	
RCIT or MCIT whichever is higher	₱6,067,22	₱5,810,006	₱4,949,057
Final tax	136,60	49,872	46,359
	₱6,203,82	₱5,879,878	₱4,995,416

Deferred tax assets of BTI on the following deductible temporary differences, NOLCO and carryforward benefits of excess MCIT were not recognized since management believes that it is not probable that sufficient future taxable income will be available against which these can be utilized.

	2015
	(In Thousand Pesos)
Deferred tax assets on:	
NOLCO	₱2,711,506
Difference in NBV of property and equipment for tax and accounting	1,195,082
Provision for probable loss	424,175
Allowance for impairment losses on receivables	211,113
Carryforward benefits of MCIT	91,868
Others	11,566
	₱4,645,310

BTI has available NOLCO incurred in 2015 and 2014 amounting to ₱1,729.70 million and ₱1,211.00 million, respectively, which can be carried over and applied against taxable income until December 31, 2017.

BTI has available MCIT which can be claimed as credit against future RCIT payable as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
		in thousands			
2013	2014 - 2016	₱1,659	₱-	₱-	₱1,659
2014	2015 - 2017	45,043	-	-	45,043
2015	2016 - 2018	52,345	-	-	52,345
		₱99,047	₱-	₱-	₱99,047

The corporate tax rate is 30% in 2015, 2014 and 2013.

Globe Telecom is entitled to certain tax and nontax incentives and have availed of incentives for tax and duty-free importation of capital equipment for the services under its franchise.

25 Agreements and Commitments

25.1 Lease Commitments

25.1.1 *Operating lease commitments*

a) Globe Group as lessee

The Globe Group leases certain premises for some of its telecommunication facilities and equipment and for most of its business centers and network sites. The operating lease agreements are for periods ranging from one (1) to ten (10) years from the date of the contracts and are renewable under certain terms and conditions. The agreements generally require certain amounts of deposit and advance rentals, which are shown as part of the "Prepayment and other current assets" and "Other noncurrent assets" accounts in the consolidated statements of financial position (see Notes 6 and 11). The Globe Group also has short-term renewable leases on transmission cables and equipment. The Globe Group's rentals incurred on these various leases (included in the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounted to ₱4,932.39 million, ₱4,116.37 million and ₱3,534.98 million, respectively, for the years ended December 31, 2015, 2014 and 2013, respectively.

The future minimum lease payments under these operating leases are as follows:

	2015	2014
	(In Thousand Pesos)	
Not later than one year	₱3,355,546	₱1,003,867
After one year but not more than five years	11,247,041	6,772,893
After five years	5,272,419	4,216,802
	₱19,875,006	₱11,994,562

b) Globe Group as lessor

Globe Group has certain lease agreements with C2C Pte. Ltd. (C2C) on equipment (see Note 25.4). Total lease income amounted to ₱173.70 million in 2015 and ₱172.50 million in 2014 and 2013 (included in "Other income" account in the consolidated statements of comprehensive income) (see Note 20).

The future minimum lease receivables under these operating leases are as follows:

	2015	2014
	(In Thousand Pesos)	
Within one year	₱39,921	₱159,686
After one year but not more than five years	-	39,921
	₱39,921	₱199,607

25.1.2 *Finance lease commitments*

Globe Group as lessee

Globe Telecom entered into an agreement with a vendor, for the upgrade of its billing and customer management system. The agreement covers the supply of hardware, application systems and software and software licenses including installation, as well as a managed services agreement that covers a seven (7) year period.

The agreement includes a lease component for hardware infrastructure and information equipment valued at ₱893.28 million. Total lease payments as of December 31, 2015 and 2014, which is equivalent to one year advance lease, amounted to ₱474.41 million and ₱306.90 million, respectively. The managed service engagement has terms of renewal and purchase options, among others.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2015		2014	
	(In Thousand Pesos)			
	Minimum Payments	Present Value of Payments	Minimum Payments	Present Value of Payments
Within one year	₱154,906	₱148,124	₱123,070	₱114,279
After one year but not more than five years	264,164	259,534	463,502	449,686
More than five years	-	-	-	-
Total minimum lease payments	419,070	407,658	586,572	563,965
Less amounts representing finance charges	(11,412)	-	(22,607)	-
Present value of minimum lease payments	₱407,658	₱407,658	₱563,965	₱563,965

In addition, total payments to service providers based on the seven-year agreement for the maintenance of servers, which includes application development and maintenance, service design, managed network services, office automation or end-user computing, service desk services and business supports systems amounted to ₱54.24 million and ₱131.31 million as of December 31, 2015 and 2014, respectively.

25.2 Agreements and Commitments with Other Carriers

Globe Telecom, Innove and BTI have existing international telecommunications service agreements with various foreign administrations and interconnection agreements with local telecommunications companies for their various services. Globe Telecom also has international roaming agreements with other foreign operators, which allow its subscribers access to foreign networks. The agreements provide for sharing of toll revenues derived from the mutual use of telecommunication networks.

25.3 Arrangements and Commitments with Suppliers

The Globe Group has entered into agreements with various suppliers for the development or construction, delivery and installation of property and equipment. Under the terms of these agreements, advance payments and downpayments are made to suppliers upon submission of required documentation. While the development or construction is in progress, project costs are accrued based on the project status. Billings are based on the progress of the development or construction and advance payments are being applied proportionately to the milestone billings. When development or construction and installation are completed and the property and equipment is ready for service, the value of undelivered goods or services from the related purchase orders is accrued.

The accrued project costs as of December 31, 2015 and 2014 included in the "Accounts payable and accrued expenses" account in the consolidated statements of financial position amounted to P20,862.12 million and P22,015.72 million, respectively (see Note 12). As of December 31, 2015 and 2014, the consolidated expected future billings on the unaccrued portion of purchase orders issued amounted to P44,786.69 million and P36,381.74 million, respectively. The settlement of these liabilities is dependent on the payment terms and project milestones agreed with the suppliers and contractors. As of December 31, 2015 and 2014, the unapplied advances made to suppliers and contractors relating to purchase orders issued amounted to P4,522.78 million and P5,731.12 million, respectively (see Note 6).

25.4 Agreements with C2C/Pacnet

In 2001, Globe Telecom signed a cable equipment supply agreement with C2C as the supplier. In March 2002, Globe Telecom as a lessor entered into an equipment lease agreement for the said equipment with GB21 Hong Kong Limited (GB21).

Subsequently, GB21, in consideration of C2C's agreement to assume all payment obligations pursuant to the lease agreement, assigned all its rights, obligations and interest in the equipment lease agreement to C2C. As a result of the said assignment of payables by GB21 to C2C, the Globe Telecom's liability arising from the cable equipment supply agreement with C2C was effectively converted into a noninterest bearing long-term obligation accounted for at net present value under PAS 39 starting 2005.

In January 2003, the Globe Telecom received advance lease payments from C2C for its use of a portion of the Globe Telecom's cable landing station facilities. Based on the amortization schedule, the Globe Telecom recognized lease income amounting to P6.39 million for the year ended December 31, 2015, and P12.26 million for the years ended December 31, 2014 and 2013.

On November 17, 2009, Globe Telecom and Pacnet Cable Ltd. (Pacnet), formerly C2C, signed a memorandum of agreement (MOA) to terminate and unwind their Landing Party Agreement dated August 15, 2000 (LPA). The MOA further requires Globe Telecom, being duly licensed and authorized by the NTC to land the C2C Cable Network in the Philippines and operate the C2C Cable Landing Station (CLS) in Nasugbu, Batangas, Philippines, to transfer to Pacnet's designated qualified partner, the license of the C2C CLS, the CLS, a portion of the property on which the CLS is situated, certain equipment and associated facilities thereof.

In return, Pacnet will compensate Globe Telecom in cash and by way of C2C cable capacities deliverable upon completion of certain closing conditions. The MOA also provided for novation of abovementioned equipment supply and lease agreements and reciprocal options for Globe Telecom to purchase future capacities from Pacnet and Pacnet to purchase backhaul and ducts from Globe Telecom at agreed prices.

In the second quarter of 2010, the specific equipment, portion of the property and facilities, and the liabilities associated with the transfer were identified, classified and shown separately in the consolidated statement of financial position as "Assets classified as held for sale" and "Liabilities directly associated with the assets classified as held for sale".

In 2013, the Globe Group ceased to classify its non-current assets as held for sale due to substantial delay in the completion of the transaction. Globe Group recognized a catch-up depreciation amounting to ₱397.0 million for the year ended December 31, 2013.

25.5 Construction Maintenance Agreement for South-East Asia Japan Cable System (SJC)

In April 2011, the global consortium of telecommunication companies formed to build and operate the South-East Asia Japan Cable (SJC) system officially started the construction of the project that will link Brunei, China Mainland, Hong Kong, Philippines, Japan, and Singapore with options to extend to Thailand. The SJC consortium is composed of the Globe Group and nine other international carriers. Globe Telecom's investment for this project amounts to USD63.91 million and total expenditures incurred was at 100% as of 2014 (see Note 7).

25.6 Network Sharing Arrangement with ABS-CBN Convergence Inc.

On May 27, 2013, Globe Telecom, Innove and ABS-CBN Convergence Inc. (ABS-C) entered into a network sharing arrangement in order to provide capacity and coverage for new mobile telephony, data and value-added services to be offered by ABS-C nationwide to its subscribers using shared network and interconnect assets of the parties.

This arrangement will enable Globe Telecom, Innove and ABS-C to improve public service by enhancing utility, capacity, inter-operability and quality of mobile and local exchange telephone and data services to the public and allow ABS-C to modernize its existing service and expand to a retail base on top of its existing subscriber base.

On May 31, 2013, NTC approved the network sharing agreement and co-use of the number blocks assigned to Globe Telecom.

25.7 Shareholders' and dealership agreement with Taodharma

In March 2013, Globe Telecom entered into a Shareholders Agreement with four other entities to incorporate Taodharma Inc. (Tao).

Globe Telecom subscribed to 25% preferred shares of Taodharma amounting to ₱55.00 million which has been fully paid up as of August 2013 (see Note 11). Tao shall carry on the business of establishing, operating and maintaining retail stores in strategic locations within the Philippines that will sell telecommunications or internet-related services, and devices, gadgets, accessories or embellishments in connection and in accordance with the terms and conditions of the Dealer Agreement executed among all of the entities.

In March 2013, Globe Telecom also entered into an exclusive dealership arrangement with Tao that included provisions to build and open retail outlet stores.

As of December 31, 2015 and 2014, Globe Group has recognized ₱141.02 million and ₱139.96 million representing share of costs classified under "Intangible assets and goodwill - net" in the consolidated statements of financial position (see Note 8).

25.8 Deed of Assignment of Certificate of Public Convenience and Necessity by WordwideCommunication Inc. (WWCI)

On July 5, 2013, the NTC approved the "Deed of Assignment" (DoA) dated February 13, 2013 executed by WWCI in favor of Globe Telecom. Through the DoA, WWCI assigned and transferred its entire interest including the operation of its Trunk Radio Network, the Certificate of

Public Convenience and Necessity granted by the NTC and the pertinent permits necessary to operate the trunk radio to Globe Telecom. The total consideration under the said original DoA was ₱30.00 million.

On April 1, 2014, Globe Telecom and WWCI signed the Supplemental Agreement to the DoA for final consideration of ₱150.00 million to be paid in tranches upon fulfillment of stated conditions.

Conditions include reassignment and reallocation of Radio Station Licenses and issuance of associated Frequency Assignment Sheets in the name of Globe Telecom. Pending compliance to the conditions, payments will be recorded as advances classified under "Prepayments and other current assets" in the consolidated statements of financial position.

On January 29, 2015, WWCI and Globe Telecom agreed to wind down the transaction as the conditions for closing can no longer be met. WWCI was not able to pay the advances made by Globe Telecom amounting to ₱45.00 million due on December 31, 2015. WWCI is negotiating settlement of advances by surrendering certain frequencies and assets. As of December 31, 2015, assessment of assets is still on going.

25.9 Southeast Asia – United States (SEA - US) Project

Globe Telecom has joined a consortium of seven international telecommunication companies for the construction of a new submarine cable system directly connecting Southeast Asia and the United States. Other members of the consortium include PT Telekomunikasi Indonesia International (Telin), Telkom USA, RAM Telecom International (RTI), Hawaiian Telcom, and Teleguam Holdings (GTA). The 15,000-kilometer cable system would link Manado in Indonesia, Davao in the Philippines, Piti in Guam, Oahu in Hawaii, and Los Angeles in California, providing superior latency delivering additional 20 terabits per second (Tbps), utilizing 100 gigabits per second (Gbps) transmission equipment. Globe Telecom and GTIC US is spending more than US$80 million for the SEA-US undersea cable system targeted to be completed by end of 2016.

On March 17, 2015, Globe Telecom provided a written guaranty to NEC Corporation (NEC) pursuant to the supply contract of the cable system between GTIC US and NEC. Globe Telecom unconditionally guarantees the full and punctual performance by GTIC US of its payment obligations up to an aggregate amount of US$46.23 million, less any payments made in accordance with the terms and conditions of the contract. A default by GTIC US to pay any guaranteed obligation under the contract is a condition that will render the guaranty exercisable. Total payments amounted to US$9.55 million for the period ended December 31, 2015.

25.10 Facilities-based Operations License granted to Globetel Singapore Pte. Ltd (GTSG)

On November 25, 2014, Globetel Singapore Pte. Ltd. (GTSG) applied for a facilities-based operations license (FBO) with Infocommunications Development Authority in Singapore (IDA) which was subsequently granted on January 7, 2015. Under this license, GTSG was required to provide IDA with the performance bond for the aggregate amount of USD75,400 to secure its obligation to fulfill the three performance milestones of installation of equipment required to support Southeast Asia Japan cable system and activation of its capacity between Singapore, Philippines and Hongkong. GTSG has fulfilled the first two milestones. On April 28, 2015, IDA returned the two bank guarantees pertaining to the first two milestones totaling to USD45,40. As of December 31, 2015, the third performance milestone has been completed while the remaining USD30,000 bond is due from IDA which is payable in 2016

25.11 Services-based Operator License granted to Globe Telecom HK Limited (GTHK)

On March 17, 2015, Globe Telecom HK Limited (GTHK) applied for a services-based operator license (SBO) with the Office of the Communications Authority in Hong Kong (OFCA) which was subsequently approved on May 7, 2015. GTHK is licensed to provide a public telecommunications service and establish and maintain a telecommunications system.

25.12 Agreements with HOOQ Digital Pte. Ltd. (HOOQ)

On February 25, 2015, Globe Telecom entered into a 5 year service and content distribution contract with HOOQ.

Under the agreement, HOOQ will provide content to Globe Telecom, in the form of video, movies or other form of content, which Globe Telecom may sell to its subscribers. The service may be provided either on transaction or subscription basis. Globe Telecom shall pay a service fee for every active subscriber in each month, or a minimum net subscriber guaranty of P257.70 million for the first 3 contract years.

Globe Telecom also undertakes to provide advertising and promotions support at a minimum amount of $3 million, for the first three (3) contract years. For this purpose, HOOQ granted Globe Telecom a non-exclusive and royalty free right to use the HOOQ trade mark.

25.13 License agreements with Walt Disney Company (Southeast Asia) Pte. Limited ("Disney")

On July 1, 2015, Globe Telecom and Disney entered into several license agreements for a period of five (5) years. Under the agreements, Globe Telecom is granted the right to market, reproduce and distribute Disney's products to the public through its distribution channels. In consideration, Globe Telecom agreed to pay royalty of fifty percent (50%) of its net revenues, with minimum commitment guarantee amounting to US$48.41 million including a guaranteed non-returnable, non-refundable advance on a quarterly basis amounting to US$0.17 million. As of December 31, 2015, the total amount accrued under "general, selling and administrative" line item in the consolidated statement of comprehensive income amounted to US$0.62 million.

25.14 Agreements with Huawei International, Pte. Ltd.

In 2014, Globe Telecom and Innove engaged Huawei for a period of ten (10) years to perform the design, engineering, manufacture, assembly and delivery of certain equipment and all its ancillary equipment and related software and documentation, and to provide services, including subsequent training and technical support, in an end-to-end full-turn key outcome based technical solution. Globe Telecom is spending a total of P1,911.46 million for the services and US$92.32 million for the equipment.



25.15 Agreements with Spotify AB (Spotify)

On March 13, 2014, Globe Telecom entered into a 2 year service agreement with Spotify to provide ad-free desktop, portable music streaming and conditional download service. During the term, Globe Telecom shall spend USD2.25 million worth of advertising budget and at least USD400,000 in purchasing in-client advertising inventory from Spotify. For each month of the term, Globe Telecom shall pay an amount equal to the monthly fees which includes hard bundle fee, soft bundle fee and standalone subscription fee. In addition, Globe Telecom commits to pay a total minimum guarantee of USD1.75 million which shall be recouped against the actual fees paid and payable for the service subscriptions. Total payments net of revenue share amounted to P33.77 million and P65.28 million for the period ended December 31, 2015 and 2014, respectively.

26 Contingencies

a. On October 10, 2011, the NTC issued Memorandum Circular No. 02-10-2011 titled Interconnection Charge for Short Messaging Service requiring all public telecommunication entities to reduce their interconnection charge to each other from P0.35 to P0.15 per text, which Globe Telecom complied as early as November 2011. On December 11, 2011, the NTC One Stop Public Assistance Center (OSPAC) filed a complaint against Globe Telecom, Smart and Digitel alleging violation of the said MC No. 02-10-2011 and asking for the reduction of SMS off-net retail price from P1.00 to P0.80 per text. Globe Telecom filed its response maintaining the position that the reduction of the SMS interconnection charges does not automatically translate to a reduction in the SMS retail charge per text.

On November 20, 2012, the NTC rendered a decision directing Globe Telecom to:

1. Reduce its regular SMS retail rate from P1.00 to not more than P0.80;
2. Refund/reimburse its subscribers the excess charge of P0.20; and
3. Pay a fine of P200.00 per day from December 1, 2011 until date of compliance.

On May 7, 2014, NTC denied the Motion for Reconsideration (MR) filed by Globe Telecom last December 5, 2012 in relation to the November 20, 2012 decision. Globe Telecom's assessment is that Globe Telecom is in compliance with the NTC Memorandum Circular No. 02-10-2011. On June 9, 2014, Globe Telecom filed petition for review of the NTC decision and resolution with the Court of Appeals (CA).

The CA granted the petition in a resolution dated September 3, 2014 by issuing a 60-day temporary restraining order on the implementation of Memorandum Circular 02-10-2011 by the NTC. On October 15, 2014, Globe Telecom posted a surety bond to compensate for possible damages as directed by the CA.

b. On 22 May 2006, Innove received a copy of the Complaint of Subic Telecom Company (Subictel), Inc., a subsidiary of PLDT, seeking an injunction to stop the Subic Bay Metropolitan Authority and Innove from taking any actions to implement the Certificate of Public Convenience and Necessity granted by SBMA to Innove. Subictel claimed that the grant of a CPCN allowing Innove to offer certain telecommunications services within the Subic Bay Freeport Zone would violate the Joint Venture Agreement (JVA) between PLDT and SBMA.

The Supreme Court ordered the reinstatement of the case and has forwarded it to the NTC Olongapo for trial. The case is now being tried before the Olongapo RTC.

c. PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City (BGC). In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order 100 preventing BCC from performing further acts to interfere with Innove's installations in the BGC.

In a case filed by PLDT against the NTC in Branch 96 of the Regional Trial Court (RTC) of Quezon City, where PLDT sought to obtain an injunction to prevent the NTC from hearing the case filed by Innove, the RTC denied the prayer for a preliminary injunction and the case has been set for further hearings. PLDT has filed a Motion for Reconsideration and Globe Telecom has intervened in this case. In a resolution dated October 23, 2008, the RTC QC denied BCC's motion for the issuance of a temporary restraining order (TRO). The case is still pending with the QC RTC.

In a case filed by BCC against FBDC, Globe Telecom and Innove, Bonifacio Communications Corp. before the Regional Trial Court of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a Temporary Restraining Order and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On 30 March 2012, the RTC of Pasig, as prayed for, dismissed the complaint on the aforesaid grounds. Dissatisfied with the decision of the RTC, BCC and PLDT elevated the case to the Court of Appeals. On 18 May 2012, The Court of Appeals dismissed the case. On July 6, 2012, BCC and PLDT filed a petition for review on certiorari with the Supreme Court on July 6, 2012. Innove filed its Comment thereon on 6 December 2012. The case is still pending resolution with the Supreme Court.

On 11 November 2008, Bonifacio Communications Corp. (BCC) filed a criminal complaint against the officers of Innove Communications Inc., the Fort Bonifacio Development Corporation (FBDC) and Innove contractor Avecs Corporation for malicious mischief and theft arising out of Innove's disconnection of BCC's duct at the Net Square buildings. The accused officers filed their counter affidavits and are currently pending before the Prosecutor's Office of Pasig. The case is still pending resolution with the Office of the City Prosecutor.

On 21 January 2011, BCC and PLDT filed with the Court of Appeals a Petition for Certiorari and Prohibition against NTC, et al. seeking to annul the Orders of the NTC dated 28 October 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and cease and desist from performing further acts that will prevent Innove from implementing and providing telecommunications services in the BGC pursuant to the authorization granted by the NTC. BCC and PLDT anchor their petition on the grounds that: 1) the NTC has no jurisdiction over BCC is being a non-telecommunications entity; 2) the NTC violated BCC and PLDT's right to due process; and 3) there was no urgency or emergency for the issuance of the cease and desist order. The case is pending with the court of appeals.

On April 25, 2011, Innove Communications, filed its comment on the case filed by PLDT that seeks to ban all Globe Telecom services from the BGC before the CA's Tenth Division. In its comment, Globe Telecom argued that Innove is duly authorised to provide services in the BGC, that BCC and PLDT have no right to maintain their monopolistic hold of the BGC telecommunications market; and it is in the public's best interest that open access and free competition among telecom operators be allowed at the Bonifacio Global City.

On August 16, 2011, the Ninth Division of the CA ruled that PLDT's case against Innove and the National Telecommunications Commission (NTC) lacked merit, and thus denied the petition and dismissed the case. PLDT and its co-petitioner, BCC file their motion for reconsideration. The same is still pending resolution.

d. On July 23, 2009, the NTC issued NTC Memorandum Circular (MC) No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the CMTS whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme.

On December 28, 2010, the Court of Appeals (CA) rendered its decision declaring null and void and reversing the decisions of the NTC in the rates applications cases for having been issued in violation of Globe Telecom and the other carrier's constitutional and statutory right to due process. However, while the decision is in Globe Telecom's favor, there is a provision in the decision that NTC did not violate the right of petitioners to due process when it declared via circular that the per pulse billing scheme shall be the default.

Last January 21, 2011, Globe Telecom and two other telecom carriers, filed their respective Motions for Partial Reconsideration (MR) on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The MR is pending resolution as of February 5, 2016.

The Globe Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the possibility of outflow of economic resources to settle the contingent liability is remote.

27 Earnings Per Share

The Globe Group's earnings per share amounts were computed as follows:

	2015	2014	2013
	(In Thousand Pesos and Number of Shares Except per Share Figures)		
Net income attributable to common shareholders	₱16,496,644	₱13,376,381	₱4,960,245
Less: Dividends on preferred shares			
Non-voting preferred shares	(520,060)	(260,030)	-
Convertible voting preferred shares	(33,150)	(26,457)	(23,838)
Net income attributable to common shareholders for basic earnings per share (a)	15,943,434	13,089,894	4,936,407
Add: Dividends on convertible voting preferred shares	33,150	26,457	23,838
Net income attributable to common shareholders for diluted earnings per share (b)	15,976,584	13,116,351	4,960,245
Common shares outstanding, beginning	132,733	132,595	132,406
Add exercise of stock options	6	107	109
Weighted average number of shares for basic earnings per share (c)	132,739	132,703	132,515
Dilutive shares arising from:			
Convertible preferred shares	358	467	535
Stock options	128	117	233
Adjusted weighted average number of common shares for diluted earnings per share (d)	133,225	133,287	133,283
Basic earnings per share (a/c)	₱120.11	₱98.64	₱37.25
Diluted earnings per share (b/d)	₱119.92	₱98.41	₱37.22

28 Capital and Risk Management and Financial Instruments

28.1 General

The Globe Group adopts an expanded corporate governance approach in managing its business risks. An Enterprise Risk Management Policy was developed to systematically view the risks and to provide a better understanding of the different risks that could threaten the achievement of the Globe Group's mission, vision, strategies, and goals, and to provide emphasis on how management and employees play a vital role in achieving the Globe Group's mission of transforming and enriching lives through communications.

The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. Globe Group risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The application of these policies is the responsibility of the BOD through the Chief Executive Officer. The Chief Financial Officer and concurrent Chief Risk Officer champions and oversees the entire risk management function. Risk owners have been identified for each risk and they are responsible for coordinating and continuously improving risk strategies, processes and measures on an enterprise-wide basis in accordance with established business objectives.

The risks are managed through the delegation of management and financial authority and individual accountability as documented in employment contracts, consultancy contracts, letters of authority, letters of appointment, performance planning and evaluation forms, key result areas, terms of reference and other policies that provide guidelines for managing specific risks arising from the Globe Group's business operations and environment.

The Globe Group continues to monitor and manage its financial risk exposures according to its BOD approved policies.

The succeeding discussion focuses on Globe Group's capital and financial risk management.

28.2 Capital and Financial Risk Management Objectives and Policies

Capital represents equity attributable to equity holders of the Parent.

The primary objective of the Globe Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Globe Group monitors its use of capital using leverage ratios, such as debt to total capitalization and makes adjustments to it in light of changes in economic conditions and its financial position. The ratio of debt to total capitalization for the years ended December 31, 2015 and 2014 was at 55% and 54% respectively.

The Globe Group is not subject to regulatory imposed capital requirements.

The main purpose of the Globe Group's financial risk management is to fund its operations and capital expenditures. The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Globe Group also enters into derivative transactions, the purpose of which is to manage the currency and interest rate risk arising from its financial instruments.

Globe Telecom's BOD reviews and approves the policies for managing each of these risks. The Globe Group monitors market price risk arising from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

The Globe Group's risk management policies are summarized below:

28.2.1 *Market Risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Globe Group is mainly exposed to two types of market risk; interest rate risk and currency risk.

Financial instruments affected by market risk include loans and borrowings, AFS investments, and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2015 and 2014. The analyses exclude the impact of movements in market variables on: the carrying value of pension, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at December 31, 2015 and 2014 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges for the effects of the assumed changes in the underlying.

28.2.1.1 *Interest Rate Risk*

The Globe Group's exposure to market risk from changes in interest rates relates primarily to the Globe Group's long-term debt obligations. Please refer to table presented under 28.2.3 Liquidity Risk.

Globe Group's policy is to manage its interest cost using a mix of fixed and variable rate debt, targeting a ratio of between 31%-62% fixed rate USD debt to total USD debt, and between 44%-88% fixed rate PHP debt to total PHP debt. To manage this mix in a cost-efficient manner, Globe Group enters into interest rate swaps, in which Globe Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

After taking into account the effect of currency and interest rate swaps, 55% and 78% and 51% and 69% of the Globe Group's USD and PHP borrowings as of December 31, 2015 and 2014, respectively, are at a fixed rate of interest.

The following tables demonstrate the sensitivity of income before tax to a reasonably possible change in interest rates after the impact of hedge accounting, with all other variables held constant.

	Increase/ Decrease in basis Points	Effect on income before income tax Increase (Decrease)	Effect on equity Increase (Decrease)
		(In Thousand Pesos)	
2015			
USD	+50 bps	(₱31,163)	(₱541)
	-50bps	31,163	541
PHP	+150bps	(53,996)	919
	-150 bps	53,996	(6,351)
2014			
USD	+20bps	(₱12,896)	(₱40)
	-20bps	12,896	40
PHP	+150bps	(203,468)	2,367
	-150bps	203,435	(2,635)

28.2.1.2 *Foreign Exchange Risk*

The Globe Group's foreign exchange risk results primarily from movements of the PHP against the USD with respect to USD-denominated financial assets, USD-denominated financial liabilities and certain USD-denominated revenues. Majority of revenues are generated in PHP, while substantially all of capital expenditures are in USD. In addition, 24% and 22% of debt as of December 31, 2015 and 2014, respectively, are denominated in USD before taking into account any swap and hedges.

Information on the Globe Group's foreign currency-denominated monetary assets and liabilities and their PHP equivalents are as follows:

	2015		2014	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
		(In Thousand Pesos)		
Assets				
Cash and cash equivalents	$83,182	P3,919,388	$70,244	P3,142,696
Receivables	94,308	4,443,617	75,276	3,367,838
Long-term notes receivable	-	-	85,561	3,828,015
	177,490	8,363,005	231,081	10,338,549
Liabilities				
Accounts payable and accrued expenses	360,789	16,999,651	218,507	9,776,020
Long-term debt	373,505	17,601,636	325,000	14,540,500
	734,294	34,601,287	543,507	24,316,520
Net foreign currency - denominated liabilities	$556,804	P26,238,282	$312,426	P13,977,971

The following tables demonstrate the sensitivity to a reasonably possible change in the PHP to USD exchange rate, with all other variables held constant, of the Globe Group's income before tax (due to changes in the fair value of foreign currency-denominated assets and liabilities).

Increase/Decrease in Peso to US Dollar exchange rate	Effect on income before income tax Increase (Decrease)	Effect on equity Increase (Decrease)
	(In Thousand Pesos)	
2015		
+.40	(P222,745)	P98,411
-.40	222,745	(98,411)
2014		
+.60	(187,456)	101,520
-.60	187,456	(101,520)

The movement in equity arises from changes in the fair values of derivative financial instruments designated as cash flow hedges.

In addition, the consolidated expected future payments on foreign currency-denominated purchase orders related to capital projects amounted to USD805.26 million and USD685.20 million as of December 31, 2015 and 2014, respectively (see Note 25.3). The settlement of these liabilities is dependent on the achievement of project milestones and payment terms agreed with the suppliers and contractors. Foreign exchange exposure assuming a +/-40 centavos in 2015 and +/-60 centavos in 2014 movement in PHP to USD rate on commitments amounted to P322.11 million and P411.12 million gain or loss, respectively.

The Globe Group's foreign exchange risk management policy is to maintain a hedged financial position, after taking into account expected USD flows from operations and financing transactions. Globe Telecom enters into short-term foreign currency forwards and long-term foreign currency swap contracts in order to achieve this target.

28.2.2 Credit Risk

Applications for postpaid service are subjected to standard credit evaluation and verification procedures. The Credit and Billing Management of the Globe Group continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of postpaid subscribers are being monitored on a regular basis and appropriate credit treatments are applied at various stages of delinquency. Likewise, net receivable balances from carriers of traffic are also being monitored and subjected to appropriate actions to manage credit risk. The maximum credit exposure relates to receivables net of any allowances provided.

With respect to credit risk arising from other financial assets of the Globe Group, which comprise cash and cash equivalents, short-term investments, AFS financial investments and certain derivative instruments, the Globe Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Globe Group's investments comprise short-term bank deposits and government securities. Credit risk from these investments is managed on a Globe Group basis. For its investments with banks, the Globe Group has a counterparty risk management policy which allocates investment limits based on counterparty credit rating and credit risk profile.

The Globe Group makes a quarterly assessment of the credit standing of its investment counterparties, and allocates investment limits based on size, liquidity, profitability, and asset quality. For investments in government securities, these are denominated in local currency and are considered to be relatively risk-free. The usage of limits is regularly monitored. For its derivative counterparties, the Globe Group deals only with counterparty banks with investment grade ratings and large local banks. Credit ratings of derivative counterparties are reviewed quarterly.

Following are the Globe Group exposures with its investment counterparties for cash and cash equivalents as of December 31:

	2015	2014	2013
Local bank deposits	51%	60%	30%
Onshore foreign bank	49%	36%	70%
Offshore bank deposit	-	4%	-

The Globe Group has not executed any credit guarantees in favor of other parties. There is also minimal concentration of credit risk within the Globe Group. Credit exposures from subscribers and carrier partners continue to be managed closely for possible deterioration. When necessary, credit management measures are proactively implemented and identified collection risks are being provided for accordingly. Outstanding credit exposures from financial instruments are monitored daily and allowable exposures are reviewed quarterly.

The tables below show the aging analysis of the Globe Group's receivables as of December 31.

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Impaired Financial Assets	Total
		Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days		
				(In Thousand Pesos)			
2015							
Wireless receivables:							
Consumer	P1,868,266	P3,455,106	P934,273	P658,043	P4,870,851	P3,610,773	P15,098,642
Key corporate accounts	23,538	38,643	147,701	198,144	1,601,930	288,468	2,357,595
Other corporations and Small and Medium Enterprises (SME)	817,098	836,719	847,941	740,104	753,530	454,391	4,744,594
	2,708,902	4,328,468	1,929,915	1,596,291	7,226,311	4,353,632	22,200,831
Wireline receivables:							
Consumer	305,739	280,609	93,174	58,076	1,999,625	2,367,760	5,104,983
Key corporate accounts	134,436	108,816	268,358	418,268	2,452,904	462,242	3,845,024
Other corporations and SME	119,914	85,942	35,068	38,703	864,940	150,968	1,295,535
	560,089	789,418	346,597	515,038	5,317,544	2,980,970	10,249,556
Other trade receivables	28,041	85,049	8,409	712	18,474	-	140,685
Traffic receivables:							
Foreign	1,188,258					149,958	1,338,216
Local	814,306	3,168	5,664	3,898	5,184	271,682	1,103,902
	2,002,564	3,168	5,664	3,898	5,184	421,640	2,442,118
Other receivables	1,464,366					316,860	2,181,226
Total	P5,243,506	P2,530,948	P1,539,495	P1,677,445	P11,883,533	P3,093,106	P30,968,033
2014							
Wireless receivables:							
Consumer	P997,838	P1,009,923	P665,874	P397,132	P4,254,175	P2,991,360	P10,486,302
Key corporate accounts	4,892	50,451	181,559	140,953	1,867,821	200,271	2,451,384
Other corporations and Small and Medium Enterprises (SME)	54,833	196,263	189,210	82,004	923,195	249,929	1,543,432
	366,843	1,256,637	836,693	620,089	7,045,191	3,441,560	14,490,998
Wireless receivables:							
Consumer	267,675	409,190	127,517	90,183	89,515	1,553,436	2,538,221
Key corporate accounts	67,772	316,805	239,326	367,002	1,514,434	352,081	2,856,180
Other corporations and SME	31,795	62,377	30,267	36,719	37,514	118,679	297,605
	366,662	787,932	437,410	473,909	1,641,467	2,024,196	5,731,806
Other trade receivables	524	135,539	-	535	293	1,619	138,580
Traffic receivables:							
Foreign	20,435					158,231	178,666
Local	1,725,382	2,296	2,858	2,586	-	137,861	1,871,363
	1,745,817	2,296	2,858	2,586	-	296,092	2,049,219
Other receivables	2,119,921					15,598	2,135,520
Total	P4,799,917	P2,160,924	P1,347,851	P1,096,919	P8,946,948	P5,300,873	P23,347,632

Total allowance for impairment losses amounting to P8,962.26 million and P5,681.88 million includes allowance for impairment losses arising from specific and collective assessment of P647.59 million and P966.60 million as of December 31, 2015 and 2014, respectively (see Note 4).

The table below provides information regarding the credit risk exposure of the Globe Group by classifying assets according to the Globe Group's credit ratings of receivables as of December 31. The Globe Group's credit rating is based on individual borrower characteristics and their relationship to credit event experiences.

	Neither Past Due Nor Impaired			
	High Quality	Medium Quality	Low Quality	Total
	(In Thousand Pesos)			
2015				
Wireless receivables:				
Consumer	P593,565	P535,275	P31,926	P1,160,766
Key corporate accounts	8,025	15,311	252	23,588
Other corporations and SME	60,398	24,096	33,404	117,898
	661,988	574,682	65,582	1,302,252
Wireline receivables:				
Consumer	344,989	157,840	2,910	505,739
Key corporate accounts	151,494	187,975	7	339,476
Other corporations and SME	49,609	66,166	199	115,974
	546,092	411,981	3,116	961,189
Total	P1,208,080	P986,663	P68,698	P2,263,441
2014				
Wireless receivables				
Consumer	P229,209	P263,607	P15,022	P507,838
Key corporate accounts	1,696	2,440	56	4,192
Other corporations and SME	25,525	12,427	16,881	54,833
	256,430	278,474	31,959	566,863
Wireline receivables:				
Consumer	232,864	34,773	38	267,675
Key corporate accounts	61,286	5,955	21	67,272
Other corporations and SME	28,308	3,284	153	31,745
	322,458	44,022	212	366,692
Total	P578,888	P322,496	P32,171	P933,555

High quality accounts are accounts considered to be high value and have consistently exhibited good paying habits. Medium quality accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts do not flow through to permanent disconnection status as they generally respond to credit actions and update their payments accordingly. Low quality accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. Impairment losses are also provided for these accounts based on net flow rate.

Traffic receivables that are neither past due nor impaired are considered to be high quality given the reciprocal nature of the Globe Group's interconnect and roaming partner agreements with the carriers and the Globe Group's historical collection experience.

Other receivables are considered high quality accounts as these are substantially from credit card companies and Globe Group dealers.

The following is a reconciliation of the changes in the allowances for impairment losses for receivables as of December 31 (see Notes 4 and 23):

	Subscribers					
	Consumer	Key Corporate Accounts	Other Corporations and SME	Traffic Settlements and Others	Non-trade	Total
	(In Thousand Pesos)					
2015						
At beginning of the year	₱2,742,022	₱540,525	₱687,874	₱219,624	₱58,414	₱4,248,459
Charges for the period	2,340,667	182,821	185,242	(14,961)	(10,719)	2,682,850
Reversals/write-offs/adjustments	2,040,964	93,723	(481,098)	425,054	19,958	2,097,600
At end of year	₱7,123,653	₱816,369	₱392,518	₱629,717	₱66,653	₱9,028,910
2014						
At beginning of the year	₱2,742,022	₱540,525	₱687,874	₱219,624	₱58,414	₱4,248,459
Charges for the period	2,625,783	117,670	162,176	93,288	34,312	3,035,235
Reversals/write-offs/adjustments	(1,085,263)	57,017	(473,275)	(7,565)	(2,920)	(1,512,006)
At end of year	₱4,280,542	₱715,318	₱376,775	₱309,347	₱89,806	₱5,771,688

28.2.3 *Liquidity Risk*

The Globe Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Globe Group intends to use internally generated funds and available long-term and short-term credit facilities. As of December 31, 2015 and 2014, the Globe Group has available uncommitted short-term credit facilities of USD79.40 million and ₱12,345.00 million, USD79.40 million and ₱12,945.00 million, respectively. As of December 31, 2015 and 2014, the Globe Group has available committed short-term credit facilities of ₱3,000.00 million.

As of December 31, 2015 and 2014, the Globe Group has ₱2,000.00 million and ₱7,000.00 million, respectively, in committed long-term facilities.

As part of its liquidity risk management, the Globe Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans, export credit agency facilities and capital market issues.

The following tables show comparative information about the Globe Group's financial instruments as of December 31 that are exposed to liquidity risk and interest rate risk and presented by maturity profile including forecasted interest payments for the next five years from December 31 figures (in thousands).

Long-term Liabilities
2015

	2016	2017	2018	2019	2020 and thereafter	Total (in USD)	Total (in PHP)	Debt Issuance Costs	Carrying Value (in PHP)	Fair Value (in PHP)
Liabilities:										
Long-term debt										
Fixed Rate										
USD notes	$442	$446	$563	$550	$2,454	$4,465	₱-	₱11,567	₱198,325	₱243,653
Interest rate	5.00%	5.00%	5.00%	6.00%	6.00%					
Philippine peso	₱2,397,800	₱4,930,000	₱830,000	₱10,630,000	₱24,545,300	$ -	₱42,932,800	238,408	42,694,392	₱44,370,633
	5.45%;4.19%;	4.87%;5.45%; 4.19%;5.75%;	4.87%;5.45%;	4.87%;5.45%; 6.00%;4.85%;	4.87%;5.45%; 4.89%;5.28%;					
Interest rate	4.85%;8.36%	4.85%	4.85%;4.19%	4.19%	6.00%;4.19%					
Floating rate										
USD notes	$112,100	$9,600	$9,600	$9,600	$223,200	$369,100	₱-	39,079	17,362,174	17,594,895
	Libor 6-mo. + 1% margin; Libor 3mo. + .90% margin; Libor 3mo. + 1.5% margin	Libor 6-mo. + 1% margin; Libor 3mo. + 1.5% margin; Libor 3mo. + 0.8% margin	Libor 6-mo. + 1% margin; Libor 3mo. + 1.5% margin; Libor 3mo. + 0.8% margin	Libor 6-mo. + 1%margin; Libor 3mo. + 1.5%margin; Libor 3mo. + 0.8% margin	Libor 6-mo. + 1% margin; Libor 3mo. + 1.5% margin; Libor 3mo. + 0.8% margin					
Interest rate										
Philippine peso	₱700,000	₱5,070,000	₱6,860,000	-	-	$ -	₱12,630,000	26,534	11,973,466	11,973,466
	PDST-R2 3mo. + 60% margin	PDST-R2 3mo. +.50% margin; PDST-R2 3mo. + .60% margin	PDST-R2 3mo. + .60% margin							
Interest rate										
						$373,565	₱54,932,800	₱265,573	₱72,229,858	₱76,181,637
Interest payable*										
PHP debt	₱2,669,549	₱2,369,191	₱1,954,694	₱1,571,926	₱3,189,856	$-	₱11,755,216	₱-	₱-	₱-
USD debt	$5,437	$4,895	$1,715	$4,515	$6,535	$26,198	₱-	$-	$-	$-

*Used month-end USD LIBOR and Philippine Dealing and Exchange Corporation (PDEX) rates
** Using P47.118 - USD exchange rate as of December 31, 2015*

2014

	2015	2016	2017	2018	2019 and thereafter	Total (in USD)	Total (in PHP)	Debt Issuance Costs	Carrying Value (in PHP)	Fair Value (in PHP)
Liabilities:										
Long-term debt										
Fixed Rate										
Philippine peso	P71,100	P2,327,900	P4,830,000	P330,000	P25,480,000	$ -	P33,038,900	P206,045	P32,832,855	P36,819,735
Interest rate	4.85%;8.30%	5.24%;4.93%; 4.89%;6.00%;4.91 %	5.24%;4.93%; 5.75%;4.89%;4.91 %	5.24%;4.93%;4 .89%;4.91%	5.24%;4.93%;4 .89%;6.00%;4. 89%;4.91%;5.2 8%;6.00%					
Floating rate										
USD notes	$900	$117,900	$2,100	$2,100	$302,800	$325,000	P-	76,354	14,464,346	14,702,429
Interest rate	Libor 3mo. + 1.50% margin	Libor 6 mo. + 1.00% margin; Libor 3mo. + .90% margin; Libor 3mo. + 1.00% margin; Libor 3mo. + 1.50% margin	Libor 6-mo. + 1.00% margin; Libor 3mo + 1.50% margin	Libor 6-mo. + 1.00% margin; Libor 3mo. + 1.50% margin	Libor 6-mo. + 1.00% margin; Libor 3mo. + 1.50% margin					
Philippine peso	P6,025,000	P70,000	P5,070,000	P6,860,000	-	$ -	P18,025,000	46,198	17,978,802	18,685,802
Interest rate	PDSTF 3mo. + 0.75% margin; PDSTF 3mo. + 0.63% margin	PDSTF 3mo. + .60% margin	PDSTF 3mo. + .50% margin; PDSTF 3mo. + .60% margin	PDSTF 3mo. + .60% margin						
						$325,000	P51,063,900	P328,597	P65,275,803	P70,229,966
Interest payable*										
PHP debt	P2,439,494	P2,201,279	P1,899,879	P1,448,319	P2,553,672	$-	P10,523,643	P-	P-	P-
USD debt	$4,785	$3,826	$3,108	$3,196	$7,662	$22,578	P-	$-	$-	$-

Used month-end LIBOR and Philippine Dealing and Exchange Corporation (PDEX) rates

** Using P44.940 - USD exchange rate as of December 31, 2014.*

The following tables present the maturity profile of the Globe Group's other liabilities and derivative instruments (undiscounted cash flows including swap costs payments/receipts except for other long-term liabilities) as of December 31, 2015 and 2014.

2015

Other Financial Liabilities

	On Demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
				(In Thousand Pesos)				
Accounts payable and accrued expenses*	P1,714,558	P43,583,112	P-	P-	P-	P-	P-	P45,297,670
Other long-term liabilities	-	-	-	-	-	-	1,273,215	1,273,215
	P1,714,558	P43,583,113	P-	P-	P-	P-	P1,273,215	P46,570,885

*Excludes taxes payable which is not a financial instrument.

Derivative Instruments

	2016		2017		2018		2019		2020 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Swap Coupons:										
Cross Currency Swaps	P110,300	P206,056	P90,887	P151,122	P105,847	P151,122	P122,010	P151,537	P64,419	P75,976
Principal Only Swaps	P-	P34,093	P-	P36,222	P-	P30,185	P-	P24,214	P-	P36,444

*Projected principal exchanges represent commitments to purchase USD for payment of USD debts with the same maturities
**Deliverable and non-deliverable

	2016		2017		2018		2019		2020 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Principal Exchanges:										
Cross Currency Swaps- PHP	P-	P4,847,850	P-	P-	P-	P-	P-	P-	P-	P3,648,800
Cross Currency Swaps- USD	$115,000	$-	$-	$-	$-	$-	$-	$-	$85,000	$
Principal Only Swaps- PHP	P-	P-	P-	P353,067	P-	P353,067	P-	P353,067	P-	P1,059,200
Principal Only Swaps- USD	$-	$-	$7,500	$-	$7,500	$-	$7,500	$-	$22,500	$-

2014

Other Financial Liabilities

	On Demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
				(In Thousand Pesos)				
Accounts payable and accrued expenses*	P5,544,310	P38,347,933	P-	P-	P-	P-	P-	P43,892,243
Other long-term liabilities	-	-	-	-	-	-	1,283,832	1,283,832
	P5,544,310	P38,347,933	P-	P-	P-	P-	P1,283,832	P45,176,075

**Excludes taxes payable which is not a financial instrument.*

Derivative Instruments

	2015		2016		2017		2018		2019 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Swap Coupons*:										
Interest Rate Swaps – PHP	P23,083	P50,428	P-	P-	P-	P-	P-	P-	P-	P23,083
Interest Rate Swaps – USD	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cross Currency Swaps – USD	$117,377	$213,125	$86,412	$139,097	$62,106	$84,794	$74,619	$84,794	$118,963	$127,666

**Projected USD swap coupons were converted to PHP at the balance sheet date*

	2015		2016		2017		2018		2019 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Principal Exchanges*:										
Cross Currency Swaps- PHP	P-	P-	P-	P4,847,850	P-	P-	P-	P-	P-	P2,063,750
Cross Currency Swaps- USD	$ -	$ -	$115,000	$ -	$ -	$ -	$ -	$ -	$50,000	$ -

28.2.4 *Hedging Objectives and Policies*

The Globe Group uses a combination of natural hedges and derivative hedging to manage its foreign exchange exposure. It uses interest rate derivatives to reduce earnings volatility related to interest rate movements.

It is the Globe Group's policy to ensure that capabilities exist for active but conservative management of its foreign exchange and interest rate risks. The Globe Group does not engage in any speculative derivative transactions. Authorized derivative instruments include currency forward contracts (embedded), currency swap contracts, interest rate swap contracts and currency option contracts (embedded). Certain swaps are entered with option combination or structured provisions.

28.3 Derivative Financial Instruments

The Globe Group's freestanding and embedded derivative financial instruments are accounted for as hedges or transactions not designated as hedges. The table below sets out information about the Globe Group's derivative financial instruments and the related fair values as of December 31:

2015

	USD Notional Amount	PHP Notional Amount	Derivative Asset	Derivative Liability
			(In Thousands)	
Derivative instruments designated as hedges				
Cash flow hedges				
Cross currency swaps	$200,000	P-	P1,045,230	P53,013
Principal only swaps	45,000	-	25,592	29,877
Derivative instruments not designated as hedges				
Embedded				
Currency forwards*	21,811	-	11,460	28,388
Net			P1,082,281	P111,278

*The embedded currency forwards are at a net buy position.

2014

	USD Notional Amount	PHP Notional Amount	Derivative Asset	Derivative Liability
			(In Thousands)	
Derivative instruments designated as hedges				
Cash flow hedges				
Cross currency swaps	$165,000	P-	P580,224	P65,666
Derivative instruments not designated as hedges				
Freestanding				
Interest rate swaps	-	2,025,000	-	23,176
Embedded				
Currency forwards*	18,080	-	8,319	5,967
Net			P588,843	P94,809

*The embedded currency forwards are at a net sell position.

The table below also sets out information about the maturities of Globe Group's derivative instruments as of December 31 that were entered into to manage interest and foreign exchange risks related to the long-term debt (in thousands).

2015

	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5-<6 Years	>6-<7 Years	Total
Derivatives								
Cross Currency Swaps								
Floating-Fixed								
Notional PHP	P4,847,850	P-	P-	P-	P3,648,800	P-	P-	P8,496,650
Notional USD	$115,000	$-	$-	$	$85,000	$-	$-	$200,000
Pay-fixed rate								2.48%-4.28%
Receive-floating rate								USD LIBOR + 1.0% or 0.09%
Principal Only Swaps								
Fixed-Fixed								
Notional PHP	P-	P353,067	P353,067	P353,067	P353,067	P353,067	P353,067	P2,118,402
Notional USD	$-	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$45,000
Pay-fixed rate								1.585%-1.835%

2014

	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	Total
Derivatives						
Interest Rate Swaps						
Floating-Fixed						
Notional PHP	P2,025,000	P-	P-	P-	P-	P2,025,000
Notional USD	$-	$-	$-	$-	$-	$-
Pay-fixed rate						4.92% for PHP
Receive-floating rate						3mo PDSTF
Cross Currency Swaps						
Floating-fixed						
Notional USD	$-	$115,000	$-	$-	$50,000	$165,000
Pay-fixed rate						2.48% - 4.12% for PHP
Receive-floating rate						USD LIBOR +0.9%-1.0%

The Globe Group's other financial instruments that are exposed to interest rate risk are cash and cash equivalents. These mature in less than a year and are subject to market interest rate fluctuations.

The Globe Group's other financial instruments which are non-interest bearing and therefore not subject to interest rate risk are trade and other receivables, accounts payable and accrued expenses and long-term liabilities. Loans receivable are also not subject to interest rate risk due to fixed interest rates.

The subsequent sections will discuss the Globe Group's derivative financial instruments according to the type of financial risk being managed and the details of derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges.

28.4 Derivative Instruments Accounted for as Hedges

The following sections discuss in detail the derivative instruments accounted for as cash flow hedges.

- *Currency Swaps and Cross Currency Swaps*

  The Globe Group entered into cross currency swap and principal only swaps contracts to hedge the foreign exchange and interest rate risk on dollar loans with maturities until April 2020 and October 2022, respectively. The cross currency swaps have a notional amount of USD200.00 million and USD165.00 million as of December 31, 2015 and 2014, respectively. Principal only swaps have a notional amount of USD45.00 million as of December 31, 2015. The fair values of the currency swaps as of December 31, 2015 and 2014 amounted to net gain of ₱987.94 million and ₱514.55 million, of which ₱41.36 million and ₱30.84 million (net of tax) is reported in the equity section of the consolidated statements of financial position.

- *Interest Rate Swaps*

  As of December 31, 2013, the Globe Group has USD26.00 million in notional amount of USD interest rate swap that have been designated as cash flow hedge of interest rate risk from USD loans. The interest rate swap effectively fixed the benchmark rate of the hedged USD loan at 0.67% over the duration of the agreement, which involves quarterly payment intervals up to April 2014.

  The Globe Group also has peso interest rate swap contracts with a total notional amount of ₱187.50 million as of December 31, 2013 which have been designated as cash flow hedges of interest rate risk from peso loans. These interest rate swaps effectively fixed the benchmark rate of the hedged peso loans at 3.90% over the duration of the swaps, with quarterly payment intervals up to July 2014.

  As of December 31, 2013, the fair value of the outstanding swap amounted to ₱3.48 million losses, of which ₱12.32 million (net of tax), is reported as "Other reserves" in the equity section of the consolidated statements of financial position (see Note 17.5).

  Accumulated swap cost for the years ended December 31, 2015, 2014 and 2013 amounted to nil, ₱43.64 million and ₱67.80 million, respectively (see Note 22).

- *Deliverable and Nondeliverable Forwards*

  The Globe Group has no outstanding deliverable and nondeliverable forwards as of December 31, 2015 and December 31, 2014.

  Hedging gains/losses on derivatives intended to manage foreign currency fluctuations on dollar based revenues for the years ended December 31, 2015, 2014 and 2013 amounted to ₱32.06 million loss, ₱4.74 million gain and, ₱144.70 million loss, respectively. These hedging gains/losses are reflected under "Service revenues" in the consolidated statements of comprehensive income.

28.5 Other Derivative Instruments Not Designated as Hedges

The Globe Group enters into certain derivatives as economic hedges of certain underlying exposures. Such derivatives, which include embedded and freestanding currency forwards, embedded call options, and certain currency and interest rate swaps with option combination or structured provisions, are not designated as accounting hedges. The gains or losses on these instruments are accounted for directly in profit or loss in the consolidated statements of comprehensive income. This section consists of freestanding derivatives and embedded derivatives found in both financial and nonfinancial contracts.

28.6 Freestanding Derivatives

Freestanding derivatives that are not designated as hedges consist of currency forwards and interest rate swaps entered into by the Globe Group. Fair value changes on these instruments are accounted for directly in profit or loss in the consolidated statements of comprehensive income.

- *Interest Rate Swaps*

  The Globe Group also has an outstanding PHP interest rate swap contract which swaps a floating peso loan into fixed rate of 4.92% and involves quarterly payment intervals until September 2015. Outstanding notional as of December 31, 2015 and 2014 amounted to nil and ₱2,025.00 million, respectively.

  The fair values on the interest rate swaps as of December 31, 2015 and 2014, amounted to nil and ₱23.18 million net loss, respectively.

- *Deliverable and Non-deliverable Forwards*

  As of December 31, 2015 and 2014, the Globe Group has no outstanding deliverable and non-deliverable currency forward contracts not designated as hedges.

28.7 Embedded Derivatives and Other Financial Instruments

The Globe Group has instituted a process to identify any derivatives embedded in its financial or nonfinancial contracts. Based on PAS 39, the Globe Group assesses whether these derivatives are required to be bifurcated or are exempted based on the qualifications provided by the said standard. The Globe Group's embedded derivatives include embedded currency derivatives noted in non-financial contracts.

- *Embedded Currency Forwards*

  As of December 31, 2015 and 2014, the total outstanding notional amount of currency forwards embedded in nonfinancial contracts amounted to USD21.81 million and USD18.08 million, respectively. The nonfinancial contracts consist mainly of foreign currency-denominated maintenance and lease agreements and unbilled leaselines receivables denominated in foreign currency with domestic counterparties. The net fair value of the embedded currency forwards as of December 31, 2015 and 2014 amounted to ₱16.94 million loss and ₱2.35 million gain, respectively.

28.8 Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments are as follows:

	2015	2014
	(In Thousand Pesos)	
At beginning of year	₱493,734	₱335,702
Acquired on acquisition of a subsidiary	(8,114)	-
Net changes in fair value of derivatives:		
Designated as cash flow hedges	314,303	(263,856)
Not designated as cash flow hedges	(13,847)	(229,371)
	786,076	(157,525)
Less fair value of settled instruments	(184,927)	(651,259)
At end of period	₱971,003	₱493,734

28.9 Hedge Effectiveness Results

As of December 31, 2015 and 2014, the effective fair value changes on the Globe Group's cash flow hedges that were deferred in equity amounted to ₱41.36 million and ₱40.43 million gains, net of tax, respectively. Total ineffectiveness for the years ended December 31, 2015 and 2014 is immaterial.

The distinction of the results of hedge accounting into "Effective" or "Ineffective" represent designations based on PAS 39 and are not necessarily reflective of the economic effectiveness of the instruments.

28.10 Categories of Financial Assets and Financial Liabilities

The table below presents the carrying value of the Globe Group's financial instruments by category as of December 31:

	2015	2014
	(In Thousand Pesos)	
Financial Assets		
Financial assets at FVPL:		
Derivative assets designated as cash flow hedges	₱1,070,831	₱580,224
Derivative assets not designated as hedges	11,450	8,319
AFS investment in equity securities (Note 11)	577,580	264,785
Loans and receivables - net*	35,452,665	40,642,772
	₱37,112,526	₱41,496,100
Financial Liabilities		
Financial liabilities at FVPL:		
Derivative liabilities designated as cash flow hedges	₱82,890	₱65,666
Derivative liabilities not designated as hedges	28,388	29,143
Financial liabilities at amortized cost**	118,799,743	112,179,300
	₱118,911,021	₱112,274,109

**This consists of cash and cash equivalents, short-term investments and long-term investments, receivables, other noncurrent receivables and lease receivables.*

***This consists of accounts payable, accrued expenses, accrued project cost, traffic settlement, dividends payable, notes payable, long-term debt (including current portion) and other long-term liabilities (including current portion).*

As of December 31, 2015 and 2014, the Globe Group has no investments in foreign securities.

28.11 Offsetting Financial Assets and Financial Liabilities

The Globe Group has derivative financial instruments that have offsetting arrangements. Upon adoption of the amendment to PFRS 7, the Globe Group has determined that there is no impact on financial position or on profit or loss, but resulted to additional disclosures about such offsetting arrangements. Accordingly, these additional disclosures are set forth below.

	Gross amounts	Amounts offset under PAS 32	Reported amounts in the consolidated statements of financial position	Amounts offset under master netting arrangements or other similar contracts	Amounts offset by financial collateral received or pledged	Net exposure
			(In Thousand Pesos)			
December 31, 2015						
Derivative assets	P1,082,281	P-	P1,082,281	(P82,890)	P-	P999,391
Derivative liabilities	111,278	-	111,278	(82,890)	-	28,388
Traffic settlements receivable	3,544,807	(1,817,483)	1,727,324	-	-	1,727,324
Traffic settlements payable	1,587,634	(1,143,423)	444,211	-	-	444,211
December 31, 2014						
Derivative assets	P582,598	P-	P582,598	(P88,842)	P-	P493,756
Derivative liabilities	94,610	-	94,610	(88,842)	-	5,768
Traffic settlements receivable	3,657,393	(1,611,474)	2,045,919	-	-	2,045,919
Traffic settlements payable	2,607,937	(1,425,246)	1,182,691	-	-	1,182,691

The Globe Group makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance sheet assets and liabilities unless certain conditions for offsetting under PAS 32 apply.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

a) Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized; and

b) The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement and fluctuations in market factors.

28.12 Fair Values of Financial Assets and Financial Liabilities

The table below presents a comparison of carrying amounts and estimated fair values of all the Globe Group's financial instruments as of December 31:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousand Pesos)			
Financial Assets				
Derivative assets	₱ 1,082,281	₱ 1,082,281	₱ 588,543	₱ 588,543
AFS investment in equity securities (Note 11)	577,580	577,580	264,785	264,785
	₱ 1,659,861	₱ 1,659,861	₱ 853,328	₱ 853,328
Financial Liabilities				
Derivative liabilities	₱ 131,278	₱ 131,278	₱ 94,809	₱ 94,809
Long-term debt (including current portion)	72,208,858	76,161,637	65,275,803	70,229,966
	₱72,340,136	₱76,292,915	₱65,370,612	₱70,324,775

The following discussions are methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

28.12.1 *Non-Derivative Financial Instrument*

The fair values of cash and cash equivalents, subscriber receivables, traffic settlements receivable, current portion of loan receivable, miscellaneous receivables, accrued interest receivables, accounts payable, accrued expenses and notes payable are approximately equal to their carrying amounts considering the short-term maturities of these financial instruments.

The fair value of AFS investments are based on quoted and unquoted prices. Unquoted AFS equity securities are carried at cost, subject to impairment.

The fair value of loans receivables approximates carrying value after calculations.

For variable rate financial instruments that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate financial instruments that reprice every six months, the fair value is determined by discounting the principal amount plus the next interest payment using the prevailing market rate for the period up to the next repricing date. The discount rates used range from 0.6152% to 1.6115% for USD floating loans. For noninterest bearing obligations, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate of interest for a similar instrument.

28.12.2 *Derivative Instrument*

The fair value of freestanding and embedded forward exchange contracts is calculated by using the interest rate parity concept.

The fair values of interest rate swaps and cross currency swap transactions are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair value of interest rate swap transactions is the net present value of the estimated future cash flows. The fair values of currency and cross currency swap transactions are determined based on changes in the term structure of interest rates of each currency and the spot rate.
The fair values were tested to determine the impact of credit valuation adjustments. However, the impact is immaterial given that the Globe Group deals its derivatives with large foreign and local banks with very minimal risk of default.

Embedded currency options are valued using the simple option pricing model of third party provider.

28.12.3 *Fair Value Hierarchy*

The following tables provide the fair value measurement hierarchy of the Globe Group's assets and liabilities:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2015				
Assets measured at fair value:		*(In Thousand Pesos)*		
Derivative assets:				
Cross currency swaps	P-	P1,045,239	P-	P1,045,239
Principal only swaps	-	25,592	-	25,592
Embedded currency forwards	-	11,450	-	11,450
AFS investment in equity securities	203,736	373,844	-	577,580
Liabilities measured at fair value:				
Derivative liabilities:				
Cross currency swaps	-	53,013	-	53,013
Principal only swaps	-	29,877	-	29,877
Embedded Currency forwards	-	28,388	-	28,388
Long-term debt (including current portion)	-	76,181,637	-	76,181,637
2014				
Assets measured at fair value:		*(In Thousand Pesos)*		
Derivative assets:				
Cross currency swaps	P-	P580,224	P-	P580,224
Embedded currency forwards	-	8,319	-	8,319
AFS investment in equity securities	151,502	113,283	-	264,785
Liabilities measured at fair value:				
Derivative liabilities:				
Cross currency swaps	-	65,666	-	65,666
Interest rate swaps	-	23,176	-	23,176
Embedded Currency forwards	-	5,967	-	5,967
Long-term debt (including current portion)	-	70,229,966	-	70,229,966

There were no transfers from Level 1 and Level 2 fair value measurements for the years ended December 31, 2015 and 2014. The Globe Group has no financial instruments classified under Level 3.

29 Operating Segment Information

The Globe Group's reportable segments consist of: (1) mobile communications services; and (2) wireline communication services; which the Globe Group operates and manages as strategic business units and organize by products and services. The Globe Group presents its various operating segments based on segment net income.

The mobile value added data content and application development services coming from various revenue streams are reported under "Others" in the 2013 interim consolidated financial statements. In the second quarter of 2014, the Globe Group restated the segment reporting disclosure to conform to the current presentation of internal management reports by including this under mobile communication services segment.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Most of the Globe Group's revenues are derived from operations within the Philippines, hence, the Globe Group does not present geographical information required by PFRS 8, *Operating Segments*. The Globe Group does not have a single customer that will meet the 10% reporting criteria.

The Globe Group also presents the different product types that are included in the report that is regularly reviewed by the chief operating decision maker in assessing the operating segments performance.

Segment assets and liabilities are not measures used by the chief operating decision maker since the assets and liabilities are managed on a group basis.

The Globe Group's segment information is as follows (in thousand pesos):

	2015		
	Mobile Communications Services	Wireline Communications Services	Consolidated
	(In Thousand Pesos)		
REVENUES:			
Service revenues:			
External customers:			
Voice	₱36,863,821	₱3,438,342	₱40,281,163
SMS	26,135,570	-	26,135,570
Data	22,106,995	7,697,693	29,804,288
Broadband	-	17,458,205	17,458,205
Nonservice revenues:			
External customers	4,642,233	1,647,736	6,289,968
Segment revenues	89,747,419	30,221,775	119,969,194
EBITDA	37,501,039	8,306,305	45,807,344
Depreciation and amortization	(10,344,191)	(10,788,507)	(21,132,698)
EBIT	27,156,848	(2,482,202)	24,674,646
NET INCOME (LOSS) BEFORE TAX[2]	25,900,221	(2,432,733)	23,467,488
Provision for income tax	(5,341,798)	(1,641,240)	(6,983,038)
NET INCOME (LOSS)	₱20,558,423	(₱4,073,973)	₱16,484,450
Other segment information			
Intersegment revenues	(₱1,870,515)	(₱378,584)	(₱2,249,099)
Subsidy[1]	(7,069,527)	(305,708)	(7,375,235)
Interest income[2]	420,532	92,820	513,352
Interest expense	(2,438,341)	(335,737)	(2,774,078)
Equity in net losses of associates and joint ventures	(153,512)	-	(153,512)
Impairment losses and others	2,168,778	940,742	3,109,520
Capital expenditure	24,712,694	5,604,486	30,317,180
Cost of sales	(11,711,760)	(1,953,443)	(13,665,203)
Operating expenses	(41,155,827)	(19,340,819)	(60,496,646)
Cash Flows			
Net cash from (used in):			
Operating activities	28,332,895	7,620,108	35,953,203
Investing activities	(27,952,500)	(4,607,585)	(32,560,085)
Financing activities	(7,991,189)	(415,097)	(8,406,277)

[1] *Computed as non-service revenues less cost of sales*
[2] *Net of final tax*

	2014		
	Mobile Communications Services	Wireline Communications Services	Consolidated
	(In Thousand Pesos)		
REVENUES:			
Service revenues:			
External customers:			
Voice	P34,683,539	P2,789,304	P37,472,843
SMS	29,078,791	-	29,078,791
Data	14,306,226	5,480,245	19,786,471
Broadband	-	12,686,499	12,686,499
Nonservice revenues:			
External customers	2,981,383	1,229,726	4,211,109
Segment revenues	81,049,938	22,185,774	103,235,713
EBITDA	34,068,215	5,203,166	39,271,381
Depreciation and amortization	(9,197,602)	(8,925,922)	(18,123,524)
EBIT	24,870,613	(3,722,756)	21,147,857
NET INCOME (LOSS) BEFORE TAX[2]	23,295,190	(3,912,484)	19,382,706
Provision for income tax	(4,787,141)	(1,223,373)	(6,010,514)
NET INCOME (LOSS)	P18,508,049	(P5,135,857)	P13,372,192
Other segment information			
Intersegment revenues	(P2,039,736)	(P540,210)	(P2,579,946)
Subsidy[1]	(6,385,207)	(265,028)	(6,650,235)
Interest income[2]	632,611	43,457	676,168
Interest expense	(2,192,498)	(133,673)	(2,326,171)
Equity in net losses of associates and joint ventures	(224,257)	-	(224,257)
Impairment losses and others	2,846,665	873,504	3,720,169
Capital expenditure	22,741,742	4,242,016	26,983,758
Cost of sales	(9,166,598)	(1,494,754)	(10,661,344)
Operating expenses	(38,346,234)	(14,957,874)	(53,304,108)
Cash Flows			
Net cash from (used in):			
Operating activities	30,681,003	5,774,155	36,455,158
Investing activities	(15,723,193)	(4,492,913)	(20,216,106)
Financing activities	(6,942,137)	-	(6,942,137)

[1] *Computed as non-service revenues less cost of sales*
[2] *Net of final tax*

	2013		
	Mobile Communications Services	Wireline Communications Services	Consolidated
	(In Thousand Pesos)		
REVENUES			
Service revenues:			
External customers:			
Voice	P32,567,171	P2,605,121	P34,972,292
SMS	28,794,052	-	28,794,052
Data	11,602,470	4,691,004	16,293,474
Broadband	-	10,440,319	10,440,319
Nonservice revenues:			
External customers	3,833,070	807,778	4,640,848
Segment revenues	76,596,763	18,544,222	95,140,985
EBITDA	32,544,044	3,969,773	36,513,817
Depreciation and amortization	(17,058,605)	(10,418,889)	(27,477,494)
EBIT	15,485,439	(6,449,116)	9,036,323
NET INCOME (LOSS) BEFORE TAX[2]	13,517,040	(6,652,267)	6,864,773
Provision for income tax	(1,755,569)	(148,959)	(1,904,528)
NET INCOME (LOSS)	P11,761,471	(P6,801,176)	P4,960,245
Other segment information			
Intersegment revenues	(P607,967)	(P556,902)	(P1,164,869)
Subsidy[1]	(5,014,970)	(297,288)	(5,312,258)
Interest income[2]	527,930	55,437	681,367
Interest expense	(2,087,571)	(4,344)	(2,091,915)
Equity in net losses of associates and joint ventures	(79,959)	-	(79,959)
Impairment losses and others	3,318,192	(835,564)	2,482,628
Capital expenditure	(35,778,666)	-	(35,778,666)
Cash Flows			
Net cash from (used in):			
Operating activities	26,388,852	7,571,395	33,960,247
Investing activities	(24,466,031)	(3,628,351)	(28,095,282)
Financing activities	(2,476,233)	(3,000,000)	(5,476,233)

[1] *Computed as non-service revenues less cost of sales*
[2] *Net of final tax*

A breakdown of gross revenues to net revenues and a reconciliation of segment revenues to the total revenues presented in the consolidated statements of comprehensive income are shown below:

	2015	2014	2013
		(In Thousand Pesos)	
Gross service revenues	P113,679,226	P99,024,604	P90,500,137
Interconnection charges	(9,007,919)	(8,429,934)	(9,280,229)
Net service revenues	104,671,307	90,594,670	81,219,908
Nonservice revenues	6,289,968	4,211,109	4,640,848
Segment revenues	110,961,275	94,805,779	85,860,756
Interest income	518,537	682,998	688,249
Other income - net	2,130,853	470,647	475,246
Total revenues	P113,610,665	P95,959,424	P87,024,251

The reconciliation of the EBITDA to income before income tax presented in the consolidated statements of comprehensive income is shown below:

	2015	2014	2013
		(In Thousand Pesos)	
EBITDA	P45,807,344	P39,271,381	P36,513,817
Gain on fair value of retained interest	745,831	-	-
Interest income	518,537	682,998	688,249
Gain on disposal of controlling interest in subsidiary	449,148	-	-
Gain on previously held equity interest	431,115	-	-
Gain on disposal of property and equipment – net	57,642	101,159	64,333
Equity in net losses of associates and joint ventures	(153,512)	(224,257)	(79,959)
Financing costs	(3,372,924)	(2,565,706)	(2,911,785)
Depreciation and amortization	(21,132,698)	(18,123,524)	(27,477,494)
Other items	117,805	240,655	67,612
Income before income tax	P23,467,488	P19,382,706	P6,864,773

The reconciliation of core net income after tax (core NIAT) to NIAT is shown below.

	2015	2014	2013
		(In Thousand Pesos)	
Core NIAT	P15,226,221	P14,489,176	P11,616,512
Mark-to-market gains (losses)[1]	13,784	49,581	(61,863)
Foreign exchange gains (losses)[1]	(320,106)	619	(340,416)
Gain on fair value of retained interest[1]	666,876	-	-
Gain on disposal of controlling interest in subsidiary	388,256	-	-
Gain on previously held equity interest	431,115	-	-
Accelerated depreciation[1]	-	(1,136,220)	(6,346,176)
Non-recurring items	178,304	(30,964)	92,188
NIAT	P16,484,450	P13,372,192	P4,960,245

[1] *Net of taxes*

29.1 Mobile Communications Services

This reporting segment is made up of digital cellular telecommunications services that allow subscribers to make and receive local, domestic long distance and international long distance calls, international roaming calls and other value added services (VAS) in any place within the coverage areas

29.1.1 *Mobile communication voice net service revenues include the following:*

a) Pro-rated monthly service fees on postpaid plans;

b) Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments (CERA) net of loyalty discounts credited to subscriber billings;

c) Airtime fees for intra-network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts;

d) Revenues generated from inbound international and national long distance calls and international roaming calls; and

e) Mobile service revenues of GTI.

29.1.2 *Mobile SMS service revenues* consist of local and international revenues from value-added services such as inbound and outbound SMS and MMS, and infotext, subscription fees on unlimited and bucket prepaid SMS services, net of any payouts to content providers.

29.1.3 *Mobile communication data net service revenues* consist of local and international revenues from value-added services such as mobile internet browsing and content downloading, mobile commerce services, other add-on VAS and service revenues of GXI and Yondu, net of payouts to content providers.

29.1.4 Globe Telecom offers its wireless communications services to consumers, corporate and small and medium enterprise (SME) clients through the following three (3) brands: Globe Postpaid, Globe Prepaid and Touch Mobile.

The Globe Group also provides its subscribers with mobile payment and remittance services under the GCash brand.

29.2 Wireline Communications Services

This reporting segment is made up of fixed line telecommunications services which offer subscribers local, domestic long distance and international long distance voice services in addition to broadband and mobile internet services and a number of VAS in various areas covered by the Certificate of Public Convenience and Necessity (CPCN) granted by the NTC.

29.2.1 *Wireline voice service revenues* consist of the following:

a) Monthly service fees including CBRA of voice-only subscriptions;

b) Revenues from local, international and national long distance calls made by postpaid and prepaid wireline subscribers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid call card discounts;

c) Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe's network;

d) Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;

e) Installation charges and other one-time fees associated with the establishment of the service; and

f) Revenues from DUO and SUPERDUO (fixed line portion) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

29.2.2 *Wireline data service revenues* consist of the following:

a) Monthly service fees from international and domestic leased lines;

b) Other wholesale transport services;

c) Revenues from value-added services; and

d) One-time connection charges associated with the establishment of service.

29.2.3 *Broadband service revenues* consist of the following:

a) Monthly service fees of wired, fixed wireless and fully mobile broadband data only and bundled voice and data subscriptions;

b) Browsing revenues from all postpaid and prepaid wired, fixed mobile and fully mobile broadband packages in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;

c) Value-added services such as games; and

d) Installation charges and other one-time fees associated with the service.

29.2.4 The Globe Group provides wireline voice communications (local, national and international long distance), data and broadband and data services to consumers, corporate and SME clients in the Philippines.

- *Consumers* - the Globe Group's postpaid voice service provides basic landline services including toll-free NDD calls to other Globe landline subscribers for a fixed monthly fee. For wired broadband, consumers can choose between broadband services bundled with a voice line, or a broadband data-only service. For fixed wireless broadband connection using Long-Term Evolution (LTE) or Worldwide Interoperability for Microwave Access (WiMax), the Globe Group offers broadband packages bundled with voice, or broadband data-only service. For subscribers who require full mobility, Globe Broadband Tattoo service come in postpaid and prepaid packages and allow them to access the internet via LTE, 3G with HSDPA, Enhanced Datarate for GSM Evolution (EDGE), General Packet Radio Service (GPRS) or WiFi at hotspots located nationwide.

- *Corporate/SME clients* - for corporate and SME enterprise clients wireline voice communication needs, the Globe Group offers postpaid service bundles which come with a business landline and unlimited dial-up internet access. The Globe Group also provides a *full* suite of telephony services from basic direct lines to Integrated Services Digital Network (ISDN) services, 1-800 numbers, International Direct Dialing (IDD) and National Direct Dialing (NDD) access as well as managed voice solutions such as Voice Over Internet Protocol (VOIP) and managed Internet Protocol (IP) communications. Value-priced, high speed data services, wholesale and corporate internet access, data center services and segment-specific solutions customized to the needs of vertical industries.

30 Notes to Consolidated Statements of Cash Flows

The principal noncash transactions are as follows:

	Note	2015	2014	2013
			(In Thousand Pesos)	
Increase in liabilities related to the acquisition of property and equipment		₱6,827,342	₱5,091,154	₱5,838,624
Reversal of project accruals		(8,748,893)	-	-
Dividends of preferred shares	17.3	260,030	260,030	-
Capitalized ARO	15	39,269	9,495	15,675

The cash and cash equivalents account consists of the following:

	2015	2014	2013
		(In Thousand Pesos)	
Cash on hand and in banks	₱5,355,055	₱6,126,034	₱4,468,305
Short-term placements	6,459,324	10,630,874	2,952,430
	₱11,814,379	₱16,756,908	₱7,420,735

Cash in banks earn interest at respective bank deposit rates. Short-term placements represent short-term money market placements.

The ranges of interest rates of the above placements are as follows:

	2015	2014	2013
Placements:			
PHP	0.25% to 2.25%	0.20% to 1.50%	0.15% to 3.90%
USD	0.02% to 2.00%	0.01% to 1.75%	0.02% to 1.75%

31 Events After Reporting Period

Dividend declaration

On February 5, 2016, the BOD approved the declaration of the first quarterly cash dividend of ₱22.00 per common share, payable to common stockholders of record as of February 22, 2016. Total dividends amounting to ₱2.9 billion will be payable on March 4, 2016.

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue,
Bonifacio Global City, Taguig City

We have audited the consolidated financial statements of Globe Telecom, Inc. and Subsidiaries as at and for the year ended December 31, 2015 in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated February 5, 2016.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information on the attached schedules showing the reconciliation of the retained earnings available for dividend declaration, the list of all effective accounting standards and interpretations, the map showing the relationships between and among Globe Telecom, Inc. and Subsidiaries and its related parties, and the other supplementary information shown in Schedules A to H as at December 31, 2015, as required by the Securities and Exchange Commission under SRC Rule 68, as amended, are presented for purposes of additional analysis and are not required part of the basic financial statements. These information are the responsibility of management and have been subjected to the auditing procedures applied in our audit except for the map which we have audited only to the extent disclosed in the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Gregorio S. Navarro
Partner
CPA License No. 0033571
SEC A.N. 0820-AR-2, issued on May 21, 2015; effective until May 20, 2018, Group A
TIN 109-228-435
BIR A.N. 08-002552-33-2014, issued on September 15, 2014; effective until September 15, 2017
PTR No. A-2798364, issued on January 6, 2016, Taguig City

Taguig City, Philippines
February 5, 2016

Deloitte.

Member of Deloitte Touche Tohmatsu Limited

GLOBE TELECOM, INC. AND SUBSIDIARIES

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Schedule 1 - Schedule of all the effective standards and interpretations as of December 31, 2015

Schedule 2 - Financial Soundness Indicators

Schedule 3 - Reconciliation of retained earnings available for dividend declaration

Schedule 4 - Map of the relationships of the companies within the Group

Schedule 5 - Schedule of Preferred Shares Offering Proceeds

Schedule 6 - Supplementary Schedules required by Annex 68-E

Schedule 1
SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)
DECEMBER 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	*First-time Adoption of Philippine Financial Reporting Standards*			✓
	Amendments to PFRS 1 and PAS 27: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*			✓
	Amendments to PFRS 1: *Additional Exemptions for First-time Adopters*			✓
	Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7 Disclosures for First time Adopters*			✓
	Amendments to PFRS 1: *Severe Hyperinflation and Removal of Fixed Date for First-time Adopters*			✓
	Amendments to PFRS 1: *Government Loans*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PFRS 1: *First-Time Adoption of PFRS*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 1: *First-time Adoption of International Financial Reporting Standards (Changes to the Basis for Conclusions only)*			✓
PFRS 2	*Share-based Payment*	✓		
	Amendments to PFRS 2: *Vesting Conditions and Cancellations*	✓		
	Amendments to PFRS 2: *Group Cash-settled Share-based Payment Transactions*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 2 *Definition of Vesting Condition*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	*Business Combinations*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 3: *Accounting for Contingent Consideration)*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 3: *Scope of Exception for Joint Ventures*	✓		
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 5: *Changes in methods of disposal**		✓	
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7: *Disclosures - Transfers of Financial Assets*	✓		
	Amendments to PFRS 7: *Disclosures – Offsetting Financial Assets and Financial Liabilities*	✓		
	Amendments to PFRS 7: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
	Amendments to PFRS 7: *Hedge Accounting Disclosures*		✓	
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 7: *Servicing contracts**		✓	
PFRS 8	*Operating Segments*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 8: *Aggregation of Segments and Reconciliation of Segment Assets*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 9	*Financial Instruments: Classification and Measurement of Financial Assets and Liabilities**		✓	
	Amendments to PFRS 9: *Mandatory Effective Date of PFRS 9 and Transition Disclosures**		✓	
	Amendments to PFRS 9: *Phase III - Hedge Accounting Disclosures**		✓	
PFRS 10	*Consolidated Financial Statements*	✓		
	Amendments to PFRS 10: *Consolidated Financial Statement: Transition Guidance*	✓		
	Amendments to PFRS 10:*Transition Guidance and Investment Entities*	✓		
	Amendments to PFRS 10: *Sales or contributions of assets between an investor and its associate/ joint venture**		✓	
	Amendments to PFRS 10. *Investment Entities: Applying the Consolidation Exception **		✓	
PFRS 11	*Joint Arrangements*	✓		
	Amendments to PFRS 1: *Joint Arrangements: Transition Guidance*	✓		
	Amendments to PFRS 11: *Accounting for Acquisitions of Interests in Joint Operations**		✓	
PFRS 12	*Disclosure of Interests in Other Entities*	✓		
	Amendments to PFRS 12: *Disclosure of Interests in Other Entities: Transition Guidance*	✓		
	Amendments to PFRS 12: *Transition Guidance and Investment Entities*	✓		
	Amendments to PFRS 12: *Investment Entities: Applying the Consolidation Exception**		✓	
PFRS 13	*Fair Value Measurement*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 13: *Fair Value Measurement (Amendments to the Basis of Conclusions Only, with Consequential Amendments to the Bases of Conclusions of Other Standards)*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 13- *Portfolio Exception*	✓		
PFRS 14	*Regulatory Deferral Accounts**		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: *Capital Disclosures*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*	✓		
	Amendments to PAS 1: *Presentation of Items of Other Comprehensive Income*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 1: *Comparative Information*	✓		
	Amendments to PAS 1: *Disclosure Initiative**		✓	
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Reporting Period*	✓		
PAS 11	*Construction Contracts*			✓
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12: *Deferred Tax: Recovery of Underlying Assets*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 16, *Servicing Equipment*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 16: *Revaluation Method - Proportionate Restatement of Accumulated Depreciation*	✓		
	Amendments to PAS 16: *Clarification of Acceptable Methods of Depreciation**		✓	
	Amendments to PAS 16: *Agriculture: Bearer Plants**			✓
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19 (Amended)	*Employee Benefits (2011)*	✓		
	Amendments to PAS 19: *Defined Benefit Plans: Employee Contributions*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 19: *Discount rate: regional market issue**			✓
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment: *Net Investment in a Foreign Operation*	✓		
PAS 23 (Revised)	*Borrowing Costs*	✓		
PAS 24 (Revised)	*Related Party Disclosures*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 24: *Key Management Personnel*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Amended)	*Separate Financial Statements*	✓		
	Amendments to PAS 27: *Transition Guidance and Investment Entities*	✓		
	Amendments to PAS 27: *Equity Method in Separate Financial Statements**		✓	
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
	Amendments to PAS 28: *Sales or contributions of assets between an investor and its associate/ joint venture**		✓	
	Amendments to PAS 28: *Investment Entities: Applying the Consolidation Exception**		✓	
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*	✓		
	Amendment to PAS 32: *Classification of Rights Issues*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 32: *Tax Effect of Equity Distributions*	✓		
	Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities*	✓		
PAS 33	*Earnings per Share*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 34	*Interim Financial Reporting*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 34: *Interim Reporting of Segment Assets*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 34: *Disclosure of information 'elsewhere in the interim financial report'**		✓	
PAS 36	*Impairment of Assets*	✓		
	Amendments to PAS 36: *Recoverable Amount Disclosures for Non-Financial Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 38: *Revaluation Method - Proportionate Restatement of Accumulated Amortization*	✓		
	Amendments to PAS 38: *Clarification of Acceptable Methods of Amortization**		✓	
PAS 39	Financial Instruments: *Recognition and Measurement*	✓		
	Amendments to PAS 39: *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*	✓		
	Amendments to PAS 39: *The Fair Value Option*	✓		
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets – Effective Date and Transition*	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: *Embedded Derivatives*	✓		
	Amendment to PAS 39: *Eligible Hedged Items*	✓		
	Amendment to PAS 39: *Novation of Derivatives and Continuation of Hedge Accounting*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: *Hedge Accounting Application*	✓		
PAS 40	*Investment Property*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PAS 40: *Clarifying the Interrelationship of IFRS 3 and IAS 40 When Classifying Property as Investment Property or Owner-Occupied Property*	✓		
PAS 41	*Agriculture*			✓
	Amendments to PAS 41: *Agriculture: Bearer Plants**			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓		
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*	✓		
IFRIC 9	*Reassessment of Embedded Derivatives*	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	*PFRS 2- Group and Treasury Share Transactions*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*	✓		
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*	✓		
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-15	*Operating Leases - Incentives*	✓		
SIC-21	*Income Taxes- Recovery of Revalued Non-depreciable Assets*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*	✓		
PIC Q&A No. 2006-01	*Revenue Recognition for Sales of Property Units Under Pre-Completion Contracts*			✓
PIC Q&A No. 2006-02	*Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements*			✓
PIC Q&A No. 2007-03	*Valuation of Bank Real and Other Properties Acquired (ROPA)*			✓
PIC Q&A No. 2008-01	*Rate Used in Discounting Post-employment Benefit Obligations*	✓		
PIC Q&A No. 2008-02	*Accounting for Government Loans with Low Interest Rates under the Amendments to PAS 20*			✓
PIC Q&A No. 2009-01	*Financial Statements Prepared on a Basis Other than Going Concern*			✓
PIC Q&A No. 2010-01	*Rate Used to Determine the Fair Value of Government Securities in the Philippines*			✓

PHILIPPINE INTERPRETATIONS IFRIC, SIC AND PIC STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PIC Q&A No. 2010-02	*Basis of Preparation of Financial Statements*	✓		
PIC Q&A No. 2010-03	*Current/ non-current Classification of a Callable Term Loan*	✓		
PIC Q&A No. 2011-02	*Common Control Business Combinations*			✓
PIC Q&A No. 2011-03	*Accounting for Inter-company Loans*	✓		
PIC Q&A No. 2011-04	*Costs of Public Offering of Shares*	✓		
PIC Q&A No. 2011-05	*Fair Value or Revaluation as Deemed Cost*			✓
PIC Q&A No. 2011-06	*Acquisition of Investment Properties – Asset Acquisition or Business Combination?*	✓		
PIC Q&A No. 2012-01	*Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*			✓
PIC Q&A No. 2012-02	*Cost of a New Building Constructed on Site of a Previous Building*			✓
PIC Q&A No. 2013-03	*Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law*	✓		

*These are the new and revised accounting standards and interpretations that are effective for annual period beginning on or after the reporting period ended December 31, 2015

Schedule 2

FINANCIAL SOUNDNESS INDICATORS	December 31 2015	December 31 2014
FINANCIAL RATIOS		
Debt to EBITDA	1.51	1.66
Debt Service Coverage Ratio	5.18	2.92
Interest Coverage Ratio	12.24	13.22
Debt to Equity (D/E Ratio) - gross	1.22	1.20
Debt to Equity (D/E Ratio) - net	1.02	0.89
Debt to Total Capitalization - book	0.55	0.54
Debt to Total Capitalization - market	0.22	0.21
Total Asset to Equity Ratio	3.29	3.29
Current Ratio	0.72	0.77
Solvency Ratio	0.29	0.28
PROFITABILITY MARGINS		
EBITDA Margins	40%	40%
Net Profit Margin	15%	13%
Return on Equity	29%	28%

Schedule 3

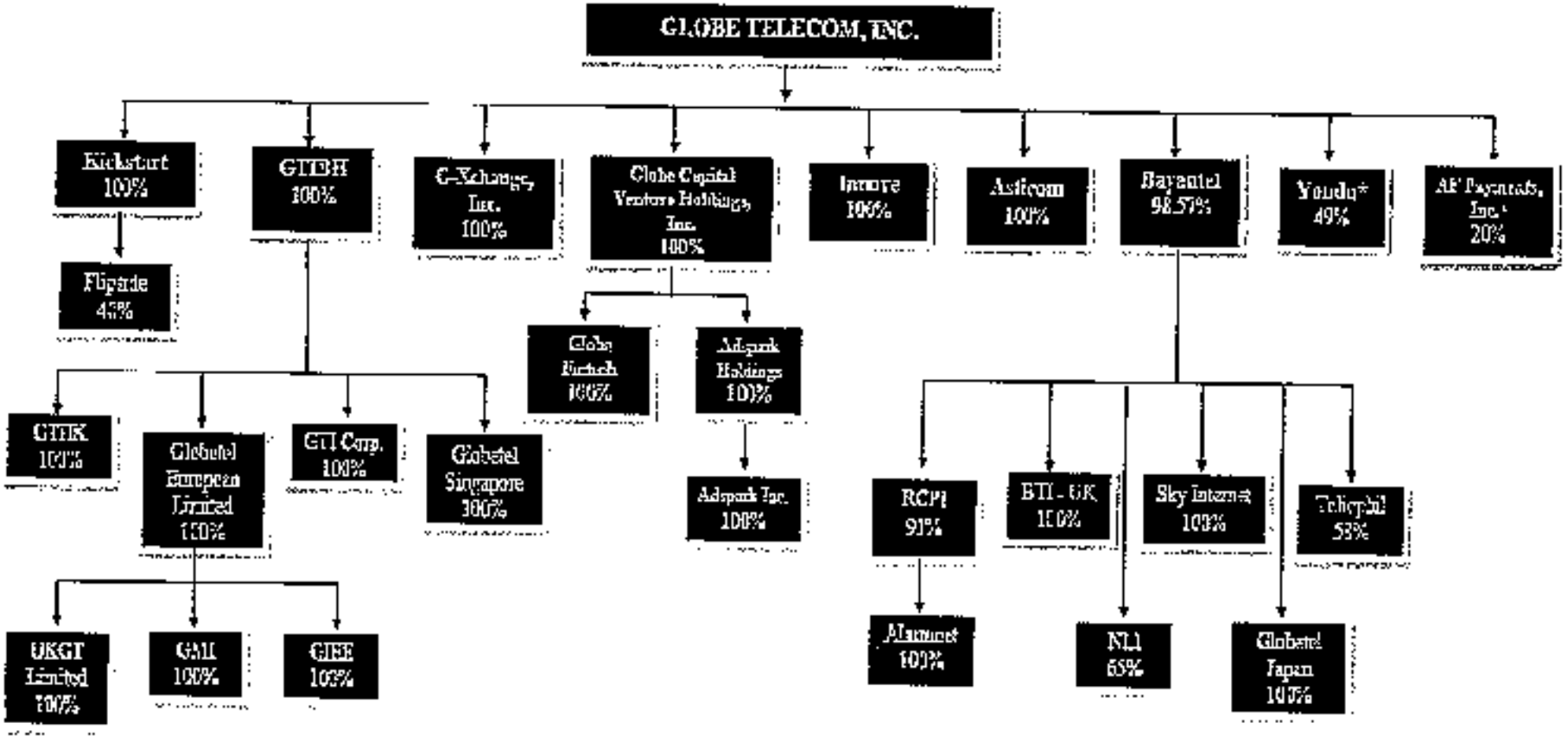
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2015

Items	Amount (In thousands)
Unappropriated Retained Earnings, beginning	P8,497,802
Adjustments	(4,277,985)
Unappropriated Retained Earnings, as adjusted, beginning	4,219,817
Net income during the period closed to Retained Earnings	13,029,749
Less: Non-actual/unrealized income net of tax	
Fair value adjustment (mark-to-market)	(36,340)
Recognized Deferred Tax Asset	(439,171)
Net income actually earned/realized during the period	12,554,238
Add (Less):	
Dividend during the period	(11,570,565)
Unappropriated Retained Earnings, as adjusted, ending	P5,203,490

Schedule 4

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP AS OF DECEMBER 31, 2015

Globe Group (Parent and Subsidiaries)



*Accounted for as Associates

Schedule 5

SCHEDULE OF PREFERRED SHARES OFFERING PROCEEDS
AS OF DECEMBER 31, 2015

Preferred Shares Offering Proceeds	₱10,000,000,000
Less: Preferred Shares-related disbursements	
SEC Registration Fees	3,093,125
PSE Processing and Listing Fees	11,256,000
Documentary Stamp Tax	5,000,000
Underwriting and Selling Fees	37,686,847
Professional Expenses	5,902,939
Other Related Expenses	283,445
Net Proceeds	9,936,777,644
Less: Capex Disbursements	
Transformation Capex	2,073,194,102
Data-related Capex	3,227,255,425
Other Capex	2,128,248,742
Balance of Proceeds as at December 31, 2014	2,508,079,375
Less: Capex Disbursements	
Transformation Capex	110,006,868
Data-related Capex	1,122,238,100
Other Capex	1,275,834,407
Balance of Proceeds as at December 31, 2015	₱-

SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2015

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
City Sports Club Cebu	1 share	₱699,908	-	-
Makati Executive Center	1 share	30,100	-	-
Manila Golf & Country Club Inc.	7 shares	117,000,000	117,000,000	-
Manila Polo Club	2 shares	76,800,000	76,800,000	-
Philam Properties Corporation/ Tower Club Inc.	Club A - 116	500,000	-	-
PLDT	7,448,513 shares	7,449,513	-	-
TAODHARMA	550,000 shares	55,000,000	-	-
Telecoms Infrastructure Corp of the Phil.	2,970,449 shares	2,970,449	-	-
Thinc Office Corp.	7,058 shares	1,230,000	-	-
ZAP Group, Inc.	62,500 shares	25,782,474	-	-
AVA Online Group	1,333 shares	5,000,000	-	-
Guestlist Philippines, Inc.	250,000 shares	1,720,000	2,700,000	-
Medix Digital Solutions, Inc.	120,000 shares	1,321,100	2,940,000	-
Lenddo International	250,000 shares	21,559,647	24,736,950	-
Eyeron Corp.	1,260,504 shares	4,395,100	-	-
mClinica Spore Pte. Ltd.	5,880 shares	11,220,500	-	-
AMASIA Ltd.	-	132,780,000	-	-
Innovantage, Inc.	149 shares	7,500,000	-	-
Growth Solutions Pte. Ltd.	50,000 shares	3,610,960	-	-
Lifetrack Medical Sytems, Inc.	38,193 shares	4,641,841	-	-
Teridoin, Inc.	237,758 shares	92,368,000	-	-
Digital Space Explorer, Inc.	56,000 shares	4,000,000	-	-
AFS investment in equity securities		₱577,579,592		

SCHEDULE B – Amounts Receivable from Directors, Officers, Employees, Related Parties and principal Stockholders (Other than Related parties)

Name and Designation of debtor	Balance at the beginning of period (January 1, 2015)	Additions	Amounts collected	Current	Not-current	Balance at the end of period (December 31, 2015)
Education Loan	₱58,474,137	₱105,562,522	₱111,406,098	₱52,630,561	₱-	₱52,630,561
Hospitalization Loan	22,841,927	35,153,953	19,396,347	38,599,533	-	38,599,533
Housing and Renovation Loan	34,150,324	47,120,176	49,929,942	31,340,558	-	31,340,558
Trade Receivables	13,169,024	77,578,573	81,637,670	7,095,419	2,014,517	9,109,927
Others	72,954,290	1,065,876	62,356,046	11,664,120	-	11,664,120
Medical and Health Related Loan	1,272,616	11,828,894	2,050,653	10,750,857	-	10,750,857
Total	₱202,862,318	₱278,309,994	₱327,076,756	₱152,081,039	₱2,014,517	₱154,095,556

Schedule C1 - Trade & Other Receivables Eliminated During Consolidation

Creditor	Creditor's Relationship to the Reporting Co. (Subsidiary or Parent)	Account Type	Beginning Balance (January 1, 2015)	Net Movement	Outstanding Balance (December 31, 2015)	Remarks	Description of "Other Receivables" Account
Globe	Subsidiary	Traffic receivable	₱565,520,701	₱245,484,462	₱811,005,163		
		Trade receivable	4,237,512,496	(1,728,034,787)	2,509,478,699		
		Other receivable	3,788,727,204	8,506,056,199	12,294,783,403		
Innove	Parent	Traffic receivable	-	415,554,229	415,554,229		
		Trade receivable	-	8,972,913	8,972,913		
		Other receivable	38,922,595	1,809,289,145	1,848,211,740		
	Co-Subsidiary	Trade receivable	1,473,147	297,371,125	298,844,273		
	Co-Subsidiary	Other receivable	6,731,963	65,567,283	72,299,246		
	Co-Subsidiary	Other receivables	-	19,970,044	19,970,044		
GXI	Parent	Trade receivable	32,657,024	24,835,136	57,492,160		
	Co-Subsidiary	Trade receivable	40,207	26,772,458	26,812,645		
EGG	Parent	Trade receivable	370,773,902	(370,773,902)	-		
GTI	Parent	Other receivable	18,362,846	137,062,829	155,425,675		
	Co-Subsidiary	Other receivable	44,834,556	(14,661,168)	30,173,388		
Asticom	Parent	Trade Receivables	-	155,335,744	155,335,744		
	Co-Subsidiary	Trade Receivables	-	8,431,828	8,431,828		
	Co-Subsidiary	Other receivable	-	3,221,816	3,221,816		
BTI	Parent	Other Receivables	-	29,530,362	29,530,362		
	Parent	Traffic Receivables	-	4,661,046	4,661,046		
	Co-Subsidiary	Trade Receivables	-	20,231,292	20,231,292		
	Co-Subsidiary	Traffic Receivables	-	7,896,949	7,896,949		
GCVH	Co-Subsidiary	Other Receivables	-	2,332,927	2,332,927		
TOTAL			**₱9,185,557,631**	**₱9,675,107,910**	**₱18,780,665,542**		

Schedule C1 - Trade Payable & Accrued Expenses Eliminated During Consolidation

Debtor	Creditor's Relationship to the Reporting Co. (Subsidiary or Parent)	Account Type	Beginning Balance (January 1, 2015)	Net Movement	Outstanding Balance (December 31, 2015)	Remarks	Description of "Other Receivables" Account
Globe	Subsidiary	Trade	P32,657,024	(P18,477,427)	P14,179,597		
	Subsidiary	Traffic	-	454,123,416	454,123,416		
	Subsidiary	Other	57,285,441	2,153,798,256	2,211,083,697		
	Subsidiary	Accrued expenses	370,773,902	37,665,091	408,438,993		
Innove	Parent	Traffic	491,329,209	248,602,408	739,931,617		
	Parent	Other	3,621,120,558	2,644,722,245	6,265,842,803		
	Co-Subsidiary	Trade	40,207	(40,207)	-		
	Co-Subsidiary	Other	-	27,476,546	27,476,546		
	Co-Subsidiary	Traffic	-	-	7,896,949		
	Co-Subsidiary	Accrued expenses	44,834,556	132,124,659	176,959,215		
GXI	Parent	Trade	4,231,601,124	(1,722,122,426)	2,509,478,699		
	Parent	Other	15,258,085	45,815,782	61,073,867		
	Co-Subsidiary	Trade	-	47,326,050	47,326,050		
	Co-Subsidiary	Other	-	7,367,694	7,367,694		
EGG	Parent	Trade	5,912,362	-	-		
	Co-Subsidiary	Accrued expenses	2,473,147	-	-		
GTI	Parent	Traffic	74,191,492	(23,781,074)	50,410,418		
	Parent	Other	108,793,177	97,614,284	206,407,460		
	Parent	Accrued expenses	296,171	2,321,505	2,617,676		
	Co-Subsidiary	Traffic	-	-	23,727,684		
	Co-Subsidiary	Other	6,731,963	9,310,688	16,042,651		
KVI	Parent	Other	43,259,213	(35,890,943)	7,368,270		
BTI	Parent	Accrued expenses	-	-	2,627,492		
	Parent	Other Payables	-	-	5,081,758,423		
	Co-Subsidiary	Accrued expenses		-	251,618,223		
	Co-Subsidiary	Trade Payables	-	-	60,380,384		
	Co-Subsidiary	Traffic Payables	-	-	5,525,614		
Asticom	Parent	Accrued expenses	-	-	85,012,765		
	Co-Subsidiary	Other	-	-	4,000,000		
GCVH	Parent	Other Payables	-	-	47,783,683		
	Co-Subsidiary	Accrued expenses	-	-	415,162		
TOTAL			**P9,105,557,630**	**P4,107,964,545**	**P18,776,523,250**		

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2015

Description	Beginning balance (Jan. 01, 2015)	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions/ (deductions)	Ending balance (Dec. 31, 2015)
			(In Thousand Pesos)			
Licenses and Application Software	₱17,170,998	₱896,429	₱14,598,932	₱7,376,725	(₱2,925)	₱10,842,295
Add:						
Customer Contracts	28,381	571,760	99,851	-	-	500,290
Exclusive Dealership Right	139,960	-	47,001	-	1,059	94,018
Total Intangible Assets	17,339,339	1,468,189	14,745,784	7,376,725	(1,866)	11,436,603
Add: Other Intangible Assets and Goodwill	327,125	1,644,864	24,542	-	(327,125)	1,620,322
Total Intangible Assets and Goodwill	₱17,666,464	₱3,113,053	₱14,770,326	₱7,376,725	(₱328,991)	₱13,056,925

SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2015

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of Long-Term Debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in related statement of financial position		
			Amount	**Interest rates**	**Maturity dates**
Term Loans:					
Dollar	$374,465,003	₱5,508,673,988	₱12,052,324,750	2.02% - 6.00%	2016 - 2025
Peso	₱36,000,000,000	397,895,961	35,285,466,228	1.12% - 5.00%	2016 - 2023
Corporate Notes	₱5,000,000,000	2,067,023,813	-	8.43%	2016
Retail Bonds	₱17,000,000,000	-	16,917,472,576	4.89% - 6.00%	2017 - 2023
		₱7,973,593,762	₱64,255,263,554		

SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES
DECEMBER 31, 2015

Name of Related Party	Balances at beginning of period	Balance at end of period
Bayantel Telecommunications Inc.	₱4,443,955,849	₱-
Globe Group Retirement Plan	968,000,000	968,000,000
Bethlehem Holdings, Inc.	158,620,000	158,620,000
	₱5,570,575,849	₱1,126,620,000

**Globe Telecom acquired 99% of shares in 2015 and accordingly reclassified to investment in subsidiaries.*

SCHEDULE G – GUARANTESS OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2015

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which this statement is filed	Nature of guarantee
Not Applicable				

SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2015

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	148,934,373	132,742,767	8,936,062	103,007,089	206,209	-
Voting preferred stock	160,000,000	158,515,021	-	-	5	
Non-voting preferred stock	40,000,000	20,000,000		27,800	18,700	-

NUMBER 08666

INCORPORATED UNDER THE LAWS OF THE PHILIPPINES

SHARES

GLOBE TELECOM, INC.

SPECIMEN

This Certifies that _____

is the owner of _____ *Shares of the Capital Stock of* **Globe Telecom, Inc.** *transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.*

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed.

Dated _____

BANK OF THE PHILIPPINE ISLANDS
TRANSFER AGENT

BY _____
AUTHORIZED SIGNATURE

[redacted]
RENATO O. MARZAN
CORPORATE SECRETARY

[redacted]
GERARDO C. ABLAZA, JR.
PRESIDENT & CEO

PAR VALUE P 50.00 PER SHARE

DOCUMENTARY AND SCIENCE STAMPS TO THE VALUE OF ₱ HAVE BEEN PAID.

NOT VALID UNLESS COUNTERSIGNED BY TRANSFER AGENT.

TEL. NO. 892-9635

Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City,
Taguig, Philippines 1634
+632.7972000
www.globe.com.ph

07 January 2016

Securities and Exchange Commission
SEC Building, Mandaluyong City

Attention: Director Justina F. Callangan
Director, Corporate Governance & Finance Department

Director Vicente Felizmenio P. Graciano, Jr.
Director, Markets & Securities Regulation Department

Philippine Stock Exchange, Inc.
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Philippine Dealing and Exchange Corporation
37/F Tower 1, The Enterprise Center
6766 Ayala Avenue cor. Paseo de Roxas, Makati City

Attention: Ms. Vina Vanessa S. Salonga
Head - Issuer Compliance and Disclosure Department (ICDD)

Gentlemen:

In compliance with SEC Memorandum Circular No. 12, Series of 2014 or the Clarification for Changes and Updates in the Annual Corporate Governance Report (ACGR), please find attached Globe Telecom, Inc.'s Consolidated Changes in the ACGR for the year 2015.

Thank you very much.

Very truly yours,

[redacted]

ATTY. MARISALVE CIOCSON-CO
Compliance Officer, Assistant Corporate Secretary and
VP, Law and Compliance Division

Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City,
Taguig, Philippines 1634
+632.7972000
www.globe.com.ph

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY)ss.

SECRETARY'S CERTIFICATE

I, **MARISALVE CIOCSON-CO**, being the duly elected, qualified and incumbent Assistant Corporate Secretary of GLOBE TELECOM, INC. (the "Corporation"),

DO HEREBY CERTIFY:

1. That on **11 December 2015**, the Board of Directors of this Corporation passed and approved the following resolution:

> **"RESOLVED**, to approve the Updates in the Annual Corporate Governance Report (ACGR) for Year 2015 in compliance with the Securities and Exchange Commission Memorandum Circular No. 12, Series of 2014."

2. That the aforesaid resolution is a true and correct copy of its original in my possession and custody as such Assistant Corporate Secretary and that the same has not been revoked, amended and/or modified up to the present.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Corporation this 19 day of January 2016 at Taguig City.

[redacted]
MARISALVE CIOCSON-CO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN before me this 19 day of January 2016 at Taguig City, by affiant who is presently known to me or identified through competent evidence of identity by means of Passport No. [redacted] issued at [redacted] and expires on 23 September 2019.

Doc. No. 79;
Page No. 16;
Book No. I;
Series of 2016.

ATTY. CLARISA A. TIMBANG-CPA
Notary Public for Taguig City
28th Floor, The Globe Tower,
32nd Street corner 7th Avenue
Bonifacio Global City, Taguig 1634
Appointment No. 267 (2015-2016)
Until December 31, 2016
PTR No. A-2588504/07-10-2015/Taguig City
IBP O.R. No. 1007215/04-16-15/Pasig City
Roll of Attorneys No. 64868

Part A(1)(d)(iv)

A. BOARD MATTERS

x xxx

(d) Directorship in Other Companies

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(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	*Please see explanation below.	
Non-Executive Director		
CEO		

**None of Globe's directors serve in more than five (5) publicly-listed companies. Globe's executive director, Mr. Ernest L. Cu, also does not serve as director or officer in any other publicly-listed company. Furthermore, Article II (1.6) of the Company's Revised Manual of Corporate Governance provides:*

"1.6 Policy on Multiple Board Seats

a. The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock Corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards, but in no case shall any executive director serve as such on more than two (2) boards of publicly-listed companies outside the group. A similar limit may apply to independent or non-executive directors who, at the same time serve as full-time executives in other Corporations. In any case the capacity of directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

b. Any limitation in the number of directorships outside of Globe Telecom shall not include directorships in the Corporation's subsidiaries, affiliates, parent Corporation, and affiliates and subsidiaries of the parent Corporation.

c. Independent/non-executive directors shall not hold more than five (5) concurrent Board directorships in publicly-listed companies."

Part A(1)(e)

(e) Shareholding in the Company (as of 30 September 2015)

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company. For full disclosure, this table shall reflect all classes of shares of the company (Common, Voting Preferred*, Non-Voting Preferred**). Reference to capital stock shall only include the total of Common (132,742,402) and Voting Preferred (158,515,021) shares:

Name of Director	Number of Direct shares	Number of Indirect Shares / Through (name of record owner)	% of Capital Stock
Jaime Augusto Zobel de Ayala	2	1 (thru AC as nominee share)	0.0000%D 0.0000%I
Delfin L. Lazaro	1	-	0.0000%D
Mark Chong Chin Kok	-	2 (thru STI as nominee share)	0.0000%I
Fernando Zobel de Ayala	-	1 (thru AC as nominee share)	0.0000%I
Gerardo C. Ablaza, Jr.	22,741	38,973 (thru PCD) 1 (thru AC as nominee share)	0.00008%D 0.0001%I
Romeo L. Bernardo*	-	500 (thru PCD)	0.0000%I
Samba Natarajan	2	-	0.0000%
Manuel A. Pacis*	-	100 (thru PCD)	0.0000%I
Rex Ma. A. Mendoza*	-	-	0.00%D
Saw Phaik Hwa*	-	-	0.00%D
Ernest L. Cu*	66,256	-	0.0002%D 0.00%I
TOTAL			**0.00038%**

* Voting Preferred Shares

Note: Mr. Lazaro and Mr. Cu are also holders of non-voting preferred shares.

Part A(4)

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4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. Globe's adoption of a Board Diversity Policy manifests and strengthens the Company's commitment to ensuring diversity of experience and background at the Board level. Globe values effective debate and discussion among its Board. As such, the Company recognizes that, among other skills and qualifications, diversity of perspectives is an important requisite to foster independence, integrity, fair representation and a culture of professional openness at the Board level.[1] Globe believes that these are fundamental to achieving the full potential of efficient and effective performance by the Board in carrying out its duties and responsibilities in accordance with the objectives and vision of the Company. Therefore, no director or candidate for directorship shall be discriminated upon by reason of gender, age, disability, ethnicity, nationality or political, religious or cultural backgrounds. This is also included in the Company's Manual of Corporate Governance, which is available through the company website (http://www.globe.com.ph/documents/50301/16764017/17C_Revised+Manual+of+Corporate+Governance_12May2015.pdf).

The Nomination Committee (NomCom) Charter provides that the NomCom "shall encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment to the formulation of sound corporate strategies and policies." Indeed, the current members of the Board have diverse expertise, professional experiences and background that enable thorough examination and deliberation of the issues and matters affecting the Company. The profiles of the directors are found in the "Board of Directors" section of the Company's Annual Report as well as in the "Board of Directors" section of the Company's corporate website (http://www.globe.com.ph/corporate-governance/board-of-directors).

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Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	*Please see explanation below.		
Accountabilities			
Deliverables			

**The roles, accountabilities and deliverables of all the members of the Board of Directors as provided in Article II (1) 1.8-1.11 of the Revised Manual of Corporate Governance apply to all Executive, Non-executive or Independent Directors. However, Independent Directors are expected to maintain their independent judgment in carrying out the responsibilities of a director. The Executive Director, who is the President and CEO, in addition to his responsibilities as a Director, has general supervision of the business, affairs, and property of the Company, and over the officers and employees. Furthermore, the Executive Director shall see that all orders and resolutions*

[1] 2009, ICGN Global Corporate Principles, Item 2.2 (b) and (c).

of the Board of Directors are carried into effect.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

As provided in the Company's Manual of Corporate Governance, an Independent Director is a person independent from the Corporation, its management and major/substantial shareholders and free from any business or other relationship which could materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. The Company's independent directors, namely: Mr. Manuel A. Pacis, Mr. Rex Ma. A. Mendoza and Ms. Saw Phaik Hwa have no relation with the management or the major/substantial shareholders of the Company, and have no business or other relationships with the Company.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes. As provided in Article II, Section 1.5(f-i) of the Company's Manual of Corporate Governance:

"f) Independent directors can serve as such for five (5) consecutive years;
g) After completion of the five-year service period, an Independent director shall be ineligible for election as such in the same company unless the Independent director has undergone a "cooling off" eriod of two (2) years, provided, that during such period, the Independent director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as such in the same company;
h) An Independent director re-elected as such in the same company after the "cooling off" period can serve for another four (4) consecutive years under the conditions mentioned in 1.5), g) above;
i) An Independent director can only serve as such for a total of nine (9) years from the date of first appointment, without prejudice to being elected as such in other companies outside of the business conglomerate, where applicable".

None of Globe's current independent directors have served the Company as such for five years or more.

Part A(5)(b)

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(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	*Please see explanation below.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-appointment		
(i) Executive Directors	*Please see explanation below.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	*Please see explanation below.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors	*Please see explanation below.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	*Please see explanation below.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	*Please see explanation below.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	*Please see explanation below.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

**The procedure, process, and criteria for the selection/appointment and disqualification of the members of the Board of Directors are provided for in the Company's By-Laws and the Revised Manual of Corporate Governance (Article II). Such procedures, process and criteria apply to all Executive Director, Non-Executive Director and Independent Directors. The President (Executive Director) shall be chosen from among the Directors (Article III, Section 1 of the By-Laws).*

Article II, Section 5 of the By-Laws provides that:

> *"If any vacancy shall occur among the directors by reason of death, resignation, or for any other reason, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders entitled to vote, by ballot, at any meeting or adjourned meeting held during such vacancy, provided the notice of the meeting shall have mentioned such vacancy or expected vacancy. The stockholders entitled to vote at any such meeting may also, in case of like mention, accept the resignation of any director and fill the vacancy thereby caused for the unexpired terms. In case of a vacancy in the Board the remaining directors shall continue to act, but if at any time their number be reduced to less than four, the remaining directors shall forthwith fill the vacancies or call a special meeting of the stockholders entitled to vote for that purpose."*

Also, Article II, Section 1.3 of the By-Laws lays down the procedure for the nomination of the directors, thus:

> *"The Corporation shall have a Nominations Committee which shall be composed of at least three (3) members, one of whom shall be an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nominations for director. The nominations for directors shall be properly disclosed in the corporation's information or proxy statement or such other reports required to be submitted to the Commission.*
>
> *The Nominations shall be conducted as follows:*
>
> 1. *Nomination of director/s, including independent directors, shall be conducted by the Committee prior to a stockholders meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.*
> 2. *The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.*
> 3. *After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for directors, including independent directors, as required under Part IV (A) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the directors, including independent*

directors, shall be identified in such report including any relationship with the nominee.

4. *Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.*

5. *Election of Independent Director/s*
   - i. *The conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the corporation or its by-laws.*
   - ii. *It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s are elected during the stockholders' meeting.*
   - iii. *Specific slot/s for independent directors shall not be filled-up by unqualified nominees.*
   - iv. *In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy."*

The qualification, disqualification, temporary disqualification of directors, as well as additional criteria for independent directors are stated in Article II, Sections 1.2, 1.3, 1.4, and 1.5 of the Revised Manual of Corporate Governance, which reads:

"1.2 Qualifications

A director of the Corporation shall have the following qualifications:

- *a) Ownership of at least one (1) share of the capital stock of the Corporation;*
- *b) A college degree or its equivalent or adequate understanding of the telecommunication industry or sufficient experience and competence in managing a business to substitute for such formal education;*
- *c) Relevant qualification, such as previous business experience, membership in good standing in the relevant industry, and membership in business and professional organizations.*
- *d) Possess integrity, probity and shall be diligent and assiduous in the performance of his functions.*

1.3 Disqualifications

The following persons are disqualified from being a director of the Corporation:

- *a) Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving the purchase or sale of securities, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment*

Corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (iii) any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Commission or any court or other administrative body of competent jurisdiction from; (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust Corporation, investment house, investment Corporation or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the Commission or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or under any rule or regulation promulgated by the Commission or Bangko Sentral ng Pilipinas, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;

c) Any person finally convicted judicially of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent acts or transgressions;

d) Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the Phil SEC, or any rule, regulation or order of the Commission or the Bangko Sentral ng Pilipinas or who has filed a materially false or misleading application, report or registration statement required by the Commission, or any rule, regulation or order of the Commission;

e) Any person judicially declared to be insolvent;

f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs; and

g) Any affiliated person who is ineligible, by reasons of paragraphs (a) to (e) hereof to serve or act in the capacities

listed in those paragraphs;

h) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment;

i) Any person convicted by final and executory judgment by an appropriate court or body of a violation of the Public Service Act (CA 146) or under any law administered by the National Telecommunications Commission; and

j) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

i. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any Corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business in the Philippines which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation, or

ii. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially of 10% or more of any outstanding class of shares of, any other Corporation or entity in the Philippines engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such persons membership in the Board of Directors; or

iii. If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (ii) or (iii)

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

1.4 Temporary Disqualification of Directors

The following are grounds for temporary disqualification of incumbent directors:

a) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.

b) Absence or non-participation for whatever reason(s) for more than Fifty Percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any

twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election.

c) Dismissal/ termination from directorship in another listed Corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.

d) Being under preventive suspension by the Corporation for any reason.

e) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

A temporarily disqualified director shall, within 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 Board shall consider a director's illness, death in the immediate family, or serious accident in determining whether absence from meetings shall or shall not be a ground for temporary disqualification under this section.

1.5 Independent directors

Independent directors shall <u>be independent of the Corporation, Management and major/substantial shareholders.</u> They shall hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. An Independent director shall, within ten (10) days from the time of his election or appointment and/or re-election/re-appointment as a director, submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or controlling shareholder. Moreover, for purposes of compliance with the legal requirement on Independent directors –

a) Officers, executives and employees of the Corporation may be elected as directors but cannot and shall not be characterized as Independent directors.

b) If a director elected or appointed as an Independent director subsequently becomes an officer or employee of the Corporation, the Corporation shall forthwith cease to consider him as an Independent director.

c) If the beneficial security ownership of an Independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%), the Corporation shall forthwith cease to consider him as an Independent director.

d) A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent director after a two (2) year "cooling off" period.

e) Persons appointed as Chairman Emeritus, Ex-Officio

Directors/Officer or members of any executive/Advisory Board or otherwise appointed in a capacity to assist the Board in the performance of its duties shall be subject to a one (1) year cooling-off period prior to his qualification as an Independent director."

Removal of Directors shall be in accordance with Section 28 of the Corporation Code, thus, "any director may be removed from office by a vote of the stockholders holding or representing two-thirds (2/3) of the outstanding capital stock. Provided, that such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the intention to propose such removal at the meeting. A special meeting of the stockholders for the purpose of removal of directors, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders by any stockholder of the corporation signing the demand. Notice of the time and place of such meeting, as well as the intention to propose such removal, must be given by publication or by written notice as prescribed by the Corporation Code. xxx. Removal may be with or without cause, provided that removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under Section 24 of the Corporation Code."

In addition to the Nomination Committee Charter and as needed, the Company may also use professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/commissioners.

Part A(6)(a) and (b)

6) Orientation and Education Program

(a) Disclose detail of the company's orientation program for new directors, if any.

1. *Corporate Governance Seminar Program conducted by Risks, Opportunities, Assessment and Management, Inc. (ROAM, Inc.) on September 15, 2015 – Mr. Samba Natarajan*
2. *Corporate Governance Orientation Program conducted by the Institute of Corporate Directors (ICD) on August 27, 2015 – Ms. Saw Phaik Hwa*
3. *For All Members of the Board of Directors, Senior Management and Key Officers – Corporate Governance Training Orientation Course conducted by the Ayala Group in partnership with the Institute of Corporate Directors (ICD) on February 18, 2015.*
4. *Corporate Governance Briefing conducted in July 2011 by SGV & Co, and was attended by Mr. Hui Weng Cheong and Mr. Tay Soo Meng;*
5. *Corporate Governance Session conducted by the Institute of Corporate Governance in May 2011, and was attended by Mr. Manuel A. Pacis.*

Courses and discussions taken up as part of the orientation program for new directors include, at the minimum, Globe's corporate documents (e.g., Manual of Corporate Governance, Code of Conduct, Committee Charters), Roles and Responsibilities of Directors, Globe's internal control systems and mechanisms, Globe's Risk Universe and Coverage, Globe ownership structure, Globe table of organization, Compliance with relevant SEC regulations on corporate governance and the ASEAN Corporate Governance Scorecard. The Company will continuously update and develop the course and relevant discussions in accordance with regional and international corporate governance trends as well as the SEC and PSE regulations and guidelines.

(b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years:

1. *Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management, Inc. (ROAM, Inc.) on September 15, 2015 – Mr. Mark Chong Chin Kok*
2. *Rebecca V. Eclipse – Updates on Philippine Practices on Corporate Governance and Enterprise Risk Management by SGV & Co. on 14 July 2015*
3. *For All Members of the Board of Directors – Telco Industry Trends, Risk & Opportunities conducted by James R. Sullivan (Director of ASEAN Research, JP Morgan Chase & Co.) on December 11, 2014*
4. *Executive Session among Board of Directors – Globe's Spectrum Strategy in December 2014*
5. *For Board of Directors and Key Officers – Distinguished Corporate Governance Speaker Series held on April 29, 2014*
6. *For All Members of the Board of Directors and Key Officers – Distinguished Corporate Governance Speaker Series held on August 19, 2014*
7. *For All Members of the Board of Directors, Senior Management and Key Officers – Corporate Governance Training Orientation Course conducted by the Ayala Group in partnership with the Institute of Corporate Directors (ICD) on February 18, 2015.*
8. *For Executive Committee Members and Chairman of the Audit Committee – Executive Committee Strategy Workshop Part 1 held at Hotel Intercontinental Manila, Makati City on April 17, 2012.*
9. *For Executive Committee Members and Chairman of the Audit Committee – Executive Committee Strategy Workshop Part 2 held at Makati Shangri-la, Makati City on May 7, 2012.*
10. *Carmina J. Herbosa – Chief Audit Executive, Internal Controls – attended iLeadGlobe Executive Development Program, 2013.*
11. *Carmina J. Herbosa –Chief Audit Executive, Internal Controls - attended Corporate Governance training*

provided by Institute of Corporate Directors (ICD) on March 2012.
– Attended Corporate Governance and Anti-Money Laundering Act Seminar conducted by Philippine Securities Consultancy Corporation (PHILSECC) on February 27, 2012 at Dusit Thani Hotel, Makati City.

12. *Bernie Llamzon – Senior Vice President, Consumer Sales – attended the iLeadGlobe Executive Development Program, 2012.*
13. *Atty. V. Froilan M. Castelo – General Legal Counsel, Corporate and Legal Services Group – Attended Mandatory Continuing Legal Education in October 2012.*

Part B(1) and (4)(a)

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	*Please see explanation below.		
(b) Conduct of Business and Fair Dealings	*Please see explanation below.		
(c) Receipt of gifts from third parties	*Please see explanation below.		
(d) Compliance with Laws & Regulations	*Please see explanation below.		
(e) Respect for Trade Secrets/Use of Non-public Information	*Please see explanation below.		
(f) Use of Company Funds, Assets and Information	*Please see explanation below.		
(g) Employment & Labor Laws & Policies	*Please see explanation below.		
(h) Disciplinary action	*Please see explanation below.		
(i) Whistle Blower	*Please see explanation below.		
(j) Conflict Resolution	*Please see explanation below.		

**The "Employee Handbook on Code of Conduct", hereto attached as Annex "B", contains the Company's policies on the business conduct or ethics affecting directors, senior management and employees. The same are also disclosed through the company website, which dedicates Sections specifically for Company Policies (http://www.globe.com.ph/corporate-governance/company-policies/) and other such policies and procedures in relation to the Company's Stakeholders (http://www.globe.com.ph/corporate-governance/stakeholders). The policies apply to all regular employees, officers and directors of Globe and Subsidiaries, including consultants/project hires seconded to or engaged on a full time basis by Globe although not considered as Globe regular employee.*

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4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring

and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	*Please see explanation below.
(2) Joint Ventures	*Please see explanation below.
(3) Subsidiaries	*Please see explanation below.
(4) Entities Under Common Control	*Please see explanation below.
(5) Substantial Stockholders	*Please see explanation below.
(6) Officers including spouse/children/siblings/parents	*Please see explanation below.
(7) Directors including spouse/children/siblings/parents	*Please see explanation below.
(8) Interlocking director relationship of Board of Directors	*Please see explanation below.

**The Related Party Transactions (RPTs) Policy, Procedures and disclosures thereof are hereto attached as Annex "C". The policy and its procedures apply to all regular employees, officers and directors of Globe and its Subsidiaries, including consultants/project hires seconded to or engaged on a full time basis by Globe although not considered as Globe regular employee.*

Parties are considered to be related to Globe Group if it has the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plan which are for the benefit of employees of the Group or any entity that is a related party of the Group.

The Globe Group, in their regular conduct of business, enter into transactions with their major stockholders, AC and STI, venturers and certain related parties. These transactions are accounted for at market prices normally charged to unaffiliated customers for similar goods and services.

Significant related party transactions (RPTs) are submitted to the Board of Directors for approval, upon the review and endorsement by all independent directors.

Globe discloses, reviews, and approves related party transactions, in accordance with the principles of transparency and fairness, to ensure that they are at arm's length, the terms are fair, and they will inure to the best interest of the company and its subsidiaries or affiliates and their shareholders. The RPTs are disclosed in the company's financial statements, annual reports, and other applicable filings in accordance with the relevant rules and issuance of the Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE) and other applicable regulatory bodies. The disclosure includes, but is not limited to, the name of the related party, relationship with the company for each RPT, the nature, and value for each RPT. Such disclosure is also made publicly-available by the company, for the benefit of all shareholders and other stakeholders, through the company website and such other media channels as applicable.

Rights of minority shareholders are protected at all times, especially from abusive actions by, or in the interest of controlling shareholders. Globe ensures that its policies and processes cater to the best interest of all its shareholders, including minority shareholders, and other stakeholders. As such, all transactions including related-party transactions that require shareholders' approval are submitted to all shareholders, including minority shareholders, for approval.

Shareholders, including minority shareholders and other stakeholders, are provided with proper guidelines and procedures for right of action and remedies that are readily accessible in order to redress the conduct of the company (e.g., Facebook page, Twitter account, E-mail account, and Hotline numbers), as necessary.

As a company policy, the independent directors form the independent committee tasked to review and monitor material RPTs to ensure the best interest of the company, its shareholders, and all other stakeholders, and that the RPTs are executed with fair and transparent terms prior to endorsement to the Board for approval.

Non-compliance with any of the provisions of the policy on RPT shall result in the nullification of any agreement or contract involved in the execution of the RPT. A director, officer, employee, or related party is subject to the corresponding procedures and penalties under the company's Code of Conduct and relevant laws, as applicable.

Part C(2)

C. BOARD MEETINGS & ATTENDANCE *(for the year ended 31 December 2015)*

x xxxx

2) Attendance of Directors

Board	Name	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Jaime Augusto Zobel de Ayala	7	7	100%
Co-Vice Chairman	Gerardo C. Ablaza, Jr.	7	5	71%
Co-Vice Chairman	Mark Chong Chin Kok	7	7	100%
Member	Ernest L. Cu	7	7	100%
Member	Fernando Zobel de Ayala	7	7	100%
Member	Romeo L. Bernardo	7	7	100%
Member	Delfin L. Lazaro	7	7	100%
Member	*Samba Natarajan	6	6	100%
Independent	Manuel L. Pacis	7	7	100%
Independent	Rex Ma. A. Mendoza	7	7	100%
Independent	*Saw Phaik Hwa	6	6	100%

* Mr. Samba Natarajan and Ms. Saw Phaik Hwa were elected Director on 07 April 2015.

Part I(1)

I. DISCLOSURE AND TRANSPARENCY

(a) Holding 5% shareholding or more

As of 30 September 2015

Shareholder	Number of Shares	Percent	Beneficial Owner
Asiacom Philippines, Inc.[1] (Asiacom)	158,515,016 (Voting Preferred)	54.42%	Asiacom Philippines, Inc. (Asiacom)
Singapore Telecom Int'l. Pte. Ltd.[2] (STI)	62,646,487 (Common)	21.51%	Singapore Telecom Int'l. Pte. Ltd. (STI)
Ayala Corporation[3] (AC)	40,351,591 (Common)	13.85%	Ayala Corporation (AC)
PCD Nominee Corp.[4]	28,929,489 (Common)	9.93%	PCD Participants[5]

[1] Asiacom Philippines, Inc. ("Asiacom") is a significant shareholder of the Company. As per the Asiacom By-laws and the Corporation Code, the Board of Directors of Asiacom has the power to decide how the Asiacom shares in Globe are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

[2] STI, a wholly-owned subsidiary of SingTel (Singapore Telecom), is a significant shareholder of the Company. As per its By-laws, STI, through its appointed corporate representatives, has the power to decide how the STI shares in Globe are to be voted.

[3] Ayala Corporation ("AC") is a significant shareholder of the Company. As per the AC By-laws & the Corporation Code, the Board of Directors of AC has the power to decide how AC shares in Globe are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

[4] The PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. and is not related to the Company.

[5] Each beneficial owner of shares through a PCD participant will be the beneficial owner to the extent of the number of shares in his account with the PCD participant. None of the 28,929,489 common shares registered in the name of PCD Nominee Corporation, both Filipino and Non-Filipino beneficially owns more than 5% of the Company's common shares.

As of 30 November 2015 ***(Capital stock refers to Common and Preferred shares)***

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Rebecca V. Eclipse**	-	18,915 (thru PCD)	0.01%I
Gil B. Genio**	-	51,838 (thru PCD)	0.02%I
Alberto M. de Larrazabal**	4,322	-	0.00%D
Marisalve Ciocson-Co	1,539	-	0.00%D
Solomon M. Hermosura	20	-	0.00%D
Bernard P. Llamzon	-	-	0.00%
Maria Aurora Sy-Manalang	179	-	0.00%D
Rosemarie Maniego-Eala	-	3	0.00%I
TOTAL			**0.03%**

***Voting Preferred Shares**

****Non-Voting Preferred Shares**

Part J(1)(c) and (2)(a)

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual Stockholders' Meetings

xxx

(c) Stockholders' Rights

xxx

Dividends

Declaration Date	Record Date	Payment Date
(Common Stock)		
06 November 2015	**24 November 2015**	**04 December 2015**
03 August 2015	**17 August 2015**	**02 September 2015**
12 May 2015	**26 May 2015**	**11 June 2015**
05 February 2015	**18 February 2015**	**04 March 2015**
11 November 2014	25 November 2014	11 December 2014
05 August 2014	19 August 2014	04 September 2014
10 February 2014	26 February 2014	20 March 2014
06 August 2013	22 August 2013	22 September 2013
05 February 2013	19 February 2013	12 March 2013
6 August 2012	28 August 2012	18 September 2012
10 February 2012	24 February 2012	16 March 2012
(Preferred Stock)		
06 November 2015	**24 November 2015**	**04 December 2015**
11 November 2014	25 November 2014	11 December 2014
08 November 2013	22 November 2013	08 December 2013
11 December 2012	27 December 2012	24 January 2012

xxx

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
As provided in Article VII of the Company's Revised Manual of Corporate Governance, on "Stockholders' Right and Protection of Minority Stockholders' Interest.	1. Shareholder Rights The Board shall be committed to respect the following rights of the stockholders: a) Voting Right Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation. b) Pre-emptive Right All stockholders have pre-emptive rights as set out in the Corporation Code and the Articles of Incorporation, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code. c) Right of Inspection Shareholders shall be allowed to inspect corporate books and records including minutes of Board meeting and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions. d) Right to Information Upon request and for a legitimate purpose, a shareholder shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their

	holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission. The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for and to those relating to matters for which the Management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access. e) Right to Dividends Shareholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct the Corporation to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation such as when there is a need for special reserve for probable contingencies. As a policy and as much as practicable, Globe shall

	observe a 30-day period for the payment of dividends to shareholders from the declaration date of such dividends. f) Appraisal Right In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances: i. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence: ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided In the Corporation Code and iii. In case of merger or consolidation. 2. Duty of Directors to promote shareholders rights - It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.
Article II, Section 1.3 of the By-Laws provides for the policy and procedure for the nomination of members of the Board, which includes minority shareholders.	"The Nominations shall be conducted as follows: 1.) Nomination of director/s, including independent directors, shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

	xxx 3.) xxx. The name of the person or group of persons who recommended the nomination of the directors, including independent directors, shall be identified in such report including any relationship with the nominee. xxx." The 2015 Notice and Agenda of the Annual Stockholders' Meeting (p. 3), under *Item 6. Election of Directors (Including the Independent Directors)*, provides that "in accordance with the By-Laws of the Corporation, the Manual of Corporate Governance and the SEC Rules, any stockholder including minority stockholders, may submit to the Nomination Committee the names of nominees to the Board of Directors…". Further, Globe's 2014 Definitive Information Statement (SEC Form 20-IS) states (p. 13) that the list of nominees for the Board of Directors, to be elected during the Annual Stockholders' Meeting on 07 April 2015, were submitted by a minority shareholder – Mr. Melchor A. Latina.

x xxx

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year 2015

2. Exact Name of Registrant as Specified in its Charter GLOBE TELECOM, INC.

3. METRO MANILA
Address of Principal Office

1634
Postal Code

32nd Street corner 7th Avenue, Bonifacio Global City, Taguig City
Business Address

4. SEC Identification Number 1177

5. [redacted] (SEC Use Only)
Industry Classification Code

6. BIR Tax Identification Number 050-000-768-480

7. (02).730-2000
Issuer's Telephone number, including area code

8. Former Address: Globe Telecom Plaza, Pioneer corner Madison Streets, Mandaluyong City, 1552
Former name or former address, if changed from the last report

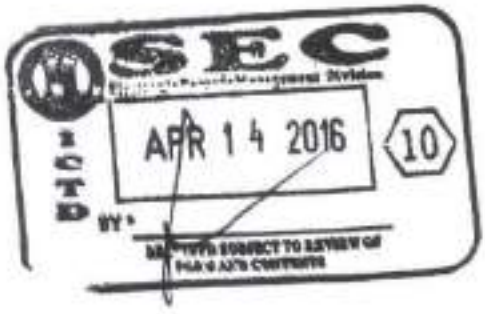


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A. BOARD MATTERS

1) Board of Directors (information as of 07 April 2015)

Number of Directors per Articles of Incorporation	11 (eleven)

Actual number of Directors for the year	11 (eleven)

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Information as of the 07 April 2015 Annual Stockholders' Meeting							
Director's Name	**Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]**	**If nominee, identify the principal**	**Nominator in the last election (if ID, state the relationship with the nominator)**	**Date first elected**	**Date last elected (if ID, state the number of years served as ID)[1]**	**Elected when (Annual/ Special Meeting)**	**No. of years served as director**
Jaime Augusto Zobel de Ayala	NED	Ayala Corporation	Melchor A. Latina	Mar. 1989	April 07, 2015	Annual Meeting	26 years, 1 month
Delfin L. Lazaro	NED	Asiacom Philippines, Inc.	Melchor A. Latina	Jan. 1997	April 07, 2015	Annual Meeting	18 years, 3 months
Mark Chong Chin Kok*	NED	Singapore Telecom Int'l. Pte. Ltd.	Melchor A. Latina	Oct. 2009; Apr. 2013	April 07, 2015	Annual Meeting	1 year; 2 years, 11months
Fernando Zobel de Ayala	NED	Ayala Corporation	Melchor A. Latina	Oct. 1995	April 07, 2015	Annual Meeting	19 years, 6 months
Gerardo C. Abalaza, Jr.	NED	Asiacom Philippines, Inc.	Melchor A. Latina	Jun. 1997	April 07, 2015	Annual Meeting	17 years, 10months
Romeo L. Bernardo	NED	Asiacom Philippines, Inc.	Melchor A. Latina	Sept. 2001	April 07, 2015	Annual Meeting	13 years, 7 months
Samba Natarajan*	NED	Singapore Telecom Int'l. Pte. Ltd.	Melchor A. Latina	-	April 07, 2015	Annual Meeting	-
Manuel A. Pacis*	ID	-	Melchor A. Latina**	Apr. 2011	April 07, 2015*	Annual Meeting	4 years
Rex Ma. A. Mendoza*	ID	-	Melchor A. Latina**	Apr. 2014	April 07, 2015*	Annual Meeting	1 year
Saw Phaik Hwa*	ID	-	Melchor A. Latina**	-	April 07, 2015*	Annual Meeting	-
Ernest L. Cu	ED	Asiacom Philippines, Inc.	Melchor A. Latina	Apr. 2009	April 07, 2015	Annual Meeting	6 years

*The Directors served as Globe's directors for more than five years except for (a) Manuel A. Pacis, who has been an Independent Director since April 2011 – 4 years of service as ID of Globe; (b) Mark Chong Chin Kok, who was a Director for 1 year from 06 October 2009 to 09 October 2010, and elected as Director again at the ASM on 16 April 2013 – 2 years and 11 months of service as Director of Globe; (c) Rex Ma. A. Mendoza, who was elected as Independent Director at the ASM on 08 April 2014 – 1 year of service as ID of Globe; (d) Samba Natarajan, who was elected for the first time at the 2015 ASM; and

[1] Reckoned from the election immediately following January 02, 2012.

(e) Saw Phaik Hwa, who likewise was elected for the first time as an Independent Director.
**Mr. Melchor A. Latina is not related to any of the nominees.

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

Globe Telecom recognizes the importance of good governance in realizing its vision, carrying out its mission, and living out its values to create value for all its stakeholders. The impact of global conditions and challenges further underscores the need to uphold the company's high standards of corporate governance to strengthen its structures and processes.

As strong advocates of accountability, transparency and integrity in all aspects of the business, the Board of Directors, management, officers, and employees of Globe commit themselves to the principles and best practices of governance in the attainment of its corporate goals.

Globe Telecom's corporate governance practices are principally contained in the company's Articles of Incorporation and By-Laws, complemented by the Manual of Corporate Governance. Globe is in full compliance with the Code of Corporate Governance and all listing rules of the Philippine Stock Exchange (PSE) and regulations adopted by the Securities and Exchange Commission (SEC). Globe also adopts the ASEAN Corporate Governance Scorecard (ACGS) to raise its corporate governance standards and practices.

The Company's Articles of Incorporation and By-Laws maintain the basic structure of corporate governance while the Manual for Corporate Governance acts as its supplement. These legal documents are the core of the Company's operational framework to its smallest detail including the principal duties of the members of the Board with emphasis on the composition and balance of the Board, for a diverse pool of skills and background which ensures that duties and responsibilities are performed in a proper manner despite an increasingly competitive environment.

Globe Telecom established its Manual of Corporate Governance that is in line and compliant with the regulations implemented by the Securities and Exchange Commission (SEC). Article VII thereof laid down the Company's commitment to respect and promote stakeholders' rights and protect minority stockholders' interest. Specifically, Art. VII (2) of the Revised Manual of Corporate Governance provides: "It is the duty of the directors to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights."

In addition, Globe Telecom has implemented a Code of Conduct, Conflict of Interests and Whistleblower Policy. Formal policies on Unethical, Corrupt and Other Prohibited Practices were put in effect to guard against unbecoming activities and serve as a guide to work performance, dealings with employees, customers and suppliers, and managing assets, records and information including the proper reporting, handling of complaints and fraudulent reports and whistleblowers. These policies cover employees, management and members of the Board. These documents are the key to the balance of control and governance at Globe Telecom.

Finally, on disclosure policies, Globe Telecom recognizes the importance of regular communication with its investors, and is committed to high standards of disclosure, transparency, and accountability. The Company aims to provide a fair, accurate, and meaningful assessment of the Company's financial performance and prospects through the annual report, quarterly financial reports, and analyst presentations. In addition, any material, market-sensitive information such as dividend declarations are also disclosed to the SEC and PSE, as well as released through various media including press releases and Company website posting.

(c) How often does the Board review and approve the vision and mission?

The Company's Mission and Vision are regularly reviewed to ensure continued relevance

thereof and enable the Company to make a difference in the lives of the customers served. The Company's Mission and Vision are embodied in the "Globe Way", which was crafted in Y2010. In 2013, Globe updated its mission, vision and values to reinforce its commitment to customers and other stakeholders. The Board further reviewed these in the last financial year.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jaime Augusto Zobel de Ayala	Ayala Corporation Asiacom Philippines, Inc.	Executive/Chairman Non-Executive/Chairman
Fernando Zobel de Ayala	Ayala Corporation Asiacom Philippines, Inc.	Executive Non-Executive
Ernest L. Cu	Innove Communications, Inc. GTI Business Holdings, Inc. G-Xchange, Inc. Kickstart Ventures, Inc. BPI Globe Banko, Inc., A Savings Bank Asiacom Philippines, Inc. Bridge Mobile Pte Ltd. Asticom Technology, Inc.	Non-Executive/Chairman Non-Executive/Chairman Non-Executive/Chairman Non-Executive Non-Executive/Vice-Chairman Non-Executive Non-Executive Non-Executive/Chairman
Delfin L. Lazaro	Ayala Corporation Asiacom Philippines, Inc. BPI Globe BanKO, Inc., A Savings Bank	Non-Executive Non-Executive/Vice-Chairman Non-Executive
Gerardo C. Ablaza, Jr.	Asiacom Philippines, Inc.	Non-Executive
Romeo L. Bernardo	BPI Globe BanKO, Inc., A Savings Bank	Independent

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jaime Augusto Zobel de Ayala	Bank of the Philippine Islands Integrated Micro-Electronics, Inc. Manila Water Company, Inc. Ayala Land, Inc.	Non-Executive/Chairman Non-Executive/Chairman Non-Executive Non-Executive
Gerardo C. Ablaza, Jr.	Manila Water Company, Inc.	Executive
Romeo L. Bernardo	Bank of the Philippine Islands Aboitiz Power Corporation RFM Corporation	Independent Independent Non-Executive
Delfin L. Lazaro	Integrated Micro-Electronics, Inc. Manila Water Company, Inc.	Non-Executive Non-Executive

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Ayala Land, Inc.	Non-Executive
Fernando Zobel de Ayala	Bank of the Philippine Islands Integrated Micro-Electronics, Inc. Manila Water Company, Inc. Ayala Land, Inc.	Non-Executive Non-Executive Non-Executive/Chairman Non-Executive/Chairman
Saw Phaik Hwa (as indicated in the 2014 DIS)	Auric Pacific Group Limited *(resigning effective 1 May 2015)** Hour Glass Limited* **listed on the Singapore Stock Exchange*	Executive Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jaime Augusto Zobel de Ayala	Ayala Corporation Asiacom Philippines, Inc.	Director/Chairman & CEO Director/Chairman
Gerardo C. Ablaza, Jr.	Ayala Corporation Asiacom Philippines, Inc.	Senior Managing Director Director
Mark Chong Chin Kok	Singapore Telecom Int'l. Pte. Ltd.	CEO, International, Group Consumer
Samba Natarajan	Singapore Telecom Int'l. Pte. Ltd.	Managing Director, Digital Enterprise – Singtel Ltd.
Delfin L. Lazaro	Ayala Corporation Asiacom Philippines, Inc. BPI Globe BanKO, Inc., A Savings Bank	Director Director/President Director
Ernest L. Cu	Ayala Corporation Asiacom Philippines, Inc. Innove Communications, Inc. GTI Business Holdings, Inc. G-Xchange, Inc. Kickstart Ventures, Inc. BPI Globe BanKO, Inc., A Savings Bank	ManCom Member Director Director/Chairman Director/Chairman Director/Chairman Director Director/Vice-Chairman
Fernando Zobel de Ayala	Ayala Corporation Asiacom Philippines, Inc.	Director/Vice-Chairman, President and COO Director
Romeo L. Bernardo	BPI Globe BanKO, Inc., A Savings Bank	Independent Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	*Please see explanation below.	
Non-Executive Director		

CEO	

**None of Globe's directors serve in more than five (5) publicly-listed companies. Globe's executive director, Mr. Ernest L. Cu, also does not serve as director or officer in any other publicly-listed company. Furthermore, Article II (1.6) of the Company's Revised Manual of Corporate Governance provides:*

"1.6 Policy on Multiple Board Seats

a. The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock Corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards, but in no case shall any executive director serve as such on more than two (2) boards of publicly-listed companies outside the group. A similar limit may apply to independent or non-executive directors who, at the same time serve as full-time executives in other Corporations. In any case the capacity of directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

b. Any limitation in the number of directorships outside of Globe Telecom shall not include directorships in the Corporation's subsidiaries, affiliates, parent Corporation, and affiliates and subsidiaries of the parent Corporation.

c. Independent/non-executive directors shall not hold more than five (5) concurrent Board directorships in publicly-listed companies."

(e) Shareholding in the Company
(as of 31 December 2015 as disclosed in the Public Ownership Report and 2015 ASR)

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company. For full disclosure, this table shall reflect all classes of shares of the company (Common, Voting Preferred, Non-Voting Preferred). Reference to capital stock shall only include the total Common shares (132,742,767):

Name of Director	Number of Direct shares	Number of Indirect Shares / Through (name of record owner)	% of Capital Stock
Jaime Augusto Zobel de Ayala	2	1 (thru AC as nominee share)	0.0000%D 0.0000%I
Delfin L. Lazaro	1	-	0.00%D
Mark Chong Chin Kok	-	2 (thru STI as nominee share)	0.0000%I
Fernando Zobel de Ayala	-	1 (thru AC as nominee share)	0.0000%I
Gerardo C. Ablaza, Jr.	22,741	38,973 (thru PCD) 1 (thru AC as nominee share)	0.0171%D 0.0294%I 0.0000%I
Romeo L. Bernardo*	-	500 (thru PCD)	0.0004%I
Samba Natarajan	2	-	0.0000%
Manuel A. Pacis*	-	100 (thru PCD)	0.0001%I
Rex Ma. A. Mendoza*	-	-	-

Saw Phaik Hwa*	-	-	-
Ernest L. Cu*	65,255	1,000 (thru PCD)	0.0492%D 0.0008%I
TOTAL			**0.0969%**

* Holders of Voting Preferred Shares
Note: Mr. Lazaro and Mr. Cu are also holders of non-voting preferred shares.

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [√] No [ ]

Identify the Chair and CEO:

Chairman of the Board	Jaime Augusto Zobel de Ayala
CEO/President	Ernest L. Cu

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	**Chief Executive Officer**
Role	- Preside at all meetings of the Board and render advice and counsel to the President/CEO; - schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation's operations; - prepare the meeting agenda in consultation with the President/CEO; - Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board.	- Internal control mechanisms for Management's operational responsibility shall center on the CEO. - General supervision of the business, affairs, and property of the Corporation, and over its employees and officers.
Accountabilities	- As provided in Article III (2) a) of the Revised Manual of Corporate Governance, hereto attached as Annex "A"; - Assist in ensuring compliance with the Corporation's guidelines on corporate governance.	- Accountable for the Corporation's organizational and procedural controls. - See that all orders and resolutions of the Board of Directors are carried into effect. - Article III (1)(a) of the Revised Manual of the Corporate Governance provides: "Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic

		strategies for achieving these targets. It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with it strategy and the business goals of the Corporation; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation."
Deliverables	- As provided in Article III (2) a) of the Revised Manual of Corporate Governance, hereto attached as Annex "A"; - Such other responsibilities as the Board of Directors may impose.	- Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and state of its affairs. - Report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be bought to the attention of the Board. - Such other responsibilities as the Board of Directors may impose.

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Performance and careers of key talent are planned at line leader level. Performance calibration and talent reviews happen at the group Mancom level. Opportunity matching sessions are held at the corporate level that allow identified successors to rotate jobs, go through the iLeadGlobe development and for their line leaders to sign a development agreement with the CEO committing to bringing the talent to a ready now state in succession.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. Globe's adoption of a Board Diversity Policy manifests and strengthens the Company's commitment to ensuring diversity of experience and background at the Board level. Globe values effective debate and discussion among its Board. As such, the Company recognizes that, among other skills and qualifications, diversity of perspectives is an important requisite to foster independence,

integrity, fair representation and a culture of professional openness at the Board level.[3] Globe believes that these are fundamental to achieving the full potential of efficient and effective performance by the Board in carrying out its duties and responsibilities in accordance with the objectives and vision of the Company. Therefore, no director or candidate for directorship shall be discriminated upon by reason of gender, age, disability, ethnicity, nationality or political, religious or cultural backgrounds. This is also included in the Company's Manual of Corporate Governance, which is available through the company website: (http://www.globe.com.ph/documents/50301/16764017/17C_Revised+Manual+of+Corporate+Governance_12May2015.pdf).

The Nomination Committee (NomCom) Charter provides that the NomCom "shall encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment to the formulation of sound corporate strategies and policies." Indeed, the current members of the Board have diverse expertise, professional experiences and background that enable thorough examination and deliberation of the issues and matters affecting the Company. The profiles of the directors are found in the "Board of Directors" section of the Company's Annual Report as well as in the "Board of Directors" section of the Company's corporate website: (http://www.globe.com.ph/corporate-governance/board-of-directors).

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. Article II, Section 1.2(b) of the Revised Manual of Corporate Governance provides, "a director of the Corporation shall have the college degree or its equivalent or adequate understanding of the telecommunication industry or sufficient experience and competence in managing a business to substitute for such formal education". Currently, Mr. Mark Chong Chin Kok has years of global telecommunications experience. Also, Mr. Gerardo C. Ablaza, Jr. was President/Chief Executive Officer of Globe Telecom, Inc. from April 1998 to April 2009.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	*Please see explanation below.		
Accountabilities			
Deliverables			

**The roles, accountabilities and deliverables of all the members of the Board of Directors as provided in Article II (1) 1.8-1.11 of the Revised Manual of Corporate Governance apply to all Executive, Non-executive or Independent Directors. However, Independent Directors are expected to maintain their independent judgment in carrying out the responsibilities of a director. The Executive Director, who is the President and CEO, in addition to his responsibilities as a Director, has general supervision of the business, affairs, and property of the Company, and over the officers and employees. Furthermore, the Executive Director shall see that all orders and resolutions of the Board of Directors are carried into effect.*

Provide the company's definition of "independence" and describe the company's compliance to the definition.

As provided in the Company's Manual of Corporate Governance, an Independent Director is a person independent from the Corporation, its management and major/substantial shareholders and free from any business or other relationship which could materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. The Company's independent directors, namely: Mr. Manuel A. Pacis, Mr. Rex Ma. A. Mendoza and Ms. Saw Phaik Hwa have no relation with the management or the

[3] 2009, ICGN Global Corporate Principles, Item 2.2 (b) and (c).

major/substantial shareholders of the Company, and have no business or other relationships with the Company.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes. As provided in Article II, Section 1.5(f-i) of the Company's Manual of Corporate Governance:

"f) Independent directors can serve as such for five (5) consecutive years;
g) After completion of the five-year service period, an Independent director shall be ineligible for election as such in the same company unless the Independent director has undergone a "cooling off" period of two (2) years, provided, that during such period, the Independent director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as such in the same company;
h) An Independent director re-elected as such in the same company after the "cooling off" period can serve for another four (4) consecutive years under the conditions mentioned in 1.5), g) above;
i) An Independent director can only serve as such for a total of nine (9) years from the date of first appointment, without prejudice to being elected as such in other companies outside of the business conglomerate, where applicable".

None of Globe's current independent directors have served the Company as such for five years[4] or more.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
There was no resignation, death, or removal of any member of the Board of Directors during the period.			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	*Please see explanation below.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-appointment		

[4] SEC Memorandum Circular No. 9, series of 2011 sets the term limit for independent directors, effective January 2, 2012. Mr. Pacis has served the Company as Independent Director for 3 years and 11 months, and remains qualified to serve the Company as such.

(i) Executive Directors	*Please see explanation below.
(ii) Non-Executive Directors	
(iii) Independent Directors	
c. Permanent Disqualification	
(i) Executive Directors	*Please see explanation below.
(ii) Non-Executive Directors	
(iii) Independent Directors	
d. Temporary Disqualification	
(i) Executive Directors	*Please see explanation below.
(ii) Non-Executive Directors	
(iii) Independent Directors	
e. Removal	
(i) Executive Directors	*Please see explanation below.
(ii) Non-Executive Directors	
(iii) Independent Directors	
f. Re-instatement	
(i) Executive Directors	*Please see explanation below.
(ii) Non-Executive Directors	
(iii) Independent Directors	
g. Suspension	
(i) Executive Directors	*Please see explanation below.
(ii) Non-Executive Directors	
(iii) Independent Directors	

**The procedure, process, and criteria for the selection/appointment and disqualification of the members of the Board of Directors are provided for in the Company's By-Laws and the Revised Manual of Corporate Governance (Article II). Such procedures, process and criteria apply to all Executive Director, Non-Executive Director and Independent Directors. The President (Executive Director) shall be chosen from among the Directors (Article III, Section 1 of the By-Laws).*

Article II, Section 5 of the By-Laws provides that:

> *"If any vacancy shall occur among the directors by reason of death, resignation, or for any other reason, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders entitled to vote, by ballot, at any meeting or adjourned meeting held during such vacancy, provided the notice of the meeting shall have mentioned such vacancy or expected vacancy. The stockholders entitled to vote at any such meeting may also, in case of like mention, accept the resignation of any director and fill the vacancy thereby caused for the unexpired terms. In case of a vacancy in the Board the remaining directors shall continue to act, but if at any time their number be reduced to less than four, the remaining directors shall forthwith fill the vacancies or call a special meeting of the stockholders entitled to vote for that purpose."*

Also, Article II, Section 1.3 of the By-Laws lays down the procedure for the nomination of the

directors, thus:

> *"The Corporation shall have a Nominations Committee which shall be composed of at least three (3) members, one of whom shall be an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nominations for director. The nominations for directors shall be properly disclosed in the corporation's information or proxy statement or such other reports required to be submitted to the Commission.*
>
> *The Nominations shall be conducted as follows:*
>
> 1. *Nomination of director/s, including independent directors, shall be conducted by the Committee prior to a stockholders meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.*
> 2. *The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.*
> 3. *After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for directors, including independent directors, as required under Part IV (A) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the directors, including independent directors, shall be identified in such report including any relationship with the nominee.*
> 4. *Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.*
>
> 5. *Election of Independent Director/s*
>   - *i. The conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the corporation or its by-laws.*
>   - *ii. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s are elected during the stockholders' meeting.*
>   - *iii. Specific slot/s for independent directors shall not be filled-up by unqualified nominees.*
>   - *iv. In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy."*

The qualification, disqualification, temporary disqualification of directors, as well as additional criteria for independent directors are stated in Article II, Sections 1.2, 1.3, 1.4, and 1.5 of the Revised Manual of Corporate Governance, which reads:

"1.2 Qualifications

A director of the Corporation shall have the following qualifications:

a) Ownership of at least one (1) share of the capital stock of the Corporation;

b) A college degree or its equivalent or adequate understanding of the telecommunication industry or sufficient experience and competence in managing a business to substitute for such formal education;

c) Relevant qualification, such as previous business experience, membership in good standing in the relevant industry, and membership in business and professional organizations.

d) Possess integrity, probity and shall be diligent and assiduous in the performance of his functions.

1.3 Disqualifications

The following persons are disqualified from being a director of the Corporation:

a) Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving the purchase or sale of securities, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment Corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (iii) any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Commission or any court or other administrative body of competent jurisdiction from; (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust Corporation, investment house, investment Corporation or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the Commission or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or under any rule or regulation promulgated by the Commission or Bangko Sentral ng Pilipinas, or otherwise restrained to engage in

any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;

c) Any person finally convicted judicially of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent acts or transgressions;

d) Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the Phil SEC, or any rule, regulation or order of the Commission or the Bangko Sentral ng Pilipinas or who has filed a materially false or misleading application, report or registration statement required by the Commission, or any rule, regulation or order of the Commission;

e) Any person judicially declared to be insolvent;

f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs; and

g) Any affiliated person who is ineligible, by reasons of paragraphs (a) to (e) hereof to serve or act in the capacities listed in those paragraphs;

h) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment;

i) Any person convicted by final and executory judgment by an appropriate court or body of a violation of the Public Service Act (CA 146) or under any law administered by the National Telecommunications Commission; and

j) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

i. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any Corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business in the Philippines which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation, or

ii. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially of 10% or more of any outstanding class of shares of, any other Corporation or entity in the

Philippines engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such persons membership in the Board of Directors; or

iii. If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (ii) or (iii)

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

1.4 Temporary Disqualification of Directors

The following are grounds for temporary disqualification of incumbent directors:

a) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.

b) Absence or non-participation for whatever reason(s) for more than Fifty Percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election.

c) Dismissal/ termination from directorship in another listed Corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.

d) Being under preventive suspension by the Corporation for any reason.

e) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

A temporarily disqualified director shall, within 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 Board shall consider a director's illness, death in the immediate family, or serious accident in determining whether absence from meetings shall or shall not be a ground for temporary disqualification under this section.

1.5 Independent directors

Independent directors shall <u>be independent of the Corporation, Management and major/substantial shareholders.</u> They shall hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. An Independent director shall, within ten (10) days from the time of his election or

appointment and/or re-election/re-appointment as a director, submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or controlling shareholder. Moreover, for purposes of compliance with the legal requirement on Independent directors –

a) Officers, executives and employees of the Corporation may be elected as directors but cannot and shall not be characterized as Independent directors.

b) If a director elected or appointed as an Independent director subsequently becomes an officer or employee of the Corporation, the Corporation shall forthwith cease to consider him as an Independent director.

c) If the beneficial security ownership of an Independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%), the Corporation shall forthwith cease to consider him as an Independent director.

d) A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent director after a two (2) year "cooling off" period.

e) Persons appointed as Chairman Emeritus, Ex-Officio Directors/Officer or members of any executive/Advisory Board or otherwise appointed in a capacity to assist the Board in the performance of its duties shall be subject to a one (1) year cooling-off period prior to his qualification as an Independent director."

Removal of Directors shall be in accordance with Section 28 of the Corporation Code, thus, "any director may be removed from office by a vote of the stockholders holding or representing two-thirds (2/3) of the outstanding capital stock. Provided, that such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the intention to propose such removal at the meeting. A special meeting of the stockholders for the purpose of removal of directors, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders by any stockholder of the corporation signing the demand. Notice of the time and place of such meeting, as well as the intention to propose such removal, must be given by publication or by written notice as prescribed by the Corporation Code. xxx. Removal may be with or without cause, provided that removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under Section 24 of the Corporation Code."

In addition to the Nomination Committee Charter and as needed, the Company may also use professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/commissioners.

Voting Result of the last Annual General Meeting *(held on 07 April 2015)*

Name of Director	Votes Received
Jaime Augusto Zobel de Ayala	280,059,323 (99.80%)
Mark Chong Chin Kok	280,200,424 (99.85%)
Gerardo C. Ablaza, Jr.	280,177,373 (99.84%)
Ernest L. Cu	280,357,119 (99.91%)

Fernando Zobel de Ayala	280,073,793 (99.80%)
Samba Natarajan	280,235,824 (99.86%)
Delfin L. Lazaro	280,206,479 (99.85%)
Romeo L. Bernardo	279,950,262 (99.76%)
Rex Ma. A. Mendoza (Independent Director)	280,423,536 (99.93%)
Saw Phaik Hwa (Independent Director)	280,457,094 (99.94%)
Manuel A. Pacis (Independent Director)	280,560,693 (99.98%)

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

1. *Corporate Governance Seminar Program conducted by Risks, Opportunities, Assessment and Management, Inc. (ROAM, Inc.) on September 15, 2015 – Mr. Samba Natarajan*
2. *Corporate Governance Orientation Program conducted by the Institute of Corporate Directors (ICD) on August 27, 2015 – Ms. Saw Phaik Hwa*
3. *For All Members of the Board of Directors, Senior Management and Key Officers – Corporate Governance Training Orientation Course conducted by the Ayala Group in partnership with the Institute of Corporate Directors (ICD) on February 18, 2015.*
4. *Corporate Governance Briefing conducted in July 2011 by SGV & Co, and was attended by Mr. Hui Weng Cheong and Mr. Tay Soo Meng;*
5. *Corporate Governance Session conducted by the Institute of Corporate Governance in May 2011, and was attended by Mr. Manuel A. Pacis.*

Courses and discussions taken up as part of the orientation program for new directors include, at the minimum, Globe's corporate documents (e.g., Manual of Corporate Governance, Code of Conduct, Committee Charters), Roles and Responsibilities of Directors, Globe's internal control systems and mechanisms, Globe's Risk Universe and Coverage, Globe ownership structure, Globe table of organization, Compliance with relevant SEC regulations on corporate governance and the ASEAN Corporate Governance Scorecard. The Company will continuously update and develop the course and relevant discussions in accordance with regional and international corporate governance trends as well as the SEC and PSE regulations and guidelines.

(b) State any in-house training and external courses attended by Directors and Senior Management[5] for the past three (3) years:

1. *Corporate Governance Seminar conducted by Risks, Opportunities, Assessment and Management, Inc. (ROAM, Inc.) on September 15, 2015 – Mr. Mark Chong Chin Kok*
2. *Rebecca V. Eclipse – Updates on Philippine Practices on Corporate Governance and Enterprise Risk Management by SGV & Co. on 14 July 2015.*
3. *For All Members of the Board of Directors – Telco Industry Trends, Risk & Opportunities conducted by James R. Sullivan (Director of ASEAN Research, JP Morgan Chase & Co.) on December 11, 2014*
4. *Executive Session among Board of Directors – Globe's Spectrum Strategy in December 2014*
5. *For Board of Directors and Key Officers – Distinguished Corporate Governance Speaker Series held on April 29, 2014*
6. *For All Members of the Board of Directors and Key Officers – Distinguished Corporate Governance Speaker Series held on August 19, 2014*
7. *For All Members of the Board of Directors, Senior Management and Key Officers – Corporate Governance Training Orientation Course conducted by the Ayala Group in partnership with the Institute of Corporate Directors (ICD) on February 18, 2015.*

[5] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

8. *For Executive Committee Members and Chairman of the Audit Committee – Executive Committee Strategy Workshop Part 1 held at Hotel Intercontinental Manila, Makati City on April 17, 2012.*
9. *For Executive Committee Members and Chairman of the Audit Committee – Executive Committee Strategy Workshop Part 2 held at Makati Shangri-la, Makati City on May 7, 2012.*
10. *Carmina J. Herbosa – Chief Audit Executive, Internal Controls – attended iLeadGlobe Executive Development Program, 2013.*
11. *Carmina J. Herbosa –Chief Audit Executive, Internal Controls - attended Corporate Governance training provided by Institute of Corporate Directors (ICD) on March 2012.*
    – Attended Corporate Governance and Anti-Money Laundering Act Seminar conducted by Philippine Securities Consultancy Corporation (PHILSECC) on February 27, 2012 at Dusit Thani Hotel, Makati City.
12. *Bernie Llamzon – Senior Vice President, Consumer Sales – attended the iLeadGlobe Executive Development Program, 2012.*
13. *Atty. V. Froilan M. Castelo – General Legal Counsel, Corporate and Legal Services Group – Attended Mandatory Continuing Legal Education in October 2012.*

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Jaime Augusto Zobel de Ayala	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Fernando Zobel de Ayala	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Gerardo C. Ablaza, Jr.	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Delfin L. Lazaro	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Rex Ma. A. Mendoza	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Manuel A. Pacis	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Solomon M. Hermosura	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)

Ernest L. Cu	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Alberto M. de Larrazabal	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Henry Rhoel R. Aguda	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Vincent Froilan M. Castelo	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Gil B. Genio	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Carmina J. Herbosa	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Marisalve Ciocson-Co	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Renato M. Jiao	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)
Bernard P. Llamzon	February 18, 2015	Corporate Governance Training Program: Orientation Course for Corporate Governance	Ayala Group in partnership with the Institute of Corporate Directors (ICD)

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	*Please see explanation below.		
(b) Conduct of Business and Fair Dealings	*Please see explanation below.		
(c) Receipt of gifts from third parties	*Please see explanation below.		
(d) Compliance with Laws & Regulations	*Please see explanation below.		
(e) Respect for Trade Secrets/Use of Non-public Information	*Please see explanation below.		
(f) Use of Company Funds, Assets and Information	*Please see explanation below.		
(g) Employment & Labor Laws & Policies	*Please see explanation below.		
(h) Disciplinary action	*Please see explanation below.		
(i) Whistle Blower	*Please see explanation below.		
(j) Conflict Resolution	*Please see explanation below.		

**The "Employee Handbook on Code of Conduct", hereto attached as Annex "B", contains the Company's policies on the business conduct or ethics affecting directors, senior management and employees. The same are also disclosed through the company website, which dedicates Sections specifically for Company Policies (http://www.globe.com.ph/corporate-governance/company-policies/) and other such policies and procedures in relation to the Company's Stakeholders (http://www.globe.com.ph/corporate-governance/stakeholders). The policies apply to all regular employees, officers and directors of Globe and Subsidiaries, including consultants/project hires seconded to or engaged on a full time basis by Globe although not considered as Globe regular employee.*

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes. Directors, Senior Management and employees were provided with the "Employee Handbook on Code of Conduct", which was part of the orientation kit. All directors, senior management, and employees had been provided with the booklet since its release in August 2007. Further, our Human Resources Group regularly releases reminders and announcements related to the Code of Conduct.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The maintenance of order and discipline is basically a line management responsibility. Thus, enforcement of rules, including the conduct of disciplinary proceedings, is a line management function. In performing this function, line management is assisted by Human Resources Group,

Internal Audit, Corporate and Legal Services Group and/or Security as may be warranted by the circumstances of each case.

Disciplinary proceedings or administrative investigations shall be summary in nature. The rules of procedure and evidence as applied in judicial proceedings shall not be controlling. The Company shall use all reasonable means to ascertain the facts in each case speedily and objectively, all in the interest of due process.

Further, to insure adherence to corporate principles and best practices, a Compliance Officer was designated by the Board of Directors. One of the functions of the Compliance Officer is to determine violations of the Revised Manual of Corporate Governance (Manual), which includes violations of the Code of Conduct, and create a system for according due notice and hearing, or due process in dealing with violations of the Manual.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	*Please see explanation below.
(2) Joint Ventures	*Please see explanation below.
(3) Subsidiaries	*Please see explanation below.
(4) Entities Under Common Control	*Please see explanation below.
(5) Substantial Stockholders	*Please see explanation below.
(6) Officers including spouse/children/siblings/parents	*Please see explanation below.
(7) Directors including spouse/children/siblings/parents	*Please see explanation below.
(8) Interlocking director relationship of Board of Directors	*Please see explanation below.

**The Related Party Transactions (RPTs) Policy, Procedures and disclosures thereof are hereto attached as Annex "C". The policy and its procedures apply to all regular employees, officers and directors of Globe and its Subsidiaries, including consultants/project hires seconded to or engaged on a full time basis by Globe although not considered as Globe regular employee.*

Parties are considered to be related to Globe Group if it has the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plan which are for the benefit of employees of the Group or any entity that is a related party of the Group.

The Globe Group, in their regular conduct of business, enter into transactions with their major stockholders, AC and STI, venturers and certain related parties. These transactions are accounted for at market prices normally charged to unaffiliated customers for similar goods and services.

Significant related party transactions (RPTs) are submitted to the Board of Directors for approval, upon the review and endorsement by all independent directors.

Globe discloses, reviews, and approves related party transactions, in accordance with the principles of transparency and fairness, to ensure that they are at arm's length, the terms are fair, and they will inure to the best interest of the company and its subsidiaries or affiliates and their shareholders. The RPTs are disclosed in the company's financial statements, annual reports, and other applicable filings in accordance with the relevant rules and issuance of the Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE) and other applicable regulatory bodies. The disclosure includes, but is not limited to, the name of the related party, relationship with the company for each RPT, the nature, and value for each RPT. Such disclosure is also made publicly-available by the company, for the benefit of all shareholders and other stakeholders, through the company website and such other media channels as applicable.

Rights of minority shareholders are protected at all times, especially from abusive actions by, or in the interest of controlling shareholders. Globe ensures that its policies and processes cater to the best interest of all its shareholders, including minority shareholders, and other stakeholders. As such, all transactions including related-party transactions that require shareholders' approval are submitted to all shareholders, including minority shareholders, for approval.

Shareholders, including minority shareholders and other stakeholders, are provided with proper guidelines and procedures for right of action and remedies that are readily accessible in order to redress the conduct of the company (e.g., Facebook page, Twitter account, E-mail account, and Hotline numbers), as necessary.

As a company policy, the independent directors form the independent committee tasked to review and monitor material RPTs to ensure the best interest of the company, its shareholders, and all other stakeholders, and that the RPTs are executed with fair and transparent terms prior to endorsement to the Board for approval.

Non-compliance with any of the provisions of the policy on RPT shall result in the nullification of any agreement or contract involved in the execution of the RPT. A director, officer, employee, or related party is subject to the corresponding procedures and penalties under the company's Code of Conduct and relevant laws, as applicable.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	There was no identified actual or probable conflict of interest to which any director may be involved.
Name of Officer/s	There was no identified actual or probable conflict of interest to which any officer may be involved.
Name of Significant Shareholders	Please see "Related Party Transactions", Annex "C", hereto attached for reference, as reported in the Company's Annual Report, SEC Form 17-A and SEC Form 20-IS.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	*Please see explanation below.
Group	*Please see explanation below.

**Globe's Employee Handbook on Code of Conduct (pp. 31-32; 77-81) dedicates a section on "Conflict of Interest", which provides that directors and officers/employees, including potential employees, project hires or consultants, are required to accomplish the "Related Party Disclosure Form" and to voluntarily disclose any conflict of interest that may arise after the submission of the disclosure. The Form is also accomplished on an annual basis, every January of the year. The Handbook also contains a section on "Whistleblower Reporting" (pp. 37-39), which identifies the process for and various channels available to whistleblowers. Article 18 of the Code of Conduct (pp. 50-51) identifies the scenarios and circumstance that can be considered as "conflict of interest". The scope, definition, policies, guidelines and procedures on the matter are further elaborated in a section of the Code of Conduct (pp. 77-81).*

As regards significant shareholders, the Globe Group, in their regular conduct of business, enter into transactions with their major stockholders, AC and STI, venturers and certain related parties. These transactions are accounted for at market prices normally charged to unaffiliated customers for similar goods and services. Section 2.5 of the Executive Committee Charter provides that the Executive Committee shall be responsible for conducting initial reviews of possible conflict of interest of directors and officers of the Corporation and making recommendations for the disposition thereof, for the approval of the board. To ensure the best interest of company, its shareholders and all other stakeholders, and that the related party transactions (RPTs) are executed with fair and transparent terms, only Independent Directors form the independent Committee that is tasked with the review and monitoring of these material transactions. Also, as stated in Globe's RPTS Policy, any member of this Committee who has an interest in the RPT under review shall be prohibited from participating in the discussion and from voting thereon. A director, who has an interest in the RPT, must declare and divulge in writing to the Corporation's Compliance Officer his/her involvement in the RPT.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[6] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
*Please see explanation below.		

**The Company has no existing commercial, contractual or business relation with the family of the significant shareholders of the Company.*

[6] Family relationship up to the fourth civil degree either by consanguinity or affinity.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
*Please see Annex "C", hereto attached for reference, on the existing commercial, contractual or business relationship between the Company and significant shareholders.		

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

None.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None.		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	Stockholder concerns/complaints are coursed through the Investor Relations Division of the Company, which is tasked to implement investor relations programs that reach out to all shareholders.
Corporation & Third Parties	Through the Company's Vendor Management Team and Customer Experience (CXP) Team.
Corporation & Regulatory Authorities	In accordance with the existing alternative dispute resolution of the regulatory authority.

C. BOARD MEETINGS & ATTENDANCE

(for the year ended 31 December 2015 as disclosed to SEC, PSE and PDEx, and in our ASR)

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Board meetings are scheduled at the beginning of the year and posted on the company website in the section dedicated to "Board of Directors" matters. Please refer to the "Board of Directors" section of the company website.
(http://www.globe.com.ph/corporate-governance/board-of-directors/meetings)

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Jaime Augusto Zobel de Ayala	April 07, 2015	7	7	100%
Co-Vice Chairman	Gerardo C. Ablaza, Jr.	April 07, 2015	7	5	71%
Co-Vice Chairman	Mark Chong Chin Kok	April 07, 2015	7	7	100%
Member	Ernest L. Cu	April 07, 2015	7	7	100%
Member	Fernando Zobel de Ayala	April 07, 2015	7	7	100%
Member	Romeo L. Bernardo	April 07, 2015	7	7	100%
Member	Delfin L. Lazaro	April 07, 2015	7	7	100%
Member	Samba Natarajan*	April 07, 2015	6	6	100%
Independent	Manuel L. Pacis	April 07, 2015	7	7	100%
Independent	Rex Ma. A. Mendoza	April 07, 2015	7	7	100%
Independent	Saw Phaik Hwa*	April 07, 2015	6	6	100%

* Mr. Samba Natarajan and Ms. Saw Phaik Hwa were elected as Directors for the first time on April 07, 2015.

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Yes. Globe Telecom's only executive director is Mr. Ernest L. Cu, who is also Globe's President and Chief Executive Officer (CEO). Mr. Cu is not part of any Board Committee created by the Board of Directors, except the Executive Committee. Globe has five (5) Board Committees which are the Executive, Audit, Compensation and Remuneration, Nomination and Finance Committees. Mr. Cu is not part of the composition of any of these committees, except the Executive Committee, hence does not attend their meetings.

In 2015, Globe's Board Committees met a total of thirty-two (32) times: Executive – 11, Audit – 5, Compensation and Remuneration – 4, Nomination – 3 and Finance – 9, none of which Mr. Cu attended or participated in except for the Executive Committee.

Total Meetings	***Board Committee***	***Members***	***Present***	***Absent***
9	*Executive*	*Jaime Augusto Zobel de Ayala*	*9*	-
		Mark Chong Chin Kok	*8*	*1*
		Gerardo C. Ablaza, Jr.	*6*	*3*
		Ernest L. Cu	*9*	-
		Samba Natarajan[1]	*6*	*1*
5	*Audit*	*Manuel A. Pacis*	*5*	-
		Saw Phaik Hwa[2]	*4*	-
		Rex Ma. A. Mendoza[3]	*4*	-
		Romeo L. Bernardo[4]	*1*	-

2	Compensation and Remuneration	Rex Ma. A. Mendoza Fernando Zobel de Ayala[5] Mark Chong Chin Kok Romeo L. Bernardo Gerardo C. Ablaza, Jr. [5]	2 1 2 2 1	- - - - -
3	Nomination Committee	Rex Ma. A. Mendoza[3] Mark Chong Chin Kok Gerardo C. Ablaza, Jr. Romeo L. Bernardo	3 3 2 3	- - 1 -
5	Finance Committee	Delfin L. Lazaro Romeo L. Bernardo Fernando Zobel de Ayala Samba Natarajan[1]	5 5 4 4	- - 1 -

[1]Mr. Samba Natarajan was elected Member on 07 April 2015
[2]Ms. Saw Phaik Hwa was elected as Member on 07 April 2015
[3]Mr. Rex Ma. A. Mendoza was elected Member on 07 April 2015
[4]Mr. Romeo L. Bernardo served as Member until 07 April 2015
[5]Mr. Fernando Zobel de Ayala was appointed Member of the Compensation and Remuneration Committee on 07 April 2015 and replaced Mr. Gerardo C. Ablaza, Jr. in the said Committee

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. Under the Company's By-Laws, "a majority of the directors shall constitute a quorum for the transaction of corporate business, and every decision of a majority of the quorum duly assembled as a board shall be valid as a corporate act".

5) Access to Information

(a) How many days in advance are board papers[7] for board of directors meetings provided to the board?

As a Company policy, Board of Directors are provided with board papers seven (7) business days in advance of the board meetings.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes. Management reports to the Board and the Board has access to the Corporate Secretary who acts as adviser to directors regarding their responsibilities and obligations, and oversees the flow of information prior to meetings.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Article 3, Section 7 of the By-Laws states:

"The Secretary shall keep the minutes of all meetings of the stockholders, of the Board of Directors, and of all committees in a book or books kept for that

[7] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

purpose and shall furnish a copy of all such minutes to the President of the Company. In addition to the foregoing, the Secretary shall perform such other duties as the Board of Directors may from time to time direct. He shall keep in safe custody the seal of the company, and when authorized by the Board of Directors, he shall fix such seal to any instrument requiring the same. The corporate seal of the company so affixed shall be attested by the signature of the Secretary or an assistant secretary. The Secretary shall have charge of the stock certificate book and such other books and papers as the Board may direct. He shall attend to the giving and serving of all notices, and he shall have such other powers and perform such other duties as pertain to his office or as the Board of Directors may from time to time prescribe. In the absence of the Secretary or his inability to act, the Assistant Secretary designated by the Board of Directors shall have all the foregoing powers and duties."

Also, Art. III (2) (f) of the Revised Manual of Corporate Governance provides:

"The Corporate Secretary shall have the following functions:

- *i. serve as an adviser to the directors on their responsibilities and obligations;*
- *ii. keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President/CEO and other members of the Board as appropriate;*
- *iii. keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;*
- *iv. have charge of the stock certificate book and such other books and papers as the Board may direct;*
- *v. attend to the giving and serving of notices of Board and shareholder meetings;*
- *vi. be fully informed and be part of the scheduling process of other activities of the Board;*
- *vii. prepare an annual schedule of Board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;*
- *viii. oversee the adequate flow of information to the Board prior to meetings; and*
- *ix. ensure fulfillment of disclosure requirements to the Securities and Exchange Commission and the Philippine Stock Exchange; and*
- *x. Work fairly and objectively with the Board, Management, stockholders and other stakeholders."*

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. The Corporate Secretary, Atty. Solomon H. Hermosura, graduated valedictorian with Bachelor of laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations. He is the General Counsel, Corporate Secretary and Compliance Officer of Ayala Corporation, and the CEO of Ayala Group Legal. He also serves as Corporate Secretary of Ayala Land, Inc., Manila Water Company, Inc., Ayala Foundation, Inc., and a number of other companies in the Ayala Group.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get

information necessary to be able to prepare in advance for the meetings of different committees:

Yes [√] No [ ]

Committee	Details of the procedures
Executive	Please see Executive Committee Charter, hereto attached as Annex "D"
Audit	Please see Audit Committee Charter, hereto attached as Annex "E"
Nomination	Please see Nomination Committee Charter, hereto attached as Annex "F"
Compensation and Remuneration	Please see Compensation and Remuneration Committee Charter, hereto attached as Annex "G"
Finance	Please see Finance Committee Charter, hereto attached as Annex "H"

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
*Please see explanation below.	

**Article II (2.7) of the Revised Manual of Corporate Governance provides that "the Corporation shall, as appropriate, provide directors, including Independent directors, with technical support staff to assist them in performing their duties for such committees. Directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. The Corporation shall cover the reasonable expenses of providing such support."*

When necessary, Globe Telecom seeks external technical support to aid its Management and Board of Directors in the performance of their duties and responsibilities including risk management. (Source: 2015 Annual and Sustainability Report – "Risk Management", p. 65)

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
*Please see explanation below.		

**There were no changes in the Company's existing policy that would have an impact on the business of the Company during the most recent term of the Board of Directors.*

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on the value of the role, talent, and the prevailing market rates. The Year-on-Year increases are determined by individual performances, prevailing market rates on annual salary increases, pay positioning, economic indicators, and Company's financial capability.	
(2) Variable remuneration	Determined by attainment of corporate and business targets and individual performance.	
(3) Per diem allowance	Actual reasonable expense during an official business travel.	
(4) Bonus	Guaranteed bonuses are part of the Fixed Remuneration.	
(5) Stock Options and other financial instruments	Based on company performance, individual performance, the company's financial capability and retention objectives.	
(6) Others (specify) Benefit offerings i.e. car/health	Dependent on market trends/rates, Company's financial capability, competitiveness of the Company's overall package.	

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Remuneration/Compensation is similar to regular employees.	Please see answer in D.1.	Please see answer in D.1; Executive Directors do not receive per-diem remuneration for his role as executive director.
Non-Executive Directors	Article II, Section 6 of the By-Laws provides: "Directors as such may receive, pursuant to a resolution of the stockholders, fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors". (As amended on 12 April 2011)	-	The per diem remuneration of Php100,000.00 for non-Executive Directors for every board meeting and stockholders' meeting actually attended has been increased to Php200,000.00 as approved by the stockholders

			during its meeting on April 08, 2014. Per diem remuneration for committee meetings actually attended remains at Php100,000.00.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
The per diem remuneration of Php100,000.00 for non-Executive Directors for every board meeting and stockholders' meeting actually attended has been increased to Php200,000.00	As approved by the Stockholders during their Annual Meeting on April 08, 2014.
Article II, Section 6 of the By-Laws provides: "Directors as such may receive, pursuant to a resolution of the stockholders, fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors". (As amended on 12 April 2011)	Amendment of Article II Section 6 of the By-Laws was approved by the Stockholders on April 12, 2011.
Fixing the per diem remuneration of Php100,000.00 for non-Executive Director for every meeting actually attended as a Director or as a member of a Committee	As approved by the Stockholders in 2003.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	-	PhP17.9M	PhP5.8M
(b) Variable Remuneration	-	N/A	N/A
(c) Per diem Allowance	-	N/A	N/A
(d) Bonuses	-	N/A	N/A
(e) Stock Options and/or other financial instruments	-	5,000 (ESOP, unexercised)	-
(f) Others (Specify)	-	N/A	N/A
Total	**Cannot be valued at this time because of the unexercised stock option.**		

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	-	N/A	N/A
2) Credit granted	-	N/A	N/A
3) Pension Plan/s Contributions	-	N/A	N/A
(d) Pension Plans, Obligations incurred	-	N/A	N/A
(e) Life Insurance Premium	-	N/A	N/A
(f) Hospitalization Plan	-	N/A	N/A
(g) Car Plan	-	N/A	N/A
(h) Others (Specify)	-	N/A	N/A
Total	-	N/A	N/A

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Jaime Augusto Zobel de Ayala	0		0	-
Mark Chong Chin Kok	-		-	-
Gerardo C. Ablaza, Jr.	-		-	-
Ernest L. Cu	0		0	-
Fernando Zobel de Ayala	0		0	-
Samba Natarajan	-		-	-
Delfin L. Lazaro	-		-	-
Romeo L. Bernardo	5,000		5,000	-
Rex Ma. A. Mendoza (independent)	-		-	-
Saw Phaik Hwa (independent)	-		-	-
Manuel A. Pacis (independent)	-		-	-

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of

		Stockholders' Approval
There were no amendments or discontinuation of any incentive program during the year.		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Gil B. Genio – Chief Operating Officer for Business and International Markets, Chief Strategy Officer, and President, Innove Communications, Inc.	Php115M
Rebecca V. Eclipse – Chief Customer Experience Officer	
Alberto M. de Larrazabal – Chief Finance Officer and Chief Risk Officer	
Renato M. Jiao – Chief Human Resource Officer	
Bernard P. Llamzon – EVP, Consumer Sales	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities (as of April 07, 2015)

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	4	0	Please see Annex "D"	As delegated by the Board subject to certain limitations, the Executive Committee provides management sound guidance and advice, policies and strategic guidelines and periodically evaluate and monitor implementation of the strategies that the Board has approved. *The Executive Committee has oversight on corporate strategic risks, technology and operational risk management, putting in place the infrastructure for risk management systems that assess risks on an integrated cross-functional approach, reviews and assess the adequacy of Globe Telecom's strategic, technology, and operational risk management processes, jointly with Management.*		
Audit	0	0	3	Please see Annex "E"	It supports corporate governance of the Company by fulfilling its oversight responsibility relating to: • the integrity of the financial statements and the financial reporting process and principles; • internal controls; • the qualifications, independence, remuneration and performance of the independent auditors; • staffing, focus, scope, performance, and effectiveness of the internal audit function; • risk management; and compliance with legal, regulatory, and corporate governance requirements *Given the overlapping oversight functions of the various committees, and to enable an integrated and holistic approach to risk management oversight at the Board level, the Board has designated the Audit Committee as the overall consolidator of risks for all the committees. The Audit Committee provides oversight of the financial reporting and operational risks specifically on financial statement and*		

					reporting, internal controls, legal or regulatory compliance, corporate governance, risk management and fraud risks. The Audit Committee regularly reports to the Board of Directors on Globe Telecom's risk management efforts, thus, providing the Board with a more coordinated and effective review of risks across the company and assurance over Globe Telecom's overall risk management, that aids the Board in making strategic decisions for the company. To that effect, the Audit Committee functions as a separate level risk committee.
Nomination	0	3	1	Please see Annex "F"	Ensures unbiased nomination of directors and officers
Compensation and Remuneration	0	3	1	Please see Annex "G"	• Reviews the compensation philosophy and structure of the Company and the reasonableness of its compensation and incentive plans and structures. • Reviews and approves the Company's annual compensation plan and corporate incentive plan. In reviewing the plans, the Committee considers relevant industry and multi-industry benchmarks in order to assess the reasonableness of management's recommendations. The compensation plan also includes retention structures for key positions. • Meets at least twice a year, or more often as required. • The Stock Options Committee is a sub-committee of the Compensation and Remuneration Committee and has two (2) members. The Stock Options Committee considers the framework for the award of stock options to managers and executives, to the directors, and to certain key consultants.
Finance	0	4	0	Please see Annex "H"	• Looks after Company's financial operations and treasury • Reviews and evaluates financial affairs on a regular basis • Conducts annual financial review and operations review prior to ASM. *In risk management, the Finance Committee oversees the company's financial risk management, including risks related to capital structure, acquisitions and divestments, treasury activities, tax strategy and compliance.*

2) Committee Members (as of 07 April 2015 and for the ensuing period 2015-2016)

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jaime Augusto Zobel de Ayala	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (ED)	Ernest L. Cu	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (NED)	Mark Chong Chin Kok	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (ID)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	Gerardo C. Ablaza, Jr.	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (NED)	Samba Natarajan[1]	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A

[1] Mr. Samba Natarajan was elected during the recent ASM on 07 April 2015. In its organizational meeting, the newly-elected Board of Directors approved, among others, his membership to the Executive Committee for the year 2015 with Mr. Jaime Augusto Zobel de Ayala, Mr. Mark Chong Chin Kok, Mr. Gerardo C. Ablaza, Jr., and Mr. Ernest L. Cu.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Manuel A. Pacis	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (ID)	Saw Phaik Hwa[1]	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (ID)	Rex Ma. A. Mendoza[1]	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A

[1] Ms. Saw Phaik Hwa was elected during the recent ASM on 07 April 2015. In its organizational meeting, the newly-elected Board of Directors approved, among others, her membership to the Audit Committee for the year 2015 together with Mr. Rex Ma. A. Mendoza and Mr. Manuel A. Pacis. The Audit Committee for the year shall be composed solely of independent directors.

Disclose the profile or qualifications of the Audit Committee members.

For the year 2015, the Company's Audit Committee shall be composed solely of independent directors, namely: Mr. Manuel A. Pacis, Ms. Saw Phaik Hwa and Mr. Rex Ma. A. Mendoza:

Manuel A. Pacis.
Mr. Pacis, 70, Filipino, has served as Independent Director since April 2011. He was formerly a Vice President for Finance of the Procter & Gamble Company (P&G) in Cincinnati, Ohio. He held positions of increasing responsibility in the Philippines, the US, Mexico, China, and Japan including Chief Financial Officer of P&G Asia, and a Global Business Unit (GBU). He also served as Vice President for Internal Controls Worldwide and Financial Systems Worldwide at P&G. His wide-ranging experiences throughout his business career have included leadership roles in corporate governance, strategic planning, internal audit, management systems / IT, M&A, joint ventures, and finance & accounting. Mr. Pacis graduated with a Bachelor of Business Administration (BBA), magna cum laude, from the University of the East in 1963.

Saw Phaik Hwa
Ms. Saw, 60, Singaporean, is currently the Group CEO of Auric Pacific Group, listed on the Mainboard of the Singapore Exchange, which has diverse business interests ranging from distribution of fast moving consumer food, food manufacturing and retailing, management of restaurant and food court operations to other strategic investments including fund investment. The Group operates in various countries throughout Asia including Singapore, Malaysia, Indonesia, Hong Kong and China. Ms. Saw will be retiring as its CEO effective from 1 May 2015 but will remain as a consultant with the Lippo Group of companies, and will continue to advise Auric Pacific on various matters. Ms. Saw is also a Director of Hour Glass Limited[1]. Prior to this, Ms. Saw was the President and CEO of SMRT Corporation Ltd[1] between December 2002 to January 2012, Singapore's first multi-modal public transport service provider. During her tenure, she had enhanced the public travel experience in Singapore by introducing commuter-centric initiatives and adding lifestyle conveniences at stations to make public transport a choice mode of travel for all. She also was instrumental in broadening SMRT's geographical footprint as well as establishing SMRT's presence overseas with the opening of offices in the Middle East and China which serve as springboards to opportunities in those regions. For the period 1984 to 2002, Ms. Saw was the Regional President in charge of businesses in Singapore, Indonesia, and Malaysia for DFS Venture Singapore. Ms. Saw holds a Second Upper Class Honours in Biochemistry from the University of Singapore and has attended the Advanced Management Programme, University of Hawaii.

Rex Ma. A. Mendoza
Mr. Mendoza, 52, Filipino, was elected as Director on 8 April 2014. He is the Senior Adviser to the AIA Group CEO for Marketing and Distribution. AIA Group Limited is the leading Pan-Asian insurance company and is the parent firm of the Philippine American Life and General Insurance Company (Philam Life). Prior to this position, he was the President and Chief Executive Officer of Philam Life, Chairman of The Philam Foundation, Inc. and Vice Chairman of BPI Philam Life Assurance Company. Prior to rejoining Philam Life, he was Senior Vice President and Chief Market and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc., and Avida Sales Corporation. He currently serves as Director of Rampver Financials, The Freeport Area of Bataan, Esquire Financing, Inc., Cullinan Group, President of Abrio in Nuvali, and is a member of the Globe Advisory Council. He has a Master's Degree in Business Management with distinction from the Asian Institute of Management and was one of the 10 Outstanding Graduates of his batch at the University of the Philippines where he obtained a BSBA degree with a double major in marketing and finance. He was awarded Most Distinguished Alumnus of the University of the Philippines' Cesar E.A. Virata School of Business last December 2013. He is also a fellow with distinction at the Life Management Institute of Atlanta, Georgia, USA, a Registered Financial Planner and a four-time member of the Million Dollar Round Table. Rex was a professor of Marketing and Computational Finance at the De La Salle University Graduate School of Business. He taught strategic marketing, services marketing

and services strategy. He has served as Chairman of the Marketing Department and was awarded as one of the University's most outstanding professors.

Describe the Audit Committee's responsibility relative to the external auditor.

The Company engages the services of independent auditors to conduct an audit and obtain reasonable assurance on whether the financial statements and relevant disclosures are free from material misstatements. The independent auditors are directly responsible to the Audit Committee in helping ensure the integrity of the Company's financial statements and reporting process.

The Audit Committee Charter defines the authority and responsibilities of the Committee over independent (external) auditors, as follows:

- *Review the performance and recommend the appointment, retention or discharge of the independent auditors, including the fixing of their remuneration, to the full Board of Directors.*
- *In the case of resignation or cessation from service of an independent auditor, ensure that there is process for reporting in the annual and current reports the reasons for cessation from service, and the date thereof, of an independent auditor.*

  A preliminary copy of the said report shall be given by the corporation to the independent auditor before its submission.
- *Ensure the rotation of the lead engagement partner at least once every five (5) years and consider whether there should be regular rotation of the audit firm itself.*
- *Review and pre-approve the Independent Auditors' plans to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.*

  In this regard, the Committee shall discuss with the independent auditors, before the audit commences, the nature, scope and related fees of the audit, and ensure proper coordination when more than one professional service firm is needed.
- *Monitor coordination of efforts between the independent and internal auditors. The Committee shall ensure that the internal and external auditors act independently from each other.*
- *Ensure that the independent auditor has unrestricted access to all records, properties and personnel to enable performance of the required audit*.
- *Review and approve proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company's year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditor shall be disclosed in the annual report*.
- *Review with the independent auditor any problems or difficulties, including any restrictions on the scope of the independent auditor's activities or on access to requested information and any significant disagreements with management. The review may also include discussion of any proposed accounting adjustments that were "passed" or not recorded.*
- *Review of the independent auditor's evaluation of internal accounting controls. Independent auditors shall provide feedback to the Audit Committee on their observations of internal control weaknesses arising from statutory financial audits. Independent auditors should highlight findings which are disputed by Management or where Management has not agreed to implement remedial actions that would rectify the identified weaknesses.*
- *Conduct a separate meeting in executive session, with the independent auditors to discuss any matters that the Committee or auditors believe should be discussed privately, including*

the results of the audit, year-end financial statements, and the quality of the management, financial and accounting controls.

The Audit Committee also meets at least four (4) times during the year and invites non-members, including the President and CEO, Chief Finance Officer (who is also the Chief Risk officer), independent auditors, internal auditors and other key persons involved in company governance, to attend meetings where necessary. Relevant to the Committee's responsibility relative to independent auditors, during these meetings, the Committee:

- *Reviews the financial statements and all related disclosures and reports certified by the Chief Finance Officer, and released to the public and/or submitted to the SEC for compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. The Committee, after its review of the quarterly unaudited and annual audited consolidated financial statements of Globe Telecom, Inc. and Subsidiaries, endorses these to the Board for approval. The Board of Directors, in turn, reviews, approves and affirms the true and fair representation of the annual audited consolidated financial statements and presents the same in the Annual Stockholders' Meeting (ASM).*
- *Approves the overall scope and work plan of the independent auditors. The Committee meets with the internal auditors and independent auditors and discusses the results of their audits, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls and compliance issues.*
- *Ensures tenders for independent audit services are conducted on a regular basis, i.e., every three (3) years or sooner. The most recent tender bid process was conducted during the 4th quarter of 2014. The Audit Committee recommends the appointment, retention or discharge of the independent auditors, reviews and recommends audit fees or the remuneration of the independent auditors to the full Board. The Board, in turn, submits the appointment of the independent auditors and audit fees for approval of the stockholders at the ASM. The amount of audit fees is disclosed in the Annual Report.*
- *Reviews the independent auditors' performance and also assesses the independent auditor's qualifications, skills, resources, effectiveness and independence. To limit the possible risk of conflict of interest, the Committee also reviews and approves in advance, the proportion of audit services vs. non-audit services performed by the independent auditors; and the corresponding audit fees vs. non-audit fees paid to the independent auditors, in relation to the SEC regulation on "permitted" vs. "not permitted" services to be rendered by independent auditors and the significance of the fees to the total services revenues of the independent auditors' firm and the company's total consultancy expenses, respectively.*

[Source: Audit Committee Charter – Section E. Roles and Responsibilities, Item 3. Independent Auditors; 2014 Annual and Sustainability Report – "Have the Happiest Customers, Employees and Shareholders", Accountability and Audit]

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Rex Ma. A. Mendoza	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	Mark Chong Chin Kok	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A

Member (NED)	Romeo L. Bernardo	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (NED)	Gerardo C. Ablaza, Jr.	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Chairman (ID)	Rex Ma. A. Mendoza	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A

(d) Remuneration Committee (Compensation and Remuneration Committee)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Rex Ma. A. Mendoza	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	Mark Chong Chin Kok	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (NED)	Romeo L. Bernardo	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (NED)	Fernando Zobel de Ayala	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Chairman (ID)	Rex Ma. A. Mendoza	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	Mark Chong Chin Kok	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A

(e) Others (Finance Committee)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Delfin L. Lazaro	April 07, 2015	None yet from appointment to	N/A	N/A	N/A

			April 13, 2015			
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	Romeo L. Bernardo	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (NED)	Fernando Zobel de Ayala	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (NED)	Samba Natarajan	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Chairman (NED)	Delfin L. Lazaro	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	Romeo L. Bernardo	April 07, 2015	None yet from appointment to April 13, 2015	N/A	N/A	N/A

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	There were no changes in the membership of the Committees during the year, apart from those done during the ASM and organizational meeting thereafter as reflected in the tables above of Committee members and attendance for the year.	
Audit		
Nomination		
Remuneration		
Others (Finance)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	*Please see explanation below.	
Audit		

Nomination	
Remuneration	
Others (Finance)	

**The different Committees performed their functions in accordance with the Charter. Other than matters related to the Company's regular course of business, there were no significant issues that the different Committees had to address.*

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	*Please see explanation below.	
Audit		
Nomination		
Remuneration		
Others (Finance)		

**There were no issues on improvement or enforcement of effective governance that need to be addressed at this time.*

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Globe Telecom's risk management philosophy is anchored on three key principles, which also serve as the foundation of Globe Telecom's risk management approach.

Culture – Globe strives to build a risk aware culture by setting the appropriate tone at the top, defining clear accountability for risks, espousing transparency and timeliness in sharing risk information, enabling risk adjusted decisions, recognizing appropriate risk-taking attitudes, and embedding the right risk skills across the organization.

Structure – Globe strives to establish an organizational structure that supports strong corporate governance, clearly defines risk taking responsibility and authority, facilitates ownership and accountability for risk taking, and ensures proper segregation of duties.

Process – Globe strives to institutionalize sound processes that facilitate the identification, assessment, quantification, mitigation, management, monitoring and communication of risks at the enterprise and operational level. It also strives to review risk management processes and policies on a continuing basis to ensure that they remain robust and relevant, through benchmarking against industry and global best practices.

(Source: 2014 Annual and Sustainability Report – "Risk Management", p. 82)

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Report of the Audit Committee of the Board of Directors for the Year Ended 31 December 2014 provides:

- *"We reviewed and discussed the highest corporate risks identified by the Enterprise Risk Management process, particularly on financial statements and reporting, business continuity, fraud, revenue assurance, regulatory and Transformation Program related risks. We noted that the Company has policies in place and ongoing initiatives to manage these risks.*
- *We reviewed and discussed Transformation program project, focusing on risks and implications to current business operations and customer experience.*
- *We reviewed and discussed current fraud cases and anti-fraud measures implemented by management.*
- *We reviewed Globe's BCM program updates, noting that it requires continuous improvement based on ISO 22301 requirements.*
- *We reviewed and discussed the Company's Information Security program to protect the Company's Information assets.*
- *We confirm that the Company's internal controls and risk management systems are adequate and effective in all material respects."*

(Source: Report of the Audit Committee to the Board of Directors for the year ended 31 December 2014, p. 1)

(c) Period covered by the review;

Year Ended 31 December 2014.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The Board of Directors oversees and conducts an annual review of Globe Telecom's material controls, covering operational, financial and compliance areas and overall risk management systems. The overall responsibility for Globe Telecom's risk management oversight rests with the Board of Directors. To enable the Board to effectively discharge its Risk Management function, various Board committees have been designated to provide risk management oversight for specific risk areas.

To enable an integrated and holistic approach to risk management oversight at the Board level, the Board has designated the Audit Committee as the overall consolidator of risks for all the committees. The Audit Committee regularly reports to the Board of Directors on Globe's risk management efforts, thus, providing the Board with a single view and effective review of risks across the company and assurance over Globe's overall risk management that aids the Board in making strategic decisions for the Company. The Audit Committee in effect functions as a separate risk committee.

The Internal Audit Division provides assurance on the effectiveness of risk management systems and processes. Internal Audit's examinations cover a regular evaluation of adequacy and effectiveness of risk management and control processes encompassing the Company's governance, operations, information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations.

(Source: 2014 Annual and Sustainability Report – "Risk Management", pp. 82, 84)

(e) Where no review was conducted during the year, an explanation why not.

Not applicable

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
*Please see explanation below.		

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
*Please see explanation below.		

**The ISO 31000 (Risk Management) framework is being used as the basis for Globe's Enterprise Risk Management process. The established processes also ensure that compliance processes and procedures are effectively guided by the risk management policy.*

(Source: 2014 Annual and Sustainability Report – "Risk Management", p. 85)



An enterprise wide assessment of risks is performed by Senior Management and key leaders as part of Globe Telecom's annual planning and budgeting process, which are reported to and reviewed by the Board of Directors. This assessment focuses on identifying the key risks that threaten the achievement of Globe Telecom's business objectives at corporate and business unit level and specific plans in managing such risks.

Globe Telecom's key risk management activities include the:

- *Identification of top enterprise risks*
- *Prioritization of risks based on the degree of impact to business objectives and the likelihood of occurrence*
- *Scenario and mitigation planning*
- *Business continuity planning*
- *Crisis planning and management*
- *Monitoring and reporting on the status of risks and corresponding risk management plans*
- *Identification, assessment and management of operational risks by Line Management.*

The established strategies and plans to address the risks are continuously developed, updated, improved, and reviewed for effectiveness. Globe Telecom has institutionalized a process to closely monitor the risk management plans and actions being taken to address critical risks, including the establishment of key indicators to ensure that critical risks are appropriately managed. This process includes a review made by the Business Unit and Functional Group Level Leaders and a review by Senior Management. The business unit and group level leaders monitor the operational, legal, and project risks while senior management monitors enterprise level risks such as strategic risks, major program risks, and regulatory risks.

Globe Telecom also uses an Operational Risk Management (ORM) program which is a cyclical, coordinated end-to-end process to identify, assess, treat, monitor and report operational risks for effective & informed business decisions. Management believes that ORM is an essential foundation for a strong Enterprise Risk Management (ERM) process as it reinforces the lines of defense against key operational risks.

When necessary, Globe Telecom seeks external technical support to aid its Management and Board of Directors in the performance of their duties and responsibilities including risk management.

Principal Risks

Political and Socio-Economic Risks

The growth and profitability of Globe may be influenced by the overall political and economic situation of the Philippines. Any political instability in the Philippines could negatively affect the country's general economic conditions which, in turn, could adversely affect Globe's business, financial condition or results of operations, including the ability to enhance the growth of its subscriber base, improve its revenue base and implement its business strategies.

A regular environmental scanning exercise is performed to ensure the identification of any uncertainties arising from political and socio-economic factors. This is to enable management to implement appropriate risk mitigation plans.

Financial Markets Risk

a) Foreign Exchange Risk

Exposure to foreign exchange fluctuations remains a risk to Globe. Globe's foreign exchange risk results primarily from movements of the Philippine peso against the US dollar (USD) with respect to its USD-denominated financial assets, liabilities, revenues and expenditures.

There are no assurances that declines in the value of the Peso will not occur in the future or that the availability of foreign exchange will not be limited. Recurrence of these conditions may adversely affect Globe's financial condition and results of operations.

b) Interest Rate Risk

In order to fund its major expenditures, Globe has entered in various short and long-term debt obligations, which exposes the Company to the risk of changes in interest rates.

Globe's exposure to interest rate risk and currency risk are being managed by:

- *Using a mix of fixed and variable rate debt, targeting a defined debt to equity ratio;*
- *Entering into interest rate swaps, in which Globe Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount;*
- *Using a combination of natural hedges and derivative hedging to manage its foreign exchange exposure.*

Globe also regularly evaluates its projected and actual cash flows and continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

Competition Risk

a) Traditional Competition

Competition remains intense in the Philippine telecommunications industry amidst a maturing mobile market.

- *An incumbent operator seeking to dominate the market with aggressive offerings through affordable pricing/plans, and attractive product/device bundles*
- *A new entrant, poised to capture the rapidly expanding data market through high speed data services at affordable prices.*

b) Alternative Competition

The shifting competitive landscape in the Philippine telecommunications industry is heightened by over the top players offering cheap alternatives to communication such as instant messaging, voice over internet protocol, among others, and is exacerbated by the increasing proliferation of smartphones and internet-capable mobile devices.

Globe ensures its continuing competitive market standing in the face of both

traditional and alternative competitors through the launch of innovative products and services that are relevant and responsive to the needs of the subscribers and focus on superior customer experience. Globe also partners with providers of content, mobile messaging, social media and other popular applications in order to develop products and services that anticipate and cater to shifting subscriber preferences.

Technology Shift Risk

Globe offers products and services which are dependent on the latest technological trends. Globe's inability to identify, align or adapt to emerging technologies that drive shifts in customer preference and consider the impact of new devices to existing technology infrastructure and investments may place it in a competitively disadvantageous position resulting to non-attainment of revenue and growth targets.

Globe's business, product and technical teams continue to keep abreast of the latest innovations and trends in telecommunications technologies, devices and gadgets. The information and insights gathered are considered in the roadmap of future products and services and Globe's Network and IT infrastructure evolution. Proper timing of investments in technology and infrastructure always consider its strategic implications, velocity of technology cycles and subscriber adaption.

Change Program Risk

Globe is in the process of transforming its Network infrastructure mainly to improve network quality, anticipate the surge in voice and data traffic, decrease total cost of ownership and make the network robust enough to meet future needs. On the other hand, the IT transformation is envisioned to re-engineer Globe Telecom's IT systems and key processes to enhance its ability to deliver superior customer experience while being able to roll out products to the market in a more efficient and effective manner.

Should Globe's ambitious and complex transformation programs prove to be unsuccessful, or fail to achieve the desired outcomes, Globe could ultimately lose market share thus impacting its financial results.

Globe has institutionalized the appropriate program governance organization with senior management oversight and accountability to ensure program risks are properly considered and managed with the end objective of improving customer experience. Supporting processes have been established to closely monitor and provide a venue for regular progress updates, alignment of efforts, discussion of critical implementation issues and challenges and help ensure successful execution of its change programs.

Reputational Risk

Globe is recognized as one of the Philippines' top companies which provides innovative voice, SMS and data services, delivers superior customer sales and after sales experience, and maintains a socially responsible philosophy. Given the prevailing industry landscape and considering quickly shifting customer loyalty, Globe is exposed to reputational risk which may result from the actions of the company itself or its competitors; indirectly due to the actions of an employee or consequently through outsourced partners, suppliers or joint venture partners.

Damage to Globe's reputation and erosion of brand equity could also be triggered by the inability to swiftly and adequately handle negative social media sentiments on Globe's products and services resulting from unfavorable customer experience.

Regular process effectiveness and efficiency reviews on existing customer-impacting processes and policies are being conducted to identify and address existing gaps, thus minimizing exposure to reputational risks arising from problem areas. Front line staff are regularly trained to enable them to effectively handle customer cases. On the other hand, close monitoring of customers' online sentiments is being performed to quickly detect subscriber issues being

surfaced in social media and be able to manage them early on.

Regulatory Risk

The Globe Group is regulated by the NTC for its telecommunications business, and by the SEC and the BSP for other aspects of its business. The introduction of, changes in, or practicality of implementation of certain laws or regulations from time to time, may materially affect the operations of Globe, and ultimately the earnings of the Company which could impair its ability to service debt. There is no assurance that the regulatory environment will support any increase in business and financial activity for Globe.

Globe manages its regulatory risks through proactive engagement with regulators and regular monitoring of circulars and orders especially those that could negatively impact its businesses.

Human Capital Risks

Globe's greatest asset is its people and its success is largely dependent on its ability to attract highly skilled personnel and to retain and motivate its best employees. Globe Telecom's people is the glue that brings everything together which is why it is crucial to ensure that the company is able to acquire the right people and enhance their exceptional abilities further.

Various people-related programs designed to engage and motivate employees are being implemented in order to retain and attract key talents. Globe also conducts an annual survey to determine the level of employee engagement across the organization. Below norm employee engagement criteria are analyzed to determine employees' key concerns, and correspondingly, implement programmed interventions to address such concerns and ensure sustainable engagement.

Organizational Agility Risk

In order to maximize the opportunities that may arise from the quickly-evolving changes in the telecommunications industry, diversification of the business portfolio is critical to maintain Globe's market competitiveness. Failure to drive the entire organization to quickly adapt to changes and make the right shift in skills and mindsets to take on new investments may lead to missed business opportunities.

Globe has initiated cultural change programs that focus on customer centricity and cultivating forward-looking risk aware mindsets. Opportunistic hiring of talents required for innovation and new investment areas are also carefully considered. Further, through Kickstart Ventures, Globe invests in building to scale, the technical foundation of digital and tech start-up businesses operating in the Philippines.

Compliance Risks

a) Revenue Leakage

Globe is inherently vulnerable to revenue leakage with the dynamic changes in networks and IT systems and the multitude of its service offerings given the pace at which new offers are launched in the market.

Globe is continuously improving controls in its revenue assurance processes in order to prevent and/or detect cases of revenue leakages. Prior to the launch of new products, services and new systems, appropriate revenue assurance controls are already embedded in system capabilities and manual processes.

b) Fraud

Globe runs the risk of falling victim to fraud perpetrated by unscrupulous persons or syndicates either to avail of "free" services, to take advantage of device offers or defraud its customers. With the increasing complexity of technologies, network and IT architecture, new types of fraud are becoming more difficult to detect. This risk also involves irregularities in transactions or activities performed by Globe's employees for personal gain.

Globe has institutionalized processes and built capabilities that enable the early detection, close monitoring and timely reporting of various instances of fraudulent activities.

c) *Business disruptions*
Globe's continued delivery of quality services are highly dependent on network and IT infrastructure which are vulnerable to damages caused by extreme weather disturbances, natural calamities, fire, acts of terrorism, intentional damage, malicious acts and other similar events which could negatively impact the attainment of revenue targets and damage its reputation.

Globe is enhancing its crisis management plans and capabilities and has incorporated disaster risk reduction and response objectives in its business continuity planning.

d) *Cyber Threats*

The cyber security landscape is rapidly evolving and users are heavily relying on digitized information and sharing vast amounts of data across complex and inherently vulnerable networks. This exposes Globe to various forms of cyber attacks which could result in disruption of business operations, damage to reputation, legal and regulatory fines and customer claims.

New technologies and systems being installed in the name of advanced capabilities and processing efficiencies may introduce new risks which could outpace the organization's ability to properly identify, assess and address such risks. Further, new business models that rely heavily on global digitization, use of cloud, big data, mobile devices and social media increase the organization's exposure to cyber attacks.

Globe continues to strengthen and enhance its existing security detection, vulnerability and patch management, configuration management, identity access management, events monitoring, data loss prevention and network/end-user perimeter capabilities to ensure that cyber threats are effectively managed.

e) *Data Privacy*
Globe, in the course of regular business acquires personal information of its subscribers and retains the same in its IT systems. Existing laws require that these information be adequately protected against unauthorized access and disclosure. The risk of data leakage is high with the level of empowerment granted to staff handling sales and after sales transactions to enable the efficient discharge of their functions.

Employee awareness on data protection and loss prevention is reinforced through regular corporate dissemination channels. Further, staff are made accountable for maintaining the confidentiality of data handled, including disclosures and information shared in various social media platforms. Controls over processes that require handling of subscriber's personal information are being tightened, coupled with enhancements in existing security capabilities to prevent compromise of subscriber data.

(Source: 2014 Annual and Sustainability Report – "Risk Management", pp. 85-89)

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
None has been identified. Minority Shareholders' rights are duly protected under the By-Laws and the Company's Manual of Corporate Governance.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
*Please see explanation below.		

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
*Please see explanation below.		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
*Please see explanation below.		

**Control System: Roles and Responsibilities & Frequency of Oversight*

The Board of Directors oversees and conducts an annual review of Globe Telecom's material controls, covering operational, financial and compliance areas and overall risk management systems. The overall responsibility for Globe Telecom's risk management oversight rests with the Board of Directors. To enable the Board to effectively discharge its Risk Management function, various Board committees have been designated to provide risk management oversight for specific risk areas.



To enable an integrated and holistic approach to risk management oversight at the Board level, the Board has designated the Audit Committee as the overall consolidator of risks for all the committees. The Audit Committee regularly reports to the Board of Directors on Globe Telecom's risk management efforts, thus, providing the Board with a more coordinated and effective review of risks across the company and assurance over Globe Telecom's overall risk management, that aids the Board in making strategic decisions for the company. To that effect, the Audit Committee functions as a separate level risk committee.

With guidance provided by the Board, Management stands as the locus of decision-making for the day-to-day affairs of Globe and remains primarily responsible for the design, development and implementation of the risk management strategies, policies and systems intended to address the identified risks.

The President and Chief Executive officer (CEO) acting as the Chief Risk Executive (CRE) is ultimately responsible for enterprise risk management priorities, including strategies, tolerance and policies which he recommends to the Board of approval. The CEO/CRE:

- *Acts as the final enforcer of the enterprise risk management process*
- *Establishes organizational structure, assigns authority and designates management of key risks to the Risk Owners to ensure that the risk management activities are carried out effectively*
- *Reviews the continuing effectiveness and relevance of the enterprise risk management framework, processes, organization and tolerances, as assisted by the Chief Risk Officer*

Ensures that the risk management activities are linked to the Risk Owner's Key Result Areas.

The Chief Finance Officer and concurrent Chief Risk Officer (CRO) supports the President and CEO/CRE in acting as Chief Risk Executive at the Management level. The CRO ensures that:

- *Risk management processes and activities are embedded in policies, business cycles and operational decisions*
- *Responsibilities for managing specific risks by Senior Management are clear*
- *The level of risk accepted by the company is appropriate*
- *An effective control environment exists for the company as a whole.*
- *The Audit Committee and the Board are provided periodic information on the results of the annual risk assessment exercise, status of top risks, key risk mitigation activities, key risk and performance indicators and emerging risks that could impact the attainment of Globe Telecom's objectives.*

The CRO reports semi-annually to the Board through the Audit Committee regarding Globe Telecom's critical risks and key mitigation strategies.

The Enterprise Risk Management Services Division (ERMSD), headed by a Risk Management Program officer, supports the CRO in undertaking his role. Key functions of the ERMSD include:

- *Developing and implementing programs to embed risk management discipline in the organization*
- *Facilitating Senior Management's annual risk assessment exercise and reporting the results thereof*
- *Coordinating with Risk Owners to gather updates on the status of risks and risk management/mitigation activities*
- *Facilitating the execution of Line Management's risk and controls assessment exercise through the Operational Risk Management program*

The Internal Audit Team provides assurance on the effectiveness of the risk management systems and processes. Internal Audit's examinations cover a regular evaluation of adequacy and effectiveness of risk management and control processes encompassing the Company's governance, operations, information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations.

The Risk Owner has overall accountability for the assigned risk/s and is granted authority to enable effective management of a particular risk. The Risk owner's functions also include:

- *Understanding the risk/s and determine its drivers*
- *Planning for and executing appropriate risk management strategies and plans*
- *Securing required resources needed to effectively manage the risks*
- *Monitoring and reviewing the level of risk exposures and continuing relevance of risk management strategies and plans*
- *Providing timely updates on the status of risk management activities to concerned stakeholders.*

An enterprise wide assessment of risks is performed by Senior Management and key leaders as part of Globe Telecom's annual planning and budgeting process, which are reported to and reviewed by the Board of Directors. This assessment focuses on identifying the key risks that threaten the achievement of Globe Telecom's business objectives at corporate and business unit level and specific plans in managing such risks.

(Source: 2014 Annual and Sustainability Report – "Risk Management", pp. 82-85)

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;
(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
(c) Period covered by the review;
(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
(e) Where no review was conducted during the year, an explanation why not.

General responsibility of the Board for good governance includes ensuring the presence and adequacy of internal control mechanisms. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:

- *Ensuring the presence of organizational and procedural controls supported by an effective management information system and risk management reporting system;*
- *Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;*
- *Appointing a CEO with the appropriate ability, integrity, and experience to fill the role; and defining the duties and responsibilities of the CEO;*
- *Reviewing proposed senior management appointments;*
- *Ensuring the selection, appointment and retention of qualified and competent management, reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan;*
- *Institutionalizing the internal audit function; and*
- *Ensuring the presence of and regularly reviewing the performance and quality of independent audit.*

The Audit Committee supports the Board's oversight responsibility on corporate governance of the company by fulfilling its responsibility relating to: a) the integrity of the financial statements and the financial reporting process and principles; b) internal controls; c) the qualifications, independence, remuneration, and performance of the independent auditors; d) staffing, focus, scope, performance, and effectiveness of the internal audit function; e) risk management; and compliance with legal, regulatory, and corporate governance requirements. Management, however, has primary responsibility for financial statements and reporting process, internal controls, legal and regulatory compliance, risk management and corporate governance.

An annual management representation to the Audit Committee, signed by the Chief Executive Officer, Chief Financial Officer and Chief Audit Executive, on internal controls and risk management systems adequacy and effectiveness in all material aspects is submitted to the Board as part of the annual Audit Committee report. In the Audit Committee's Report to the Board of Directors for the year ended 31 December 2014, the Committee confirmed its discussion of the Internal Audit results and reports, and confirmed the adequacy and effectiveness, in all material aspects, of the Company's internal controls and risk management systems.

[Source: Globe Telecom's Revised Manual of Corporate Governance – Article II., Section 1.8 "General Responsibility of the Board for Good Governance", Item D; 2014 Annual and Sustainability Report – "See Our Wonderful World in Numbers", Report of the Audit Committee to the Board of Directors]

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the

internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/ Auditing Firm	Reporting process
A. General Audit - Globe Internal Audit (IA) provides an independent, objective assurance and consulting function within Globe, and sharing the organization's common goal of creating and enhancing value for its stakeholders, through a systematic approach in evaluating the effectiveness of the Company's risk management, internal control and governance processes. To this end, Globe IA furnishes Management and the Board of Directors, through the Audit Committee, with analyses, recommendations, advise and information concerning the activities reviewed. B. Assurance Services - Globe IA activity provides reasonable assurance on the following to help ensure that management enhances the value of the Company as it competes in an ever dynamic and increasingly competitive marketplace:	The following areas of emphasis characterize Internal Audit activities: • The systems of internal controls embedded at the organizational level and in the business processes, (both planned and in use), are evaluated to ensure that the Company's assets are safeguarded, that transactions are recorded properly and that an adequate system of checks and balances exists in accordance with the inherent risks. • The systems and processes that generate the financial and operating information used for decision making, including the general control environment under which such systems and processes operate, are reviewed for integrity and reliability. • When critical information systems, technology platforms, products or services are being developed, acquired or significantly	Globe IA is an in- house internal audit functions. As defined in the Audit Committee Charter, the Committee sets up the Internal Audit Department, including the appointment of the Chief Audit Executive. The Audit Committee also establishes and identifies the reporting line of the Chief Audit Executive. When specialized skills are not available within the Internal Audit organization to carry-out reviews of complex operations or sophisticated integrated systems, the Audit Committee may approve the augmentation of the expertise of the Internal Audit organization through the engagement of external	Carmina J. Herbosa, *Chief Audit Executive*	Globe IA performs its auditing functions faithfully by maintaining independence from management and controlling shareholders as it reports functionally to the Board, through the Audit Committee, and administratively, to the President and CEO. A reporting protocol and process in IA is defined and observed to ensure the right information is provided at the appropriate time and effective interaction is achieved and that independence and objectivity is observed at all times. The communication of audit results to the appropriate levels of management takes place throughout the entire audit process. Real-time presentations, informal

• Overall effectiveness of the control environment and the risk management process • Compliance with policies, laws and regulations • Safeguarding of assets • Reasonableness of financial information, in conjunction with the external/independent auditors' activities. C. <u>Consulting Services</u> - Globe IA provides advisory and related client service activities, the nature and scope of which are agreed upon with the client and are intended to add value and improve the Company's operations. Examples of consulting services are assistance in risk management activities and providing recommendations and advice.	changed, Internal Audit shall provide advisory/consultancy services in identifying and managing the risks that may be introduced by the new system, product or service. This includes the assessment of the adequacy of controls and audit trails incorporated into the system design. • Assessment of the integrity of the financial reporting process and the underlying accounting principles used to record transactions and reflect the business realities in the financial statements. • The manner by which the business and support units identify and manage the risks that could threaten the achievement of organizational objectives as part of day-to-day operations is reviewed for effectiveness. • Compliance with established business and organizational policies and procedures is reviewed to ensure that the standards set by management are being followed. • Compliance with legal, statutory and regulatory	specialists (e.g., forensic, treasury specialists, IT / telecommunication specialists, actuarial, etc.) on a project or retainer basis.		feedback, detailed schedules on certain issues are just as important as the release of final audit report. Reporting the results of audit reviews and other activities to the Audit Committee and the appropriate level of management helps address the identified risk issues/concerns and appropriate actions are taken within a reasonable period of time. Communicating results of the work to senior management and the Audit Committee will ultimately be the end result of the Internal Audit activity for any given period. IA, on a periodic basis, also provides periodic reports to the Audit Committee on the status of the internal audit activity, resource utilization, accomplishments, key findings and recommendations as well as management's responses thereto.

	requirements is reviewed to ensure appropriate corporate governance.			

[Source: 2014 Annual and Sustainability Report – "Have the Happiest Customers, Employees, and Shareholders", Internal Audit; Internal Audit Charter - Section D. Scope of Work; IA Operations Manual - Section 4.A The Internal Audit Process, Approach and Methodology/Direction and Focus; Audit Committee Charter - Section E. "Roles and Responsibilities - Internal Audit Function"; IA Operations Manual - Section 2.H The Audit Charter/Working Relationships]

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

There is no outsourced internal audit as the function is in-house. It is the policy of Globe Telecom to establish and support an Internal Audit function as a fundamental part of its corporate governance practices. The Audit Committee is responsible for setting up the internal audit department, including the appointment of the Chief Audit Executive. The terms and conditions for the appointment / dismissal of the Chief Audit Executive shall be in accordance with the existing Company policy for hiring/dismissal of heads of functions / departments. The Committee, having appointed the Chief Audit Executive, shall also concur in his/her replacement, re-assignment or dismissal. Likewise, should the internal audit function be outsourced through an independent auditor, the Committee also has authority to recommend the appointment, retention or discharge of the independent auditors, including the fixing of their remuneration, to the full Board of Directors.

When specialized skills are not available within the Internal Audit organization to carry-out reviews of complex operations or sophisticated integrated systems, the Audit Committee may approve the augmentation of the expertise of the Internal Audit organization through the engagement of external specialists (e.g., forensic, treasury specialists, IT / telecommunication specialists, actuarial, etc.) on a project or retainer basis.

[Source: Globe Telecom Revised Corporate Governance Manual – Article II, Section 2.5 "Audit Committee", Item b. iii; Audit Committee Charter – Section E. "Roles and Responsibilities", Internal Audit Function - Item 4.2 and 4.5]

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Globe Internal Audit performs its auditing functions faithfully by maintaining independence from management and controlling shareholders as it reports functionally to the Board, through the Audit Committee, and administratively, to the President and CEO. (Source: 2014 Annual and Sustainability Report – "Have the Happiest Customers, Employees, and Shareholders", Internal Audit)

The Internal Audit Group is authorized to: (a) have full, free and unrestricted access to any and all of the Company's records, properties, personnel and operations in order to discharge its responsibilities. Documents and information given to Internal Audit Group during periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them; (b) have free and unrestricted access to the Audit Committee of the Board of Directors; and (c) obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization, as approved by the Audit Committee. (Source: Audit Committee Charter – Section E. "Roles and Responsibilities", Internal Audit Function – Item 4.6; Internal Audit Charter -– Section E. "Authority")

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Ferdinand Ramos	Resignation – transfer employment to other company
Lorlyn Arceo	Resignation – transfer employment to other company
Imelda Azucena	Resignation – migrate to other country
Phoebe Nasak	Resignation – migrate to other country

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Eighty eight (88%) work plan completion as of 2014 December, inclusive of 11 unplanned jobs. Remaining seven (7) ongoing jobs, three (3) of which are unplanned jobs, for completion by Q1/2015. Actual resource utilization is generally consistent vs. plan. Unplanned jobs were covered through provision for unplanned investigative/special/ ad hoc reviews, rendering of overtime and re-allocation of resources for dropped or deferred jobs.
Issues[8]	Based on reviews conducted and the evaluation of adequacy and effectiveness of the Globe Group's risk management and internal control system encompassing corporate governance, operations, information systems, reliability and integrity of financial and operational information, safeguarding of assets, and compliance with laws, rules and regulations, there were no significant issues or material weaknesses and that the Company's internal controls and risk management systems are adequate and effective in all material aspects.
Findings[9]	None.
Examination Trends	N/A.

(Source: 2014 Annual and Sustainability Report – "See Our Wonderful World In Numbers", Report of the Audit Committee to the Board of Directors; Q4/2014 Internal Audit Report to the Audit Committee)

[8] "Issues" are compliance matters that arise from adopting different interpretations.
[9] "Findings" are those with concrete basis under the company's policies and rules.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

Globe Internal Audit adopts a risk-based audit approach in developing its annual work plan ensuring that all risks, mapped to Enhanced Telecom Operations Map (eTOM) based processes, with integrated risk assessments for processes across the enterprise, are captured in the audit universe. Globe IA's annual work plan is re-assessed quarterly to consider emerging risks and the changing dynamics of the telecommunications business, thereby allowing maximum and timely coverage of critical/key risk areas. The Audit Committee reviews and approves the annual work plan and all deviations, and ensures that internal audit examinations cover at least the evaluation of adequacy and effectiveness of controls encompassing the Company's governance, operations, information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, and regulations. The Audit Committee also ensures that audit resources are adequately allocated to and focused on the areas of highest risk.

The Committee meets with the internal auditors, and discusses the results of their audits, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls, regulatory and compliance issues. The Committee also receives periodic reports on the status of internal audit activities, key performance indicators' accomplishments, and quality assurance and improvement programs.

[Source: 2014 Annual and Sustainability Report – "Have the Happiest Customers, Employees, and Shareholders", Internal Audit]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Revised Corporate Governance Manual	2010
Audit Committee Charter	2003
Internal Audit Charter and Operations Manual	2003
Pre-approval of Audit and Non-Audit Services	2009
Revised Code of Conduct (including Unethical Practices, Conflict of Interest, Whistleblower)	2007
Enterprise Management (i.e., Enterprise Effectiveness Management, Enterprise Risk Management, Financial & Asset Management, Human Resources, Stakeholder & External Relations Management)	2007 - 2012
Operations (i.e., Customer Relationship Management, Resource Management, Supplier/Partner Relationship Management	2008 - 2012
Strategy, Infrastructure & Product (i.e., Marketing & Offer Management, Resource Development & Management,	2008 -2012

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Globe Telecom Revised Corporate Governance Manual	On an arms-length basis • In accordance with the Employee Handbook on Code of Conduct.	On an arms-length basis • In accordance with the Employee Handbook on Code of Conduct.	On an arms-length basis • In accordance with the Employee Handbook on Code of Conduct.
Audit Committee Charter			
Internal Audit Charter			
Pre-approval of Audit and Non-Audit Services			
Globe Telecom Revised Code of Conduct			
Insider Trading Policy			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Full compliance with the Company's Manual of Corporate Governance is attested to by the President and Chief Executive Officer, and the Compliance Officer.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Customer engagements include constant monitoring, research and study on the affordability and accessibility of products and services, strive to minimize customer complaints and increase customer satisfaction and bring world-class customer service experience to customers.	• Continuous transformation and expansion programs • Implementation of the Delivering the Next Act (DNA) Program, which aims to provide exceptional and world-class customer service experience to customers • Internationally certified BCM system • Self-service channels – IVR, Website, Twitter, Facebook, Chat, *143# • Globe Stores & expansion to Allphones outlets • Personalized plans and offers • 360 Degree Quality Feedback program
Supplier/contractor selection practice	Apply ethical supplier management system to all service providers to ensure that relationships adhere to prescribed policy and guidelines	• Globe Vendor Council • Business Partner Awards • Vendor clinics briefing • Sourcing Green Equipment
Environmentally friendly value-chain	Promote efficient and effective environmental protection initiatives.	• Optimize energy consumption • Striking the balance between expansion and emission reduction • Creating value out of waste (solid wastes, hazardous wastes and electronic wastes) • Protecting the country's rich biodiversity
Community interaction	Initiate and support programs that promote social and economic well-being in communities by providing access to mobile and web technologies that can enable, empower and enrich their lives.	• Globe 5 CSR pillars: - Prosper program - Serve program - Conserve program - Give program - Learn program • Project Wonderful • Aklan for OPARR
Anti-corruption programmes and procedures?	The employee, by virtue of his employment, is bound not to betray that trust by seeking to gain any undue personal or pecuniary advantage (other than the rightful proceeds of employment) from his dealings with or for and in behalf of the Company.	Training (Integrity @ work) for all employees.
Safeguarding creditors' rights	The Company maintains accountability and transparency in all its dealings with creditors by faithfully complying and observing its loan covenants with creditors.	• Issuance, on a quarterly basis, of a certification of no default. • Monitoring of all transactions to ensure that the same are within the prescribed limits.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes. The sustainability journey of Globe is narrated under "Creating a Sustainable World" of the 2014 Annual and Sustainability Report (ASR). The sustainability practices of the company are yearly disclosed through the ASR, which is made available during the company's Annual Stockholders' Meeting.

Furthermore, Globe's SEC Form 17-A contains a separate section for Sustainability (Part V – Sustainability) under which, is a Corporate Social Responsibility section (Item 15. Societal Impact, pp. 183-185).

Globe makes both its ASR and SEC Form 17-A available to the public through its company website (www.globe.com.ph).

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

Globe maintains a secure and happy environment for its employees, following the standards on Occupational Health & Safety Management System (OHSAS) 18001. Launched in 2010, the Company's comprehensive Occupational Safety and Health Policy is committed in providing the best protection for the health and safety of its employees and the communities surrounding its operations. This includes requiring all employees to undergo annual physical examination to gauge current health and physical condition. The result will be used by Globe's in-house health adviser located at the The Globe Tower (TGT) Clinic to create a personalized wellness program to improve the Company's overall health with quarterly consultations to check if the program is on-track and set the baseline for next year's wellness program.

Meanwhile, Globe's Health and Safety Committee, which comprises 11.42% of the Company's total number of employees, assesses all health and safety hazards in the workplace and the communities and provides programs to eliminate and address these incidents. Aside from the health lectures, continuous training and awareness programs on health and safety are also conducted to relevant employees.

Globe does not condone the violation of the rights of indigenous people nor does the company promote any operational activity that would pose hazardous risks or damages to children or young employees. For this reason, Globe complies with RA 7160 or the Special Protection of Children Against Child Abuse, Exploitation, and Discrimination Act and observes the principles of the Human Rights Act and Child Labor Law. Benchmarking such regulations generate a happy workplace without presenting any fear of discrimination or violation towards any employee.

(b) Show data relating to health, safety and welfare of its employees.

For the year 2014, 0.11% employee accident rate was recorded over all 224 incidents. No fatalities causing death or permanent disability were recorded.

RATES AND TYPE OF INJURY, OCCUPATIONAL DISEASES, FATALITIES BY REGION

YEAR	TOTAL NO. OF EMPLOYEES	TOTAL INCIDENTS	TOTAL ACCIDENTS	RATE OF ACCIDENTS PER EMPLOYEE
2014	6,097	224	7	0.11%
2013	5,987	339	11	0.18%

In order to minimize these incidents, the company conducts several trainings and awareness programs for the relevant employees, on safe driving and fuel economy.

Globe has partnered with St. Luke's Medical Center-Bonifacio Global City (BGC) in order to bring various health lectures and seminars on relevant health topics like heart disease prevention, anti-obesity, diabetes, family planning, hepatitis, drug abuse, and more. Routine flu and Human Papillomavirus (HPV) shots were also made accessible to all employees, who also receive timely information on the prevention of such diseases.

AVERAGE TRAINING HOURS ON HEALTH AND SAFETY BY EMPLOYEE CATEGORY

	2014	2013
All	9.71	42.28
CBU Only	16.18	47.87

TRAINING AND AWARENESS PROGRAMS

Accident / Incident Reporting	Loss Control Management
Advanced Defensive Driving	Safety Audit
Basic Occupational Safety and Health	Smoke-Free Globe Campaign
Confined Space Safety	Random Drug Testing and Awareness
Construction Safety Management	Training on Greenhouse Gas Accounting
Electrical Safety	Emergency Preparedness and Management
Safety, Health, and Environment (SHE) Awareness	Outside Plant Telecom Safety
Industrial First Aid and Basic Life Support	Industrial Climbing, Hauling and Rope Access
Pollution Control Officer Training	Water Safety and Rescue
Radiation Safety Officer Training	Construction Occupational Safety and Health

The Board of Directors and Globe employees, including subsidiaries and affiliates, are subject to the Globe Code of Conduct, which is to protect the company's interests in consistently creating a wonderful world for everyone. The sanctions apply especially to major offenses related to corruption, extortion, bribery, or any action that disrespects the corporate values and damages the reputation of the company.

On the other hand, in conformance with the Department of Labor and Employment's (DOLE) Collective Bargaining Agreement (CBA), the Globe Telecom Employees Union-Federation of Free Workers (GTEUFFW) remains active to pledge the right of every Ka-Globe to form a collective bargaining unit. All employees are allowed to participate in CBA through GTEUFFW, everyone is informed and made aware of the mandate. Labor Management Council is likewise present to provide assistance with regard to enhancing cooperation, productivity, customer service, and other policy and procedural issues affecting employees.

PERCENTAGE OF EMPLOYEES COVERED BY CBA



Since part of the CBA is to address the health needs of every employee, medical, dental, and optical care services are provided by the company at a certain expense with a corresponding salary deduction depending on the total cost. Emergency loans for health services can also be availed by our employees with immediate dependents. Another component of CBA is the family planning program and services. Recreational activities encouraging employees to further encourage camaraderie and friendship is the key focus.

(c) State the company's training and development programmes for its employees. Show the data.

"We create wonderful work" is the employer value proposition of Globe. The Company continues to partner with 6,182 employees, and provide equal opportunities regardless of age, gender, religion, and ethnicity in building a workplace that is dynamic, entrepreneurial, collaborative, and innovative.

Every employee has an Individual Development Plan (IDP) to know their career path based on current functional competency, strengths, opportunity areas, and future career aspirations within Globe and our affiliates and subsidiaries. Consequently, talent development program is anchored on The Globe Way, which espouses the company culture, values, and ideals based on the premise that "people make the difference". Careers@Globe is a way to align company and individual goals by providing a systematic and clear career path with training and development support. In Globe, regular career conversations between employees and their Immediate Superior (IS) are encouraged.

Anchored in Globe's seven leadership competencies, iLead integrates three targeted development tracks: Executive Development Program, Emerging Executives Program, and Young Leaders Program that feed to the next generation of leaders, ensuring that the culture we want is continually enabled at every level. Executive Development Program targets seasoned talents who have the potential to be senior leaders and business leaders.

Emerging Executives Program, formerly known as Fast Tracker Program, focuses on mid-career talents who demonstrate the potential to become senior executives. Finally, the Young Leaders Program looks at emerging talents who can assume larger leadership roles. To date, the program has identified 68 individuals as pipeline successors.

Furthermore, Globe University enrolls employees in partner schools, like the Asian Institute of Management and the Ateneo de Manila Center for Continuing Education in order to take up programs that will hone their leadership and managerial skills. We give our employees a competitive advantage by sharpening their business acumen, technical expertise, communication skills, and other areas of development based on their job description.

AVERAGE TRAINING HOURS BY EMPLOYEE CATEGORY*

	2014	2013
Senior Management Band D & E	32.32	35.59
Middle Management Band C	17.30	16.93
Rank and File (Staff) CBU, Band A & B	12.56	22.53

*There are other training programs (i.e. vendor -sponsored training on technical and technology products) availed by Globe employees outside the Globe University which are not captured in the data.

Globe continues to invest in its people through various professional training and development activities. Globe follows a 70/20/10 Development Plan – 70 % of the learning occurs on-the-job, 20% from others and 10% from formal training.

The 70% on-the-job experience includes the regular employee tasks based on their office function. Others are their committee participation, customer immersion and job rotation. Meanwhile for the 20% learning from others, the development comes through the coaching or mentoring of the immediate superiors and other colleagues. Job shadowing and observation also help as well as knowledge transfer from other professionals and consultants. Last but not least, the 10% formal training and learning is expanded through the offered training programs and courses offered by Globe, i. e. Integrated Leadership Development Programs, Junior Mobile Wizard, Graduate 2 Globe, and Customer First Circle (CFC) Program.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

Globe's Long Term Incentive Plan was created to replace the Employee Stock Option which was last awarded in 2009. The new plan's primary objective is to drive long term performance in a highly competitive market by aligning management interest with the shareholders' interest. It also aims to motivate participants to sustain high levels of contribution. Furthermore, it is designed to attract and retain key executives whose contributions are essential to Globe's growth and profitability through a rewards scheme that is "long-tailed" with sufficient "hold-back" power. Lastly, the plan should drive shareholder value through superior business performance.

The incentive is delivered through a performance share based plan where it awards executives with company shares contingent upon the achievement of specified long-term goals over a specified performance period.

The Company's Plan allows for overlapping performance periods to support rolling multi-year business plans and employee retention. It has a 3-year performance period to support business planning cycle covering January 1, 2014 to January 1, 2016.

To ensure alignment of Senior Management's interest to that of the company, the plan includes a stock ownership requirement where the Senior Management are required to maintain shares equivalent to 75% to 100% of their annual base salary.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The procedures for handling complaints are embodied in the Company's Employee Handbook on Code of Conduct. (Please see Annex "B")

This policy provides a formal mechanism for employees, suppliers and third parties to submit reports of improper activities perpetrated by the company's employees, officers and directors, and suppliers and partners, that violate laws and regulation, company policies, the company's code of conduct, or which violate the company's ethical standards. Submitted reports will be investigated according to the protocols established in this policy, and the responsible submission of complaints in good faith shall be protected by the company.

Whistleblowing channels are made available for any person who has knowledge of suspected improper activity. Available channels include hotline (0917-8189934), internal portal and official email (gt_whistleblower@globe.com.ph). These are by no means the only channels by which disclosures

may be received. Persons or units within the organization who receive disclosures (in whatever form, including verbal) shall, however, forward or relay the disclosures to Security and Enterprise Risk Management (ERM) for activities involving 3rd party contractor and Employee Relations (ER) for activities involving an employee. ERM designates a complaint administrator who is in charge of administering the portal, and receiving, collating and submitting all disclosures to the Disclosure Committee (DC), who is composed of the company's Corporate Secretary, HR, Internal Audit, ERM and Legal Services. If and when disclosure involves a member of the Board or ERM or the complaint administrator, the disclosure shall be transmitted directly to the Corporate Secretary for handling. Meanwhile, if disclosure involves the Disclosure Committee, the disclosure will then be endorsed to the Board.

Once disclosure is submitted, the whistle-blower shall receive a notice that the complaint has been received and that it shall be processed in accordance with the policy. Disclosures will then be investigated by either ERM or ER depending on the activity. If with financial and reputation risk, Security and ERM will forward the report to DC for proper endorsement to the Office of the President, Audit Committee, and Legal for possible criminal case/action. Meanwhile, for employee-related activities, ER implements appropriate disciplinary proceedings in accordance with due process. If with financial (P1 million and up) and reputation risk, ER does the same forwards to DC for proper endorsement to the Office of the President, Audit Committee, and Legal for possible criminal case/action. The whistle-blower will also receive an update if no merits were found on the complaint filed.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

As of 31 January 2016 (disclosed in our Definitive Information Statement [SEC Form 20-IS])

Shareholder	Number of Shares & Title of Class of Shares	Percent of total outstanding shares[6]	Beneficial Owner & Relationship with Record Owner
Asiacom Philippines, Inc.[1]	158,515,021 (Voting Preferred)	50.93%	Asiacom Philippines, Inc. (hereafter, "Asiacom")
Singapore Telecom Int'l. Pte. Ltd.[2] (STI)	62,646,487 (Common)	20.13%	Singapore Telecom Int'l. Pte. Ltd.
Ayala Corporation[3] (AC)	40,351,591 (Common)	12.96%	Ayala Corporation ("AC")
PCD Nominee Corp.[4]	19,323,639 (Common)	6.21%	PCD Participants acting for themselves or for their customers[5]
PCD Nominee Corp.	19,790,950 (Non-voting Preferred)	6.36%	PCD Participants acting for themselves or for their customers[5]

[1] *Asiacom Philippines, Inc. is a significant shareholder of the Company. As per the Asiacom By-laws and the Corporation Code, the Board of Directors of Asiacom has the power to decide how the Asiacom shares in Globe are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.*

[2] *STI, a wholly-owned subsidiary of Singtel (Singapore Telecom), is a significant shareholder of the Company. As per its By-laws, STI, through its appointed corporate representatives, has the power to decide how the STI shares in Globe are to be voted. Mr. Mark Chong and Mr. Samba Natarajan have been appointed by Singtel as the authorized Corporate Representatives of the company to exercise all powers on behalf of the company at all General Meetings of Globe Telecom, Inc.*

[3] *Ayala Corporation is a significant shareholder of the Company. As per the AC By-laws & the Corporation Code, the Board of Directors of AC has the power to decide how AC shares in Globe are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.*

[4] *The PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. and is not related to the Company. It is the registered owner in the Company's books and holds shares on behalf of PCD participants and their clients.*

[5] *Each beneficial owner of shares through a PCD participant will be the beneficial owner to the extent of the number of shares in his account with the PCD participant. None of the 19,323,639 common shares registered in the name of PCD Nominee Corporation (Non-Filipino) beneficially owns more than 5% of the Company's common shares.*

[6] *Total outstanding shares includes common, voting preferred and non-voting preferred shares.*

As of 31 December 2015 ***(Capital stock refers to Common shares)***
(as disclosed in the Public Ownership Report and in the 2015 ASR)

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Rebecca V. Eclipse**	-	18,915 (thru PCD)	0.0142%I
Gil B. Genio**	-	51,838 (thru PCD)	0.0391%I
Alberto M. de Larrazabal**	4,322	-	0.0033%D
Marisalve Ciocson-Co	1,539	-	0.0012%D
Solomon M. Hermosura	20	-	0.0000%D
Bernard P. Llamzon	-	-	0.0000%
TOTAL			**0.0585%**

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes

Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes, the Annual Report states that trainings given to the members of the Board of Directors prior to assuming office, as well as additional in-house sessions/trainings that are attended by directors during the year.
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes, for Board of Directors.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

External Auditor's fee (for Y2015 as disclosed in our 2015 ASR)

Name of auditor	Audit Fee	Non-audit Fee
Navarro Amper & Co./ Deloitte Philippines (NA/DP)	Php15.36M	-

[Source: 2014 Annual and Sustainability Report, pp. 43-44]

3) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- *Quarterly results disclosures and analysts' briefings*
- *Market announcements*
- *Press releases and media briefing/roundtable media engagement*
- *Investor conferences, one-on-one or group meetings and investor days organized by the Company's or major shareholder's IR Department or broker institutions.*
- *Queries (via email or phone) from investors and analysts relating to announcements by the Company or other issues*
- *Electronic communications such as, electronic mail, website posting and social networking sites (i.e., facebook, twitter and instagram)*

4) Date of release of audited financial report:

The consolidated audited financial statements for the financial year ending December 31, 2015 was released and filed with the SEC on February 24, 2016, which is fifty-five (55) calendar days after the end of fiscal year. With the report, attached also were the consolidated statement of financial position as of December 31, 2014, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended December 31, 2015, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

5) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

6) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Please see Annex "C" and our 2015 SEC Form 17-A – Section H. Transactions with Related Parties, under Part I – Business and General Information, Item 1. Business (pp. 18-24))			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

Parts D and E of Globe Telecom's RPTs Policy states that:

"In ensuring that all shareholders, including minority shareholders, are given protection against abusive or oppressive conduct, the Corporation deems it necessary to keep all its shareholders and other stakeholders informed, at all times, of such material information and events in a timely manner.

The RPTs shall be disclosed in the Corporation's financial statements, annual reports, notices to the shareholders and other applicable filings in accordance with the relevant rules and issuance of the Securities and Exchange Commission (SEC) and other applicable regulatory bodies. The disclosure shall include, but not be limited to, the name of the Related Party, relationship with the Corporation for each RPT, the nature and value for each RPT. Such disclosure shall also be made publicly available by the Corporation, for the benefit of all shareholders and other stakeholders, through the company website and such other media channels as applicable.

Shareholders, including minority shareholders, and other stakeholders shall be provided with proper guidelines and procedures for right of action and remedies that are readily accessible in order to redress the conduct of the Corporation (e.g., Facebook page, Twitter account, Email account and Hotline numbers), as necessary.

xxx

Only the independent directors of the Corporation shall form the independent Committee ("Committee") that is tasked to review and monitor material RPTs to ensure the best interest of the Corporation, its shareholders and all other stakeholders, and that the RPTs are executed with fair and transparent terms."

Article IV of the Revised Manual of Corporate Governance provides:

"GOVERNANCE POLICY ON CONFLICT OF INTEREST

The personal interest of directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and the Corporation without regard to their own personal and selfish interests.

a) A conflict of interest exists when a director or an officer of the Corporation-
   i. supplies or is attempting or applying to supply goods or services to the Corporation;
   ii. supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
   iii. by virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
   iv. if offered or receives consideration for delivering the Corporations business to a third party;
   v. is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Corporation; and
   vi. is disqualified by virtue of Sec. 1.3 (i) and (j) of this Manual.

b) If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

c) A contract of the Corporation with one or more of its directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present:
   i. The presence of such director in the Board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
   ii. The vote of such director or trustee was not necessary for the approval of the contract;
   iii. The contract is fair and reasonable under the circumstances; and
   iv. In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two conditions set forth in the preceding paragraph is absent. In the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director involved is made at such meeting; and provided further that the contract is fair and

reasonable under the circumstances.

d) *Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.*

e) *The foregoing is without prejudice to the Corporation's existing Rules on Conflict of Interest for its officers, employees and staff."*

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Article I, Section 5 of the By-Laws provides: "xxx. At any meeting of stockholders the holders of record for the time being of a majority of the stock of the company then issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business, xxx."

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	By Poll/ Cumulative Voting in case of election of directors.
Description	At every meeting of the stockholders of the Company, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name on the books of the Company; provided, however, that in the case of the election of directors every stockholder entitled to vote shall be entitled to accumulate his votes in accordance with the provision of law in such case made and provided. Except on matters in which the law requires specific number of votes, the vote of stockholders representing at least a majority of the issued and outstanding capital stock entitled to vote shall be needed to approve corporate acts. Each stockholder will be given a ballot upon registration to enable him to vote in writing per item in the agenda. All votes shall be tabulated by the Office of the Corporate Secretary and the results validated by the external auditor of the Company.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	**Stockholders' Rights <u>not</u> in The Corporation Code**
Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.	It shall be the duty of the President to order and call special meetings of the stockholders whenever the holders of record of not less than ¼ of the outstanding capital stock of the Company with voting privilege shall in writing so request.
	The Company may provide information or documents to a stockholder by e-mail or by posting the information or documents on the website of the Company or another electronic network provided that a separate notice is given to the stockholder of such posting. In case the Company provides information or documents by electronic posting, the

	information or documents shall be deemed delivered or given upon the later of (i) the posting of the information or documents or (ii) the giving of a separate notice to the stockholder of such specific posting. The Company shall give notice and provide information or documents electronically, as provided above, only to stockholders who have consented to receive notices, information or documents by e-mail or electronic transmission. A stockholder shall be deemed to have consented to receiving notices, information or documents electronically if he has provided an e-mail or electronic address to the Company and he has not notified the Company in writing that he requires notices, information or documents to be given to him in physical paper form.
	Directors as such may receive, pursuant to a resolution of the stockholders, fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors.

Dividends

Declaration Date	Record Date	Payment Date
(Common Stock)		
06 November 2015	**24 November 2015**	**04 December 2015**
03 August 2015	**17 August 2015**	**02 September 2015**
12 May 2015	**26 May 2015**	**11 June 2015**
05 February 2015	**18 February 2015**	**04 March 2015**
11 November 2014	25 November 2014	11 December 2014
05 August 2014	19 August 2014	04 September 2014
10 February 2014	26 February 2014	20 March 2014
06 August 2013	22 August 2013	22 September 2013
05 February 2013	19 February 2013	12 March 2013
6 August 2012	28 August 2012	18 September 2012
10 February 2012	24 February 2012	16 March 2012
(Preferred Stock)		
06 November 2015	**24 November 2015**	**04 December 2015**
11 November 2014	25 November 2014	11 December 2014
08 November 2013	22 November 2013	08 December 2013
11 December 2012	27 December 2012	24 January 2012

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Stockholders of record are duly notified of the time, date and place of holding of the annual/special meetings of the stockholders.	Article I, Section 3 of the By-Laws provides: "Notices of the time, date and place of holding any annual meeting or any special meeting of the stockholders, and notice of the time, date and place of the validation of proxies, shall be given either by mail, postal or electronic, addressed to each stockholder of record entitled to vote, at the physical, electronic or email address left by such stockholder with the Secretary of the Company or by personal delivery to the physical address of the stockholder at least fifteen (15) days before the date set for such meeting. Every stockholder shall furnish the Secretary with the address at which notices of meetings and all other corporate notices may be served upon or mailed to him, and if any stockholder shall fail to furnish such address, notices may be served upon him by mail directed to him at his last know post-office, electronic or email address. The notice of every special meeting shall state briefly the objects of the meeting, and no other business shall be transacted at such meeting except by consent of all the stockholders of the Company entitled to vote.
Stockholders are given ballots to enable them to vote in writing per item in the agenda.	At the start of the meeting, the Chairman, together with the Corporate Secretary, announce the rules of conduct and procedures, as well as voting procedures for the meeting.
Stockholders are given the opportunity to raise questions and clarify issues relevant to the Company.	At the start of the meeting, the Chairman announces the rules of conduct and procedures for the meeting. The Board members, President and CEO along with the officers and external auditors are present to address any queries raised during the meeting.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

a. Amendments to the company's constitution

The Company adheres to and complies with the provisions of the Corporation Code with respect to the amendment of the Company's Articles of Incorporation and By-Laws,

authorization on issuance of additional shares and transfer of all or substantially all of the assets of the Company.

b. Authorization of additional shares

Please see answer above (2.a.)

c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Please see answer above (2.a.)

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Yes. For the 2016 Annual Stockholders' Meeting on 13 April 2016, the notice to shareholders was released on 11 December 2015. In addition, the notice, agenda, explanation to the agenda, SEC Definitive Information Statement and other materials relevant to the meeting were distributed to the stockholders on 07 March 2015, together with the notice of the meeting published in newspapers namely Business Mirror and Philippine Daily Inquirer – even earlier than 21 business days before the meeting.

a. Date of sending out notices:

07 March 2016

b. Date of the Annual/Special Stockholders' Meeting:

13 April 2016

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Stockholder, Mr. Guillermo Guilly asked about the impact to the Company of the government's migration to digital platform. Mr. Cu answered that the movement to e-government platform created opportunities for Globe to bid in government projects. He added that Globe had in fact been participating in various projects of the government. Next, Mr. Soliben Steven inquired if Globe had a comprehensive annual target, and whether all targets were achieved. He also inquired about the status of Globe's alliance with Bayan Telecommunications, Inc. (Bayantel). Mr. Cu replied that Globe hit all budget, which were actually above expectations. In Y2014, Globe broke all grounds in terms of revenues, profitability, and market share. As regards Bayantel, there were no more opposition to the merger between Globe and Bayantel as the TRO had expired and the Court of Appeals already denied the petition of competition, and Globe was just waiting for the National Telecommunications Commission to render a decision on the matter. (Annual Stockholders' Meeting held on April 07, 2015)

5. Result of Annual/Special Stockholders' Meeting's Resolutions

(For Annual Stockholders' Meeting held on 07 April 2015)

Resolution	Approving	Dissenting	Abstaining
Please see Annex "J"			

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

April 08, 2015 – one (1) business day after the Annual Stockholders' Meeting (ASM)

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
Use of visual aid at the Annual Stockholders' Meeting including presentation of proposed resolutions.	For easy reference of the stockholders during voting.
Provide booth as channel for costumers/stockholders concerns.	To immediately address customers/stockholders concerns.

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

(For Annual Stockholders' Meeting held on 07 April 2015)

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Board: 1. Jaime Augusto Zobel de Ayala 2. Gerardo C. Ablaza, Jr. 3. Mark Chong Chin Kok 4. Ernest L. Cu 5. Delfin L. Lazaro 6. Fernando Zobel de Ayala 7. Romeo L. Bernardo 8. Manuel A. Pacis 9. Rex Ma. A. Mendoza New Directors: 10. Samba Natarajan 11. Saw Phaik Hwa Officers: 1. Ernest L. Cu 2. Alberto M. de Larrazabal 3. Gil B. Genio 4. Renato M. Jiao 5. Rebecca V. Eclipse 6. Henry Rhoel R. Aguda 7. Vicente Froilan M. Castelo 8. Carmina J. Herbosa 9. Bernard P. Llamzon 10. Solomon M. Hermosura 11. Marisalve Ciocson-Co	April 07, 2015	By Poll	84.35%	5.81%	90.16%

Special	NA	NA	NA	NA	NA	NA

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. All votes are tabulated by the office of the Corporate Secretary and the results are validated by the external auditor of the Company.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

The Company's common and preferred shares carry one vote for one share. Article I, Section 5 of the By-Laws provides:

"xxx, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name on the books of the Company; xxx."

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The proxy shall be appointed in writing by the stockholder himself, or by his duly authorized attorney in accordance with the existing laws, and rules and regulations of the Securities and Exchange Commission.
Notary	Notarization is not required.
Submission of Proxy	Duly accomplished and executed proxy forms must be submitted to the office of the Corporate Secretary not later than ten (10) trading days prior to the date of the Stockholders' meeting.
Several Proxies	There is no prohibition on several proxies.
Validity of Proxy	May be revoked by the stockholder giving a proxy at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.
Proxies executed abroad	There is no special or separate requirement for proxies executed abroad.
Invalidated Proxy	The stockholder giving proxy shall be immediately notified of the invalidation of proxy.
Validation of Proxy	There is a "Proxy Validation Committee", composed of three (3) persons appointed by the Board of Directors, which has the power to pass on the validity of proxies.
Violation of Proxy	None

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	**Procedure**

Article I, Section 3 of the By-Laws provides that notices of the Annual/Special Stockholders' Meeting shall be sent at least fifteen (15) days before the date set for such meeting. Globe also observes sending of notices of Annual/Special Stockholders' Meetings at least 28 days prior to the ASM. For the 07 April 2015 ASM, notices were released to stockholders on 03 March 2015.	Article I, Section 3 of the By-Laws provides: "Notices of the time, date and place of holding any annual meeting or any special meeting of the stockholders, and notice of the time, date and place of the validation of proxies, shall be given either by mail, postal or electronic, addressed to each stockholder of record entitled to vote, at the physical, electronic or email address left by such stockholder with the Secretary of the Company or by personal delivery to the physical address of the stockholder at least fifteen (15) days before the date set for such meeting. Every stockholder shall furnish the Secretary with the address at which notices of meetings and all other corporate notices may be served upon or mailed to him, and if any stockholder shall fail to furnish such address, notices may be served upon him by mail directed to him at his last know post-office, electronic or email address. The notice of every special meeting shall state briefly the objects of the meeting, and no other business shall be transacted at such meeting except by consent of all the stockholders of the Company entitled to vote. No notice of any meeting need be published in any newspaper. A failure to give or any defect or irregularity in giving the notice of the annual meeting shall not affect or invalidate the actions or proceedings at such meeting. The stockholders of the company entitled to vote may, by unanimous consent in writing, waive notice of the time, place and purpose of any meeting of stockholders and any action taken at a meeting held pursuant to such waiver shall be valid and binding. The notice of any annual or special meeting of the stockholders shall be deemed to have been given at the time when delivered personally or deposited in the post office, postage prepaid, or sent electronically or by e-mail and addressed as herein provided. The Company may provide information or documents to a stockholder by e-mail or by posting the information or documents on the website of the Company or another electronic network provided that a separate notice is given to the stockholder of such posting. In case the Company provides information or documents by electronic posting, the information or documents shall be deemed delivered or given upon the later of (i) the posting of the information or documents or (ii) the giving of a separate notice to the stockholder of such specific posting. The Company shall give notice and provide information or documents electronically as

	provided above, only to stockholders who have consented to receive notices, information or documents by e-mail or electronic transmission. A stockholder shall be deemed to have consented to receiving notices, information or documents electronically if he has provided an e-mail or electronic address to the Company and he has not notified the Company in writing that he requires notices, information or documents to be given to him in physical paper form.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	2,879 shareholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	Actual distribution of DIS/SEC From 20-IS began on March 07, 2016.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	Actual distribution of DIS/SEC From 20-IS began on March 07, 2016.
State whether CD format or hard copies were distributed	PDF-bundled files saved in USBs enclosed in a booklet and envelope, hard copies, and PDF copies (sent through e-mail) were distributed and provided to the Company's shareholders.
If yes, indicate whether requesting stockholders were provided hard copies	Requesting shareholders were provided hard copies of the DIS.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes (SEC Form 20-IS)
The auditors to be appointed or re-appointed.	Yes (SEC Form 20-IS)
An explanation of the dividend policy, if any dividend is to be declared.	Yes (SEC Form 20-IS)
The amount payable for final dividends.	Yes (SEC Form 20-IS)
Documents required for proxy vote.	Yes (SEC Form 20-IS)

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
As provided in Article VII of the Company's Revised Manual of Corporate Governance, on "Stockholders' Right and Protection of Minority Stockholders' Interest.	1. Shareholder Rights The Board shall be committed to respect the following rights of the stockholders: a) Voting Right Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation. b) Pre-emptive Right All stockholders have pre-emptive rights as set out in the Corporation Code and the Articles of Incorporation, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of InCorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code. c) Right of Inspection Shareholders shall be allowed to inspect corporate books and records including minutes of Board meeting and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions. d) Right to Information Upon request and for a legitimate purpose, a shareholder shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are stated must be

	distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission. The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for and to those relating to matters for which the Management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access. e) Right to Dividends Shareholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct the Corporation to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation such as when there is a need for special reserve for probable contingencies. <u>As a policy and as much as practicable, Globe shall observe a 30-day period for the payment of dividends to shareholders from the declaration date of such dividends.</u> f) Appraisal Right In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances: i. In case any amendment to the articles of incorporation has the effect of changing or

	restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence: ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided In the Corporation Code and iii. In case of merger or consolidation. 2. Duty of Directors to promote shareholders rights - It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.
Article II, Section 1.3 of the By-Laws provides for the policy and procedure for the nomination of members of the Board, which includes minority shareholders.	"The Nominations shall be conducted as follows: 1.) Nomination of director/s, including independent directors, shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. xxx 3.) xxx. The name of the person or group of persons who recommended the nomination of the directors, including independent directors, shall be identified in such report including any relationship with the nominee. xxx." The 2016 Notice and Agenda of the Annual Stockholders' Meeting (p. 3), under *Item 6. Election of Directors (Including the Independent Directors)*, provides that "in accordance with the By-Laws of the Corporation, the Manual of

	Corporate Governance and the SEC Rules, any stockholder including minority stockholders, may submit to the Nomination Committee the names of nominees to the Board of Directors…". Further, Globe's 2015 Definitive Information Statement (SEC Form 20-IS) states (p. 13) that the list of nominees for the Board of Directors, to be elected during the Annual Stockholders' Meeting on 13 April 2016, were submitted by a minority shareholder – Mr. Melchor A. Latina.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. All stockholders, including minority stockholders, have the right to nominate candidates for Board of Directors. Article II, Section 1.3 of the By-Laws provides:

" Section 1.3 xxx

The Nominations shall be conducted as follows:

1.) Nomination of director/s, including independent directors, shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

xxx

2.) xxx. The name of the person or group of persons who recommended the nomination of the directors, including independent directors, shall be identified in such report including any relationship with the nominee.

xxx."

In reference to the list of nominees for membership to Globe's Board of Directors, page 13 of the Company's 20-IS (Information Statement) for the year 2014 disclosed that "the nomination for the above nominees was formally submitted to the Nomination Committee by a minority shareholder, Mr. Melchor A. Latina. Ms. Saw Phaik Hwa, Mr. Manuel A. Pacis, and Mr. Rex Ma. A. Mendoza were nominated as independent directors. Mr. Latina is not related to any of the nominees" (http://www.globe.com.ph/documents/50301/15939122/GLO_2014-Definitive-Information-Statement).

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The company's Investor Relations (IR) communications policies are reviewed annually. The Chief Financial Officer (CFO) and Compliance Officer review and approve major company announcements before release to the public. The company's other external communications are reviewed, on a regular basis, by the Senior Vice President of Corporate Communication and by Management.

Meanwhile, the company has various internal communications channels to fully inform all employees on the economic, social and environmental impact about the company. Updates and news from internal communication channels are reviewed on a regular basis by the Senior Vice President of the Corporate Communication, Chief Human Resource Officer or the Director for Logistics and Administrative Services depending on the source of information.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To ensure that investors and the market are provided with full and timely information about the Company's developments and activities. To comply with continuous disclosure obligations contained in applicable legislation and listing rules. To ensure that all external stakeholders have equal opportunities to receive information issued by the Company.
(2) Principles	The Company must immediately notify the market via a disclosure to the PSE, SEC and PDEX of any information known to management concerning operational, financial or other matters that are necessary to avoid the establishment of a false market in the Company's securities or would be likely to materially affect the price or value of its securities. Once information is filed with regulatory bodies, pertinent files are then uploaded to the company website for public disclosure and access.
(3) Modes of Communications	Quarterly results disclosures and analysts' briefings, market announcements, ad-hoc briefings, investor conferences, one-on-one or group meetings and investor days organized by the Company's or major shareholder's IR Department or broker institutions. In addition, the Company may respond to queries from investors and analysts relating to announcements by the Company or other issues. At all times when interacting with external parties (including, but not limited to, investors, broker analysts, fund managers, retail investors, and other market participants), the Company adheres to the guiding principle set out in this policy.
(4) Investors Relations Officer	Email: jsfajardo@globe.com.ph Telephone: +632 7974307

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

In accordance with the rules and procedures as may be prescribed by the Securities and Exchange Commission and the Philippine Stock Exchange.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company has no extraordinary transactions such as mergers, and sales of substantial portion of corporate assets.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Serve Pillar: Excellence in public service and leadership - Community-Based Disaster Response and Risk Management - Sagot Ka ni Kap - Hopeline - TxtHIV 8504	- 466,742 families in 33 cities and municipalities with access to social and health services
PROSPER: Inclusive economic growth through sustainable livelihood - My Fair Share - Amax Caravan with DSWD 4P Beneficiaries	- Market access, capacity building and financial assistance enabled partner social and micro-enterprises to generate a combined revenue of P6,624,200.00.
CONSERVE: Environmental Protection and Sustainability - Project 1 Phone - Protected Area Management	- Covering a total of 224,162.17 hectares, Globe partner environmental organizations and employees were able to plant 320,000 trees.
LEARN: Quality Education For All - Text2Teach - Global Filipino School - Global Filipino Teachers	- Equipped with the latest tools and methodologies, 7,227 teachers were able to bring 21st century learning to 709,174 students in 1,467 schools across the country
GIVE: Active Citizenship through Volunteerism - Skill-based volunteering - Activity-based volunteering	- A total of 1,926 volunteers shared their time, treasure and talent with CSR partners and communities and raised P1,164,181.87 in funds for various advocacies.

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	*Please see explanation below.	
Board Committees		
Individual Directors		
CEO/President		

**The Board conducts an annual self-assessment exercise through a self-assessment questionnaire given to each director to ensure the effectiveness of processes and to identify areas of improvement. The assessment covers appraisal of the Board, of individual directors, of the different Board Committees, as well as of the President and CEO with evaluation criteria focusing on structure, efficiency, and effectiveness of the Board, as well as, participation and engagement of each member of the Board. An executive session also takes place every first meeting of the year to evaluate and discuss matters concerning the board, including evaluation of the company's performance and its management team for the last year.*

The Audit Committee also conducts a performance evaluation in compliance with Securities and Exchange Commission Memorandum Circular No. 4 (Series of 2012).

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
*Please see explanation below.	

**Article VIII of the Revised Manual of Corporate Governance provides:*

"PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Corporation's directors, officers, staff, in case of violation of any of the provisions of this Manual:

- *In case of first violation, the subject person shall be suspended from office. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation.*
- *A second violation shall be sufficient cause for removal from directorship in accordance with the Corporation Code.*

The foregoing is without prejudice (a) to the right of the Board to immediately suspend and/or remove a Director for fraudulent acts or where necessary to protect the interests of the Corporation; and (b) to the right of the Corporation and/or the Board to take any other legal action permitted by law in order to seek relief against the acts of the director including, where appropriate, injunctive action.

A fine of not more than Two Hundred Thousand Pesos (P200, 000) shall, after due notice and hearing, be imposed for every year that a covered Corporation violates the provisions of this Code, without prejudice to other sanctions that the Commission may be authorized to impose under the law; provided, however, that any violation of the Securities Regulation Code punishable by a specific penalty shall be assessed separately and shall not be covered by the abovementioned fine.

Penalties, sanctions and corrective actions are also provided in Globe's Employee Handbook on Code of Conduct, that are in accordance with applicable and relevant laws as well as respective of the issue involved. Due process to be observed in imposing such sanctions or corrective action for non-compliance of the internal Company Code and rules or breach thereof are also adopted and reflected in the Handbook. Please refer to Annex "B" for Employee Handbook on Code of Conduct.

ANNEX "A"

Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue
Bonifacio Global City
Taguig, Philippines
+632.7972000
www.globe.com.ph

CERTIFICATION OF FULL COMPLIANCE WITH THE MANUAL OF CORPORATE GOVERNANCE

The Corporation's Manual of Corporate Governance, as revised in May 2015, adopts the leading practices and principles of good corporate governance, and to the best of my knowledge and belief, full compliance therewith has been made since the adoption of the Manual.

This Certification is issued in accordance with the requirement of the Corporation's Manual of Corporate Governance, Article V, Section 3, Paragraph iii; and is executed to attest to the truth of the foregoing facts.

January 29, 2016, Taguig City.

MARISALVE CIOCSON-CO
Compliance Officer, Assistant Corporate Secretary, and
Vice President, Legal Services

Countersigned by:

ERNEST L. CU
President and Chief Executive Officer

Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City,
Taguig, Philippines 1634
+632.7972000
www.globe.com.ph



12 May 2015

Securities and Exchange Commission
SEC Building, EDSA, Greenhills, Mandaluyong City

Attention: Director Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

Director Justina F. Callangan
Director, Corporate Governance and Finance Department

Philippine Stock Exchange, Inc.
3/F Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Philippine Dealing and Exchange Corporation
37/F Tower 1, The Enterprise Center,
6766 Ayala Avenue corner Paseo de Roxas, Makati City

Attention: Ms. Vina Vanessa S. Salonga
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please find attached the Revised Manual of Corporate Governance (MCG) of Globe Telecom, Inc. in furtherance of the company's corporate governance practices and standards, and in consideration of the recommended best corporate governance practices from the Securities and Exchange Commission (SEC) identified in the Advisory dated 30 March 2015.

Thank you.

Very truly yours,

ATTY. MARISALVE CIOCSON-CO
Compliance Officer, Assistant Corporate Secretary and
Vice President, Legal Services

ARTICLE I

PREAMBLE

Corporate Governance refers to the framework of rules, systems and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include among others, customers, employees, suppliers, financiers, government and community in which it operates. It encompasses all the systems and mechanisms of shareholders and other stakeholders to ensure that Management enhances the value of a corporation as it competes in an increasingly global market place. The primary goal of corporate governance is thus to create and sustain increased value in the corporation for all of its stakeholders. To achieve this goal, it is necessary among other things - to clearly set forth the principles of appropriate supervision and good management, and thereby lay the groundwork for development and implementation of value-creating activities. Moreover, it is as important that these agreed principles of governance are made transparent to all stakeholders concerned, thereby safeguarding stakeholders' rights as well as promoting stakeholder participation in the corporate governance process.

The framework for Corporate Governance is not drawn from any single document. The Philippine Corporation Code lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code (Republic Act No. 8799), the Securities and Exchange Commission ("PhilSEC" or "Commission") implementing rules and regulations, and the Code of Corporate Governance (SEC Memorandum Circular No 6, Series of 2009, The Revised Code of Corporate Governance). All terms used herein are used with the meanings assigned to them by said laws and implementing rules and regulations.

The machinery for corporate governance of Globe Telecom, Inc. ("Globe" or the "Corporation") is principally contained in the Corporation's Articles of Incorporation and By-Laws and their amendments. These constitutive documents lay down, among others, the basic structure of governance, minimum qualifications of directors, and the principal duties of the Board of Directors and officers of the Corporation. The function of this Manual of Corporate Governance is to supplement and complement the Corporation's Articles and By-Laws by setting forth principles of good and transparent governance.

The Board of Directors, Management, Officers and employees of Globe Telecom, Inc. hereby commit themselves to the principles and best practices of governance contained in this Manual as a guide in the attainment of its corporate goals. The Corporation shall undertake to make a continuing effort to create awareness of good corporate governance within the organization.

MISSION

We create a wonderful world for people, businesses, and the nation.

VISION

Happiest Customers, Employees and Shareholders.

OUR CORE VALUES

We put our customers first.

Our people make the difference.

We act with integrity.

We care like an owner.

We keep things simple.

To us, it's be fast or be last.

ARTICLE II

GOVERNANCE

1. The Board of Directors

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the Corporation. Within their chartered authority, the directors acting as a Board have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

1.1 Composition

The Board of Directors shall be composed of such number of members as required by the Corporation's By-Laws and elected by the Corporation's stockholders entitled to vote at the annual meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

As a Corporation listed on the Philippine Stock Exchange (PSE), Globe Telecom, Inc. shall conform with the legal requirement of having at least two (2) Independent directors or such Independent directors as shall constitute Twenty Percent (20%) of the members of the Board, whichever is lesser but in no case less than two (2). As corporate governance best practice, Globe shall have at least one (1) female Independent director. The Independent directors shall be identified in the annual report.

As a board diversity policy, no director or candidate for directorship shall be discriminated upon by reason of gender, age, disability, ethnicity, nationality, or political, religious or cultural backgrounds.

1.2 Qualifications

A director of the Corporation shall have the following qualifications:

a) Ownership of at least one (1) share of the capital stock of the Corporation;

b) A college degree or its equivalent or adequate understanding of the telecommunication industry or sufficient experience and competence in managing a business to substitute for such formal education;

c) Relevant qualification, such as previous business experience, membership in good standing in the relevant industry, and membership in business and professional organizations;

d) Possess integrity, probity and shall be diligent and assiduous in the performance of his functions.

1.3 Disqualifications

The following persons are disqualified from being a director of the Corporation:

a) Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving the purchase or sale of securities, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (iii) any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Commission or any court or other administrative body of competent jurisdiction from; (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust corporation, investment house, investment corporation or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the Commission or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or under any rule or regulation promulgated by the Commission or Bangko Sentral ng Pilipinas, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;

c) Any person finally convicted judicially of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent acts or transgressions;

d) Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the Phil SEC, or any rule, regulation or order of the Commission or the Bangko Sentral ng Pilipinas or who has filed a materially false or misleading application, report or registration statement required by the Commission, or any rule, regulation or order of the Commission;

e) Any person judicially declared to be insolvent;

f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs;

g) Any affiliated person who is ineligible, by reasons of paragraphs (a) to (e) hereof to serve or act in the capacities listed in those paragraphs;

h) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment;

i) Any person convicted by final and executory judgment by an appropriate court or body of a violation of the Public Service Act (CA 146) or under any law administered by the National Telecommunications Commission; and

j) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

    i. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business in the Philippines which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation, or

ii. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially of 10% or more of any outstanding class of shares of, any other corporation or entity in the Philippines engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such persons membership in the Board of Directors; or

iii. If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (ii) or (iii).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

1.4 Temporary Disqualification of Directors

The following are grounds for temporary disqualification of incumbent directors:

a) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.

b) Absence or non-participation for whatever reason(s) for more than Fifty Percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election.

c) Dismissal/ termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.

d) Being under preventive suspension by the Corporation for any reason.

e) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

A temporarily disqualified director shall, within 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 Board shall consider a director's illness, death in the immediate family, or serious accident in determining whether absence from meetings shall or shall not be a ground for temporary disqualification under this section.

1.5 Independent directors

Independent directors shall be independent of the Corporation, its Management and major/substantial shareholders. They shall hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. An Independent director shall, within ten (10) days from the time of his election or appointment and/or re-election/re-appointment as a director, submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or controlling shareholder. Moreover, for purposes of compliance with the legal requirement on Independent directors –

a) Officers, executives and employees of the Corporation may be elected as directors but cannot and shall not be characterized as Independent directors.

b) If a director elected or appointed as an Independent director subsequently becomes an officer or employee of the Corporation, the Corporation shall forthwith cease to consider him as an Independent director.

c) If the beneficial security ownership of an Independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%), the Corporation shall forthwith cease to consider him as an Independent director.

d) A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent director after a two (2) year "cooling off" period.

e) Persons appointed as Chairman Emeritus, Ex-Officio Directors/Officer or members of any executive/Advisory Board or otherwise appointed in a capacity to assist the Board in the performance of its duties shall be subject to a one (1) year cooling-off period prior to his qualification as an Independent director.

f) Independent directors can serve as such for five (5) consecutive years;

g) After completion of the five-year service period, an Independent director shall be ineligible for election as such in the same company unless the Independent director has undergone a "cooling off" period of two (2) years, provided, that during such period, the Independent director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as such in the same company;

h) An Independent director re-elected as such in the same company after the "cooling off" period can serve for another four (4) consecutive years under the conditions mentioned in 1.5, g) above;

i) An Independent director can only serve as such for a total of nine (9) years from the date of first appointment, without prejudice to being elected as such in other companies outside of the business conglomerate, where applicable.

1.6 Policy on Multiple Board Seats

a) The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards, but in no case shall any executive director serve as such on more than two (2) boards of publicly-listed companies outside the group. A similar limit may apply to independent or non-executive directors who, at the same time serve as full-time executives in other corporations. In any case the capacity of directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

b) Any limitation in the number of directorships outside of Globe Telecom shall not include directorships in the Corporation's subsidiaries, affiliates, parent corporation, and affiliates and subsidiaries of the parent corporation.

c) Independent/non-executive directors shall not hold more than five (5) concurrent Board directorships in publicly-listed companies.

1.7 Board Meetings and Quorum Requirements

a) Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the PhilSEC. Such meetings shall be scheduled before the start of the financial year. Board materials/papers shall be provided to each director at least seven (7) days prior to the meetings set.

b) The Board may, to promote transparency, require the presence of at least one (1) Independent director in all of its meetings. However, the absence of an Independent director shall not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.

1.8 General Responsibility of the Board for Good Governance

a) A director's office is one of trust and confidence. He should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress over the long term.

b) Compliance with the principles of good governance shall start with the Board of Directors. It is the Board's responsibility to foster the long-term success of the Corporation and the corporate objectives and to sustain its competitiveness and profitability in a manner consistent with the corporate objectives and the best interest of its stockholders and other stakeholders. The Board should formulate, approve and monitor the Corporation's vision, mission, corporate strategies and strategic objectives and set forth policies that shall guide its activities, including the means to effectively monitor Management's performance. These, including the vision, mission and strategic objectives, are likewise subject to review by the Board, at least once every five (5) years, if not sooner as deemed necessary.

c) To the extent set forth above, the Board of Directors shall orient all its activities towards three general guidelines:

- All actions taken by the Board are subject to the principle of legal permissibility. They must therefore not infringe on the appropriate provisions of Philippine law and the Corporation's constitutive documents.

- All actions taken by the Board are subject to the principle of economic usefulness. They should accordingly contribute to increasing the value of the Corporation in a sustainable manner.

- The Board should, when carrying out its duties, be aware of its duty as the governing body of a public utility rendering public service.

d) The Board shall ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:

- Ensuring the presence of organizational and procedural controls supported by an effective management information system and risk management reporting system;

- Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

- Appointing a CEO with the appropriate ability, integrity, and experience to fill the role; and defining the duties and responsibilities of the CEO;

- Reviewing proposed senior management appointments;

- Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan;

- Institutionalizing the internal audit function; and

- Ensuring the presence of, and regularly reviewing, the performance and quality of independent audit;

- Conducting an annual self-assessment exercise through a self-assessment questionnaire given to each director to ensure the effectiveness of processes and to identify areas of improvement. The assessment covers appraisal of the Board, of individual directors, of the different Board committees, as well as of the President and CEO with evaluation criteria focusing on structure, efficiency, and effectiveness of the Board, as well as participation and engagement of each member of the Board.

1.9 Specific Duties of the Board of Directors

The Board shall exert its best effort to ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders. The Board shall conduct itself with honesty and integrity in the performance of its duties in accordance with the Corporation's By-Laws and the following duties and functions:

a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;

b) Properly discharge Board functions by meeting at such times or frequency as may be needed. Independent views during Board meetings should be given due consideration and all such meetings should be minuted;

c) Constitute an Audit Committee and such other Committees, as required in the By-Laws of the Corporation or as the Board deems necessary to assist the Board in the performance of its duties and responsibilities;

d) Select and appoint a President/CEO/ Chief Executive Officer and other senior officers with the appropriate level of motivation, integrity, competence and professionalism;

e) Adopt a professional development program for employees and officers and succession planning for senior management and key positions in the Corporation;

f) Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;

g) Ensure that the Corporation complies with all relevant laws, regulations and as far as possible best business practices;

h) Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

i) Adopt a system of checks and balances, which may be applied in the first instance to the Board. Such systems shall be regularly reviewed and updated to ensure effectiveness and the integrity of the decision-making and reporting process at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness;

j) Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;

k) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board;

l) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties;

m) Appoint a Compliance officer who shall have the rank of at least Vice President. In the absence of such an appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer;

n) Create an internal self-rating system;

o) Cause the Corporation to participate in the Corporate Governance Survey using the CG Scorecard as an instrument;

p) Be primarily responsible to the stockholders for financial reporting and control, and should:

- Provide to all stakeholders relevant and timely information about the Corporation, including but not limited to a semestral report and an annual report of the Corporation's performance position and prospects through publicly available reports submitted to the Securities and Exchange Commission;
- Present a balance and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
- Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
- Report that the business is going concern, with supporting assumptions or qualifications, if necessary;
- Maintain a sound system of internal control to safeguard stakeholders' investment and the Corporation's assets;
- Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts; and
- Require the chief audit executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;

q) Recommend to the stockholders the appointment of Independent Auditors, in accordance with the recommendation of the Audit Committee; and

r) Create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable.

1.10 Specific Responsibilities of each Director

In addition to the duties and responsibilities of a Director set forth in the Corporations By-Laws and existing relevant statutes, a Director shall:

a) ***Conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions***. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. He should observe the conflict of interest policy stated in this Manual. He shall accomplish an annual conflict of interest disclosure and voluntarily disclose any conflict of interest that may arise within the year after the submission of the disclosure. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or he stands to acquire or gain financial advantage at the expense of the Corporation.

b) ***Devote time and attention necessary to properly discharge his duties and responsibilities.*** A director should attend and actively participate in Board meetings.

c) ***Act judiciously***. Before deciding on any matter brought before the Board of Directors, every director should evaluate the issues, ask questions and seek clarification as appropriate.

d) ***Exercise independent judgment***. A director should view each problem/situation objectively and support plans and ideas which he believes are beneficial to the Corporation.

e) ***Have a working knowledge of the statutory and regulatory requirements affecting the Corporation***. This would include a firm knowledge of the contents of

the Articles of Incorporation and By-Laws of the Corporation and the amendments thereof, the requirements of the PSE and SEC for the conduct of the Corporation's business, and where applicable, the requirements of other regulatory agencies.

f) ***Observe confidentiality***. A director shall observe the confidentiality of nonpublic information acquired by reason of his position as a director. He should not disclose any information to any other person without the authority of the Board.

g) ***Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment***. Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Corporation.

h) ***Prior to assuming office, attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institution***. ***Existing directors shall attend corporate governance trainings or sessions for continuing professional development.*** If necessary, funds shall be allocated by the Corporation for this purpose.

1.11 Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders and other persons.

When a director attempts to acquire or acquires, in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal In his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.

1.12 Compensation and Liability Insurance Coverage of Directors

a) The Board of Directors shall determine a level of remuneration for Directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a Board member. The compensation which maybe in the form of cash remuneration or stock option plan, shall be fixed by way of a resolution of the Board of Directors. The Board of Directors may provide that only non-executive directors shall be entitled to such compensation.

b) Effective from the effective date of this Manual, no director shall be involved in deciding his or her own remuneration during his incumbent term.

c) The Corporation, to ensure effectiveness of holding directors accountable and to attract competent persons as directors, may purchase at its own expense liability insurance coverage for its directors.

2 Board Committees

The Board of Directors may create such committees as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Corporation and to aid in good governance. As a minimum, however, the Board shall be supported by the following committees:

2.1 Executive Committee

The Board may appoint an Executive Committee composed of such number of members as the Board may designate but in no case less than three (3) members, at least three (3) of whom shall be existing Board members and shall designate one of such members as Chairman of the Executive Committee. The proportion of non-Filipino nationals to citizens of the Philippines in the membership of the Executive Committee shall not at any time exceed the proportion that the number of shares of the Corporation held by aliens bears to the number of shares of the Corporation held by citizens of the Philippines as set forth in its Articles of Incorporation.

a) The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws, except with respect to –

i. approval of any action for which shareholders' approval is also required;

ii. the filling of vacancies on the Board or in the Executive Committee;

iii. the amendment or repeal of By-Laws or the adoption of new By-Laws;

iv. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

v. the distribution of cash dividends;

vi. the exercise of powers delegated by the Board exclusively to other committees, if any

b) A majority of all the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedures. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity, provided however that the Board of Directors may at any time enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or alteration by the Board of Directors, provided that no rights or acts of third parties shall be affected by any such revision or alteration.

2.2 Nomination Committee

The Nomination Committee shall be composed of such number of members as the Board may designate but in no case less than three (3) members, at least three (3) of whom shall be existing Board members and one of whom shall be an Independent director. The Independent director shall chair the Nomination Committee. The Nomination Committee shall fix its own rules of procedures.

The Committee shall have the following functions:

a) install and maintain a process to ensure that all directors to be nominated for election at the next Annual General Stockholders' Meeting have the qualifications and none of the disqualifications stated above;

b) undertake the process of identifying the quality of directors aligned with Globe's vision, mission, core values and strategic directions;

c) encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies; and

d) Preview and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board.

2.3 Finance Committee

The Finance Committee shall have the principal oversight responsibility with respect to the Company's financial operation and it's Treasury –related activities. The Finance Committee shall define its own Charter and fix its own rules of procedures. The Finance Committee shall be composed of such number of members as the Board may designate but in no case less than three (3) members, at least three (3) of whom shall be existing Board members.

The Finance Committee shall be responsible for reviewing and evaluating the financial affairs of the Corporation from time to time.

The Finance Committee shall, prior to each annual stockholders' meeting, conduct an annual financial review and operations review, which shall cover the financial activities of the Corporation during the immediately preceding year.

2.4 Compensation and Remuneration Committee

The Compensation and Remuneration Committee shall be composed of such number of members as the Board may designate but in no case less than three (3) members, at least three (3) of whom shall be existing Board members and one of whom shall be an Independent director. It shall have the following duties and responsibilities:

a) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;

b) Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;

c) Establish a formal and transparent procedure for developing a policy on executive remuneration packages of individual directors, if any, and officers;

d) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;

e) Disallow any director to decide his or her own remuneration;

f) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;

g) Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; and

h) In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

2.5 Audit Committee

The Audit Committee provides oversight of the financial reporting & operational risks specifically on financial statement and reporting, internal controls, legal or regulatory compliance, corporate governance, risk management and fraud risks.

a) The Audit Committee shall be composed of such number of members as the Board may designate but in no case less than three (3) members, at least three (3) of whom shall be existing Board members and one of whom shall be an Independent director. The Independent director shall chair the Audit Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular.

b) The Audit Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the Management of the Corporation. It shall have the following particular duties and responsibilities:

i. Check the financial statements and related disclosures and reports certified by the Chief Finance Officer and released to the public and/or submitted to the PhilSEC for compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

ii. Review and assess the adequacy of Globe's risk management process, specifically on financial statement and reporting, business continuity, fraud, revenue assurance, and regulatory risks, jointly with Management, the Corporation's independent auditors, and the Corporation's internal auditors. This function shall include receiving from senior management periodic information on risk exposures and risk management activities.

Management, however, remains primarily responsible for the development and implementation of the risk management strategies, policies and systems intended to address the identified risks.

iii. Be responsible for setting up an internal audit department and consider the appointment of the chief audit executive; establish and identify the reporting line of the chief audit executive so that the reporting levels allow the internal audit activity to fulfill its responsibilities;

iv. Ensure that internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

v. Provide oversight of the Corporation's internal and Independent Auditors;

vi. Approve the Annual Internal Audit Work Plan, ensuring that audit resources are allocated to the areas of highest risk. Pre-approve all audit plans, scope and frequency before the conduct of independent audit;

vii. Review the Independent Auditor's plans to understand the basis for their risk assessment and financial statement materiality;

viii. Discuss with the Independent Auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed;

ix. Elevate to international standards the accounting and auditing processes, practices and methodologies; ensure compliance with Philippine Financial Reporting Standards; and develop an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task;

x. Ensure that a transparent financial management system, supported by a procedures and policies handbook that will be used by the entire organization, is established to assure the integrity of internal control activities throughout the Corporation;

xi. Receive and review reports of internal and Independent Auditors and regulatory agencies, where applicable, and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

xii. Review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and stock exchange requirements;

xiii. Recommend and review the appointment of Independent Auditors and their remuneration;

xiv. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the Independent Auditor. As much as practicable, the non-audit work and its fees shall not exceed the services and fees for the conduct of regular audit. The amount of non-audit work of Independent Auditors shall be disclosed in the annual report;

xv. Meet with the Independent Auditors and the Internal Auditors in executive session at least annually to discuss pertinent matters, including the quality of management, financial and accounting controls, and ensure the attendance of the Independent Auditors or their representative in the Annual General Stockholders' Meeting to address queries within the audit scope.

The Internal Audit group of the Corporation shall support the Audit Committee in the rendition of its functions.

2.6 Proxy Validation Committee

The Board of Directors shall appoint three (3) persons (who need not be stockholders) to act as Proxy Validation Committee which shall be empowered to pass on the validity of proxies. The Proxy Validation Committee shall be guided by existing laws, and rules and regulations of the Philippine Securities and Exchange Commission regarding proxies.

The term of office of the Committee members shall be fixed by the Board of Directors. In the event of vacancy in the Committee membership, the Board of Directors may appoint another member to such vacancy.

2.7 Technical Support to Committees

The Corporation shall, as appropriate, provide directors, including Independent directors, with technical support staff to assist them in performing their duties for such committees. Directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. The Corporation shall cover the reasonable expenses of providing such support.

ARTICLE III

MANAGEMENT

1. General Responsibilities of Management

a) Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with the strategy and the business goals of the Corporation; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.

b) Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the Corporation in a timely manner.

2. Executive Officers of the Corporation

The Executive Officers of the Corporation are the Chairman, the President/CEO and Chief Executive Officer, the Treasurer and/or the Chief Finance Officer, and the Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors. In addition:

- The Board of Directors shall appoint (from time to time) one or more Senior Vice President/CEOs and Vice President/CEOs, a Comptroller and such other officers, agents and employees as provided for in the Corporation's By-Laws.

- The Board of Directors may elect such number of Co-Vice-Chairmen of the Board from among its members.

- The roles of the Chairman and the Chief Executive Officer ("CEO") may be separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for Independent decision-making. The Corporation shall disclose the relationship between the Chairman and the CEO, if any, in its annual report to the Securities and Exchange Commission.

a) Chairman of the Board

The Chairman of the Board, shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President/CEO. He shall -

i. schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation's operations;

ii. prepare the meeting agenda in consultation with the President/CEO;

iii. exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and

iv. assist in ensuring compliance with the Corporation's guidelines on corporate governance.

The Chairman shall have such other responsibilities as the Board of Directors may impose upon him.

b) Co-Vice-Chairman

In the absence of the Chairman of the Board, one of the Co-Vice-Chairmen shall preside at meetings of the Board.

c) President/CEO

Minimum internal control mechanisms for Management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Corporation's organizational and procedural controls. In addition to the duties imposed on the President/CEO by the Board of Directors, the President/CEO shall:

i. have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;

ii. see that all orders and resolutions of the Board of Directors are carried into effect;

iii. submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs; and

iv. report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to their notice.

The President/CEO shall have such other responsibilities as the Board of Directors may impose upon him.

d) <u>The Treasurer</u>

The Treasurer of the Corporation shall have charge of the funds, securities, receipts and reimbursements of the Corporation. He shall have the following functions:

i. deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;

ii. regularly and at least every semester render to the President/CEO or to the Board an account of the fund condition of the Corporation and of all his transactions as such;

iii. ensure funds availability on a timely basis and at the most economical means;

iv. optimize yields in temporary excess funds;

v. provide relevant and timely capital market information; and

vi. ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him. The CFO may also be the Treasurer of the Corporation.

e) <u>The Chief Finance Officer (CFO)</u>

The Chief Finance Officer shall be appointed by the Board of Directors. The CFO who may also be the Treasurer of the Corporation shall be responsible for the following:

i. provide Management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;

ii. maintain the integrity of accounting records as the basis of financial statements and reports provided to Management for decision-making and government regulatory bodies in compliance with statutory requirements;

iii. promote investor confidence in the Corporation by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with. To this extent, the CFO shall oversee the Investor Relations function;

iv. certify all financial reports for the review of the Audit Committee; and

v. strengthen internal controls by monitoring compliance with policies, recommend to Management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The Chief Finance Officer shall have such other responsibilities as the Board of Directors may impose upon him.

f) <u>The Corporate Secretary</u>

The Corporate Secretary shall be a resident and citizen of the Philippines. He is an officer of the Corporation and his loyalty to the mission, vision and specific business objectives of the Corporation comes with his duties. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a chief legal officer. He must also have some financial and accounting knowledge.

The Corporate Secretary shall have the following functions:

i. serve as an adviser to the directors on their responsibilities and obligations;

ii. keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President/CEO and other members of the Board as appropriate;

iii. keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;

iv. have charge of the stock certificate book and such other books and papers as the Board may direct;

v. attend to the giving and serving of notices of Board and shareholder meetings;

vi. be fully informed and be part of the scheduling process of other activities of the Board;

vii. prepare an annual schedule of Board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;

viii. oversee the adequate flow of information to the Board prior to meetings;

ix. ensure fulfillment of disclosure requirements to the Securities and Exchange Commission and the Philippine Stock Exchange; and

x. Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

The Board shall have separate and independent access to the Corporate Secretary.

ARTICLE IV

GOVERNANCE POLICY ON CONFLICT OF INTEREST

The personal interest of directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and the Corporation without regard to their own personal and selfish interests.

a) A conflict of interest exists when a director or an officer of the Corporation-

i. supplies or is attempting or applying to supply goods or services to the Corporation;

ii. supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;

iii. by virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;

iv. if offered or receives consideration for delivering the Corporation's business to a third party;

v. is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Corporation; and

vi. is disqualified by virtue of Sec. 1.3 (i) and (j) of this Manual.

b) If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

c) A contract of the Corporation with one or more of its directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present:

i. The presence of such director in the Board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;

ii. The vote of such director or trustee was not necessary for the approval of the contract;

iii. The contract is fair and reasonable under the circumstances; and

iv. In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two conditions set forth in the preceding paragraph is absent. In the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

d) Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.

e) The foregoing is without prejudice to the Corporation's existing Rules on Conflict of Interest for its officers, employees and staff.

ARTICLE V

AUDIT AND COMPLIANCE

1. <u>Internal Audit</u>

a) The Internal Audit Group shall provide for an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders. It shall also provide independent and objective assurance and advisory services to the Corporation designed to add value and improve on the organization's operations. It shall provide the Board, Management and the stockholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

b) It shall perform its auditing functions faithfully by maintaining independence from the Management and controlling shareholders.

c) The Internal Audit Group shall be headed by a Chief Audit Executive. The Chief Audit Executive shall preferably be a Certified Public Accountant and/or a Certified Internal Auditor and shall report to the Audit Committee of the Board of Directors.

d) The Internal Auditors shall report that their activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Otherwise, the Chief Audit Executive shall disclose to the Board and Management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.

2. <u>Independent Audit</u>

a) The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited Independent Auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.

b) The Independent Auditor shall –

i. perform fair audits independently from the Corporation, its Management and controlling shareholders, so that shareholders and other users may maintain confidence in the Corporation's accounting information;

ii. check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;

iii. attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration; and

iv. perform such other functions as may be approved by the Board in its engagement of the auditor provided, however, that non-audit work shall not be in conflict with the functions of the auditor as Independent Auditor.

c) The Independent Auditor should be rotated every five (5) years or earlier or the handling partner shall be changed.

d) The reason/s for the resignation, dismissal or cessation from service and the date thereof of an Independent Auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former Independent Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

A preliminary copy of any report on disagreement between the accounting principles and practice shall be given by the Corporation to the independent auditor before its submission to the SEC and stockholders.

e) If an Independent Auditor believes that the statements made in an annual report, information or proxy statements filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.

3. <u>Compliance System</u>

To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer, who may be the Corporate Secretary or any other officer with the position of a Vice-President or its equivalent.

The Compliance Officer shall perform the following duties:

i. Operationalize this Manual, and monitor compliance with the provisions and requirements of this manual;

ii. Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same;

iii. Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same;

iv. Provide the Commission at the end of every fiscal year with a sworn certification that the requirement for Independent directors and their attendance at meetings in accordance with Sec. II (7) of SEC Memorandum Circular No.2 has been complied with. The said certification may be submitted with the Corporation's current report (SEC Form 17-1) or on a separate filing;

v. Identify, monitor and control compliance risks;

vi. Determine violations of this Manual and create a system for according due notice, hearing, and due process for dealing with violations of the Manual; and

vii. Recommend the penalties for violations of the manual, for further review and approval of the Board.

The appointment of the Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

ARTICLE VI

COMMUNICATION AND INFORMATION

1. <u>Management's Responsibility for Information</u>

a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:

- Present a balanced and understandable assessment of the Corporation’s position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;

- Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;

- Report that the business is going concern, with supporting assumptions or qualifications, if necessary;

- Maintain a sound system of internal control to safeguard stakeholders' investment and the Corporation's assets;

- Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts; and

- Require the Chief Audit Executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.

b) Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

c) It is therefore essential that all materials about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

The Board shall therefore commit at all times to full disclosure of material information dealings, including material non-public information. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and

submissions to the Commission for the interest of its stockholders and other stakeholders.

2. The Investors Relations Function

There shall be an Investor Relations Division within the Corporation which shall be tasked with –

a) Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;

b) Formulation of a clear policy on communicating or relating relevant information to Corporation stakeholders and to the broader investor community accurately, effectively and sufficiently;

c) Preparation of disclosure documents to the Philippine Securities and Exchange Commission and the Philippine Stock Exchange; and

d) Dissemination of this Manual, and the conduct of an orientation program for the Board and Management.

The Investor Relations Division shall report to the Chief Finance Officer.

3. Communication of this Manual

This Manual shall be submitted to and made available at the Philippine Securities and Exchange Commission. It shall also be available for inspection by any stockholder of the Corporation at its principal office during reasonable hours on a business day.

ARTICLE VII

STOCKHOLDERS' RIGHT AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST

1. Shareholder Rights

The Board shall be committed to respect the following rights of the stockholders:

a) Voting Right

Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation.

b) Pre-emptive Right

All stockholders have pre-emptive rights as set out in the Corporation Code and the Articles of Incorporation, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.

c) Right of Inspection

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meeting and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.

d) Right to Information

Upon request and for a legitimate purpose, a shareholder shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission.

The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for and to those relating to matters for which the Management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders meeting provided always that this

right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

e) Right to Dividends

Shareholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct the Corporation to declare dividends when its retained earnings is in excess of 100% of Its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation such as when there is a need for special reserve for probable contingencies.

As a policy and as much as practicable, Globe shall observe a 30-day period for the payment of dividends to shareholders from the declaration date of such dividends.

f) Appraisal Right

In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

i. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and

iii. In case of merger or consolidation.

2. Duty of Directors to promote shareholders rights

It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the

electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

ARTICLE VIII

PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Corporation's directors, officers, staff, in case of violation of any of the provisions of this Manual:

- In case of first violation, the subject person shall be suspended from office. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation.

- A second violation shall be sufficient cause for removal from directorship in accordance with the Corporation Code.

The foregoing is without prejudice (a) to the right of the Board to immediately suspend and/or remove a Director for fraudulent acts or where necessary to protect the interests of the Corporation; and (b) to the right of the Corporation and/or the Board to take any other legal action permitted by law in order to seek relief against the acts of the director including, where appropriate, injunctive action.

A fine of not more than Two Hundred Thousand Pesos (P200, 000) shall, after due notice and hearing, be imposed for every year that a covered Corporation violates the provisions of this Code, without prejudice to other sanctions that the Commission may be authorized to impose under the law; provided, however, that any violation of the Securities Regulation Code punishable by a specific penalty shall be assessed separately and shall not be covered by the abovementioned fine.

ARTICLE IX

REVIEW AND AMENDMENT OF MANUAL

1. The provisions of this Manual and the enforcement thereof shall be subject to quarterly review unless otherwise stated by the Board.

2. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.

3. This Manual is subject to review and amendment by the Board of Directors to take into account the Corporation's changing needs, factual conditions prevailing in the environment and to comply with regulatory requirements.

ARTICLE X

ADOPTION AND EFFECTIVITY

This Revised Corporate Governance Manual was adopted by the Board of Directors of the Corporation on 4 February 2010 and became effective on 14 April 2010. Amendments to comply with regulatory issuances of the Securities and Exchange Commission shall be deemed adopted and effective upon the effectivity of the regulatory issuance.

EMPLOYEE
HANDBOOK ON

Code of Conduct



Globe

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EMPLOYEE HANDBOOK ON CODE OF CONDUCT

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ACKNOWLEDGEMENT FORM

Upon Signing this Acknowledgement form, I hereby declare that I have received this handbook. I willingly accept my responsibility to read and understand its content and to exert my utmost best to comply with the mandates contained therein.

Received by:

_____
Name of Employee

_____
Signature

_____
Date/Time Received

IMPORTANT NOTICE

This page should be signed-off and given back to HR Group c/o Labor Relations within 24 hours after receipt of this Employee Handbook.

For provincial areas, please send your Acknowledgement form initially through fax at: 739-3133 and then send the original copy to: Labor Relations, Service Delivery Center, HR Group 3F, Tower 1, Globe Telecom Plaza, Pioneer cor. Madison St. 1552, Mandaluyong City

_____
Date/Time of Issue

Tear or cut along the dotted line

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Primer on
Code of Conduct

Code of Conduct

The Company strives to do what is right and what is fair to all stakeholders. We are all enjoined to do the right things always and to live out our corporate values. The intent of our Company's Code of Conduct is to reinforce these values by specifying the behaviors and practices that are not aligned to it. It seeks to create awareness and thus prevents the commission of offenses punishable under the Code, and not simply to administer punishment and sanctions as may be called for.

For a fuller understanding, please refer to the attached Code.

ON GENERAL PROVISIONS

Q To whom does this Code of Conduct apply?

A The Code applies to all employees of Globe, Innove, GXI, their subsidiaries and affiliates. It must be enforced consistently and uniformly to offenders regardless of their position within the company. It is important to stress that disciplinary action shall be directed against the employee's wrongdoing and not against his person or personality.

The identity of an employee, who is the subject of a Code of Conduct process, and information on any Code proceedings should be maintained in confidence to the extent possible given the legitimate needs of law and the fact-finding process.

Q How many times shall penalty be imposed?

A Only one penalty shall be imposed for each offense. If an offense violates two or more rules in the Code, the penalty for the most serious offense shall be applied.

Q What are the responsibilities of Employees in relation to the Code?

A It is the duty of every employee to familiarize himself with all the provisions of the Code. Ignorance of or unfamiliarity with the provisions will not excuse any violation committed.

All employees are duty-bound to report to management any information they may have about any offense which has been, is being, or is about to be committed. Failure to do so will subject the employee to the appropriate disciplinary action under **ART. 54** *Concealing or Withholding Information* of the Code of Conduct.

The protection of the reporting party's identity will be maintained to the extent possible, within the legitimate needs of law and the fact-finding process. Where appropriate, the protected disclosure protocols will be followed as specified in our Whistleblower policy.

Q What are the responsibilities of Superiors?

A Superiors are held accountable for maintaining discipline and order within their areas. They are given sufficient authority and power to act upon all reports of violations immediately. Otherwise, they are held responsible for failure on the job of management, as provided under ART. 36 *Failure to Provide Guidance/ Failure of Management* of the Code the Conduct.

Q What effects would disciplinary action have on one's career improvement?

A An employee's record of offenses shall diminish or, as the circumstances may warrant, remove their eligibility for merit increases, promotion, incentives or similar improvement in his job situation.

Q What are the imposable penalties under the Code?

A In order of severity:

1. Verbal Warning

   Cautions the offender to refrain from repeating the same offense in the future, lest they receive a more severe penalty. This is documented as a recall mechanism.

2. Written Reprimand

   More severe than a warning in the sense that it is accompanied by censure, rebuke or sharp scolding.

GOVERNANCE

We recognize the importance of good governance in realizing our vision, carrying our mission and living our values for increased satisfaction of our customers.

3. Suspension

   The temporary separation of an employee from service, in number of working days without pay and other corresponding benefits.

4. Demotion

   The transfer of an employee to a lower rank with or without the corresponding reduction in salary.

5. Dismissal

   The permanent separation of an employee from service.

The Company may consider any attendant aggravating or mitigating circumstances when imposing such penalties. It must be stressed that these penalties shall be imposed without prejudice to any civil, criminal or other actions that the Company may decide to take against the offender.

Any violation that does not fall under the offenses specified in the Code but are clearly damaging to the interest of the Company shall still receive the appropriate penalty to enforce the Company's inherent right to discipline its employees and protect its interest.

The Code shall not prevent the Company from applying the just causes for dismissal under the *Labor Code* and other laws.

The Code shall be a living document, as such, may be changed from time to time, as may be required by any change in laws, rules and regulations that may pertain to the behavior of employees. Code updates shall follow our HR policy change, approval and cascade process.



ON OFFENSES AND PENALTIES

Q What are considered offenses against honesty and integrity? What are their corresponding penalties?

A 1. Corruption, Extortion, and/or Bribery

Any employee who directly or indirectly demands, requests, solicits, receives or accepts any commission, share or consideration, monetary or otherwise, for himself, or for another person, in connection with any contract or transaction entered into by the Company, or in connection with the performance of his duties, or because of his position, shall suffer the penalty of Dismissal.

2. Fraud Against the Company

Committing any of the following shall be penalized with Dismissal:

2.1. makes a false representation of facts;

2.2. employs any kind of deception;

2.3. makes a false or fraudulent claim against the company;

2.4. initiates or participates in any action intended to defraud the Company;

2.5. obtains payment, benefit, or gain from the Company to which he is not entitled;

2.6. knowingly honors a forged signature for his own benefit or that of another person; or

2.7. gives due course or approval to a document knowing it to be false or erroneous

3. Theft, Pilferage or Misappropriation

Stealing, misappropriating, or attempting to steal or misappropriate funds or properties belonging to the Company or co-employee, shall suffer the penalty of Dismissal.

4. Perjury or False Testimony

Giving false testimony on a matter that is the subject of

official inquiry or investigation by the Company, shall suffer the penalty of Dismissal.

5. Falsification

Committing any of the following shall be penalized with Dismissal:

5.1. falsifies any company document or record;

5.2. enters false information on any company document or record

5.3. makes untruthful statements in a narration of facts; or

5.4. uses a falsified document or certificate

6. Conflict of Interest

All employees are required to state in writing his involvement in any conflict of interest with the Company. Failure to do so shall result in the Dismissal of the employee.

Conflict of interest generally exists when financial or other personal considerations, relations or interest may compromise an employee's ability to fulfill his duties properly.

Personal interest may also arise from the employee's family[1], or close personal relationship[2] or employment with any entity that does business with the Company.

Q What are considered offenses against good personal behavior and conduct and what are their corresponding penalties?

A 1. Sexual Harassment

In a work-related environment, sexual harassment is committed:

1.1. when sexual favor is solicited as a condition for hiring, re-employment, or continued employment of an employee;

1.2. when sexual favor is solicited as a condition for granting favorable terms or conditions of employment, promotions, compensation, privileges or other considerations;

1.3. when refusal to grant sexual favor results in the discrimination or deprivation of the employee of his employment opportunities and other adverse effects;

1.4. when sexual advances impair the employee's rights under existing labor laws; or

1.5. when sexual advances result in an intimidating, hostile, or offensive environment for the employee.

Any employee who commits any of the aforementioned acts, regardless of whether the sexual demand, request or requirement is accepted, shall suffer the penalty of Dismissal.

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[1] *Family relationship includes the spouse or relatives by consanguinity or affinity to the fourth degree*

[2] *Close personal relationship includes close friendship or professional employment by the employee giving rise to or assuring free access to such employee*

2. Immoral or Indecent Conduct

Engaging in immoral, indecent or lascivious behavior, including the use of profane or obscene language in addressing another person, within the company premises during working hours shall be penalized as follows:

1st Offense – Three (3) days Suspension
2nd Offense – Seven (7) days Suspension
3rd Offense – Fifteen (15) days Suspension
4th Offense – Dismissal

3. Fighting Within Company Premises

Quarrelling, physically assaulting or engaging in a fight with a co-employee or any person within company premises shall suffer the penalty of Dismissal.

4. Threats or Coercion

Threatening, intimidating or coercing a co-employee or a third party within the company premises shall be penalized as follows:

1st Offense – Seven (7) days Suspension
2nd Offense – Fifteen (15) days Suspension
3rd Offense – Dismissal

5. Discourtesy or Disrespect to Co-employees

Shall be penalized as follows:

1st Offense – Seven (7) days Suspension
2nd Offense – Fifteen (15) days Suspension
3rd Offense – Dismissal

6. Drunkenness

Reporting for work under the influence of liquor, or drinking alcoholic beverages during working hours (except on official functions) shall be penalized as follows:

1st Offense – Seven (7) days Suspension
2nd Offense – Fifteen (15) days Suspension
3rd Offense – Dismissal

7. Use or Possession of Prohibited Drugs

Any employee caught using or in possession of prohibited or regulated drugs shall be dismissed and/or dealt with in accordance with the *Comprehensive Dangerous Drug Act (RA no. 9165).*

8. Smoking in Prohibited Places

Smoking in designated smoke-free zones in the employment premises is strictly prohibited. Offenders shall be dealt with as follows:

1st Offense – Verbal Warning
2nd Offense – Written Reprimand
3rd Offense – One (1) day Suspension
4th Offense – Seven (7) days Suspension
5th & Subsequent Offense – Fifteen (15) days Suspension

Where smoking threatens the safety and security of the Company, the penalty shall be as follows:

1st Offense – Fifteen (15) days Suspension
2nd Offense – Dismissal

9. Gambling

Any employee caught gambling in any form at any time within company premises shall be penalized as follows:

1st Offense - Written Reprimand
2nd Offense - Fifteen (15) days Suspension
3rd Offense - Dismissal

10. Failure to Report Loss Incident Occurrence

Failure to report a loss, such as a motor vehicle accident involving a service vehicle of the Company, property damage, etc. by an employee entrusted therewith or in physical possession thereof, shall be penalized as follows:

1st Offense - Seven (7) days Suspension
2nd Offense - Fifteen (15) days Suspension
3rd Offense - Dismissal

Q What are considered anti-customer offenses and what are their corresponding penalties?

A 1. Discourtesy Against Customers

Discourtesy in any form, such as rudeness, arrogance, insolence, impoliteness, disdain, contentiousness, ungraciousness, incivility or inconsiderateness in word or action against any customer, shall be penalized as follows:

1st Offense - Three (3) days Suspension
2nd Offense - Seven (7) days Suspension
3rd Offense - Fifteen (15) days Suspension
4th Offense - Dismissal

2. Unauthorized Disclosure of Information

Divulging confidential matters such as a customer's personal information, call details, billing statement, account and history without appropriate authorization, shall be penalized as follows:

1st Offense - Fifteen (15) days Suspension
2nd Offense - Dismissal

3. Misinformation

Employee who is in a position to obtain information but gives inaccurate, misleading, delayed, or no information to customers, and his act results in the dissatisfaction of or disservice to the customer, shall be dealt with as follows:

1st Offense - Verbal Warning
2nd Offense - Written Reprimand
3rd Offense - Three (3) days Suspension
4th Offense - Seven (7) days Suspension
5th Offense - Fifteen (15) days Suspension
6th Offense - Dismissal

4. Neglect of Customer

Failure, refusal or neglect to respond and attend to the concerns of a customer or failure or refusal to provide prompt, efficient and courteous service shall be dealt with as follows:

1st Offense - Verbal Warning
2nd Offense - Written Reprimand
3rd Offense - Three (3) days Suspension
4th Offense - Seven (7) days Suspension
5th Offense - Fifteen (15) days Suspension
6th Offense - Dismissal

Incompetence in responding and attending to the concerns of the customer shall be dealt with similarly.

5. Mishandling a Customer

Deliberate actions that result in the failure of attending to a customer's call shall be dealt with as follows:

1st Offense – Verbal Warning
2nd Offense – Written Reprimand
3rd Offense – Three (3) days Suspension
4th Offense – Seven (7) days Suspension
5th Offense – Fifteen (15) days Suspension
6th Offense – Dismissal

Q What offenses are related to job performance?

A 1. Failure on the Job

Refusal or inability to perform duties and responsibilities without justifiable cause; disregard for performance and productivity standards; and neglect for operating procedures have corresponding penalties depending on the frequency as well as the extent of the offense:

1st Offense – Verbal Warning
2nd Offense – Written Reprimand
3rd Offense – Three (3) days Suspension
4th Offense – Seven (7) days Suspension
5th Offense – Fifteen (15) days Suspension
6th Offense – Dismissal

2. Non-Observance of Standard Operating Procedures –

Willful or unintentional non-observance of standard operating



procedures for direct or indirect personal gain shall be meted a penalty ranging from suspension to dismissal depending upon the gravity of the offense.

3. Sleeping While on Duty

Sleeping while on duty shall be disciplined as follows:

1st Offense – Verbal Warning
2nd Offense – Written Warning
3rd Offense – Seven (7) days Suspension
4th Offense – Fifteen (15) days Suspension
5th Offense – Dismissal

4. Failure to Provide Guidance/ Failure of Management

A leader is expected to provide his team the basic orientation, training or guidance in the performance of their duties and responsibilities. He is held accountable for any violation of company policies or existing laws that his staff may commit because of neglect for this responsibility. The penalty for such violation ranges from suspension to dismissal based on the gravity of the offense.

5. Culpable Delay in Disposing Disciplinary Cases

Any official who unreasonably delays the resolution of

disciplinary cases is penalized as follows:

1st Offense – Seven (7) days Suspension
2nd Offense – Fifteen (15) days Suspension
3rd Offense – Thirty (30) days Suspension
4th Offense – Dismissal

6. Limiting Work Output

Extending beyond the necessary time to finish a job or task, and inciting others to do the same shall be meted a penalty ranging from suspension to dismissal depending upon the gravity of the offense.

Q What are attendance violations?

A 1. Absence Without Leave (AWOL)

If an employee would not be able to report to work, he should inform his immediate superior prior to his absence. Failure to comply means:

1st Offense – Two (2) days Suspension
2nd Offense – Three (3) days Suspension
3rd Offense – Seven (7) days Suspension
4th Offense – Fifteen (15) days Suspension
5th Offense – Thirty (30) days Suspension

Absence without leave for fifteen (15) days or more shall be considered as gross and habitual neglect of duty. The penalty is Dismissal.

3. Tardiness

At the very least, employees are expected to report for work on time. Any employee who reports for work late for two (2) times, or accumulates one (1) hour tardiness within a 7-day attendance monitoring cycle, shall be disciplined as follows:

1st Offense – Verbal Warning
2nd Offense – Written Reprimand
3rd Offense – Three (3) days Suspension
4th Offense – Seven (7) days Suspension
5th Offense – Fifteen (15) days Suspension
6th Offense – Dismissal

For the above 6th offense to merit dismissal, the 1st up to the 6th offense must be committed within one calendar year, i.e., January to December of the same year.

4. Improper Use of Sick Leave

An employee who: (a) avails of his sick leave without informing his superior about the nature of his illness; (b) extends his approved sick leave without prior notification; or (c) refuses to be examined by the company-designated physician while on sick leave, shall be penalized as follows:

1st Offense – Written Reprimand
2nd Offense – Seven (7) days Suspension
3rd Offense – Fifteen (15) days Suspension
4th Offense – Dismissal

5. Malingering

Pretending to be sick or claiming disability to avoid work, duty or

service, or for other personal reason, shall be penalized as follows:

1st Offense – Fifteen (15) days Suspension
2nd Offense – Dismissal

The penalty of Dismissal shall be imposed if the employee submits a falsified medical certificate to justify his feigned illness or disability.

Q Will I be penalized for undertime or leaving work early?

A

1. Unauthorized Under-time; Loitering and Abandonment of Post

Any employee who leaves his workplace during or before his work time ends, or leaves his workplace for more than one (1) hour without the approval of his superior, shall be disciplined as follows:

1st Offense – Verbal Warning
2nd Offense – Written Reprimand
3rd Offense – Seven (7) days Suspension
4th Offense – Fifteen (15) days Suspension
5th Offense – Dismissal

Q What behaviors do not support teamwork?

A

1. Insubordination

Any direct order given by a superior relating to work assignment must be promptly obeyed. Penalty for refusal shall be either suspension or outright dismissal depending upon the gravity of the offense.

2. Abuse of Authority

Abuse of authority to gain undue favors or personal advantage to oppress, harass, and otherwise prejudice another shall be penalized either by suspension or by outright dismissal depending upon the gravity of the offense.

3. Sowing Intrigues

Spreading false, inaccurate, and misleading information about another employee or superior to damage or slander reputation, or undermine his authority, shall be penalized as follows:

1st Offense – Fifteen (15) days Suspension
2nd Offense – Dismissal

4. Withholding of Cooperation

Refusal to cooperate where the Company's operations and interests are at stake will be penalized as follows:

1st Offense – Fifteen (15) days Suspension
2nd Offense – Dismissal

5. Withholding of Information

Refusing or failing without justifiable reason, to communicate information that is needed to ensure the performance or completion of any company operation, or for sound decision, or to protect the Company's interests– shall be penalized as follows:

1st Offense – Fifteen (15) days Suspension
2nd Offense – Dismissal

5. Giving False Information

Any employee- with the responsibility of giving correct information- who deliberately or through negligence, gives inaccurate, misleading, or delayed information that leads to damage to product and service quality; customer dissatisfaction; higher costs; lost revenues; inefficiencies; and similar disruptions in operations shall be penalized as follows:

1st Offense – Seven (7) days Suspension
2nd Offense – Fifteen (15) days Suspension
3rd Offense – Dismissal

Q What are my responsibilities in protecting my Company's name and reputation?

A 1. Injuring Company Reputation

Every employee is expected to help build and protect the good name of the Company. Anyone who spreads false rumor, embarrassing, ridiculing, or mocking, or criticizing the Company in public, shall suffer the following penalty:

1st Offense – Fifteen (15) days Suspension
2nd Offense – Dismissal

2. Revelation of Confidential Information

Revealing or releasing confidential information pertaining to the Company or assisting any person to access such confidential information, shall suffer the penalty of Dismissal.



3. Concealing or Withholding Information

Refusing to report information on any wrongdoing or threat/ danger to the safety of employees, customers, property, interests, or to the profitability of the company's operations, will be penalized according to the gravity of the offense.

4. Damage to Company Property

Causing damage to company property shall suffer the following penalty:

1st Offense – Fifteen (15) days Suspension
2nd Offense – Dismissal

If the damage is deliberate or caused by disregard for standard operating procedures, the penalty shall be Dismissal.

Q What are my obligations to keep a secure, safe and healthy working environment?

A 1. Refusal to Cooperate With Security Personnel

Refusing to cooperate with security personnel in the performance of their duties shall be dealt with as follows:

1st Offense – Verbal Warning
2nd Offense – Written Reprimand
3rd Offense – Seven (7) days Suspension
4th Offense – Fifteen (15) days Suspension
5th Offense – Dismissal

2. Unauthorized Use of Company Property

Misusing company property for personal purposes or removing it from the usual area without proper approval shall be disciplined as follows:

1st Offense – Verbal Warning
2nd Offense – Written Reprimand
3rd Offense – Seven (7) days Suspension
4th Offense – Fifteen (15) days Suspension
5th Offense – Dismissal

3. Carrying Deadly Weapons

Unless authorized by the Company, employees who carry within company premises- including company sponsored events- deadly weapons will be suspended or dismissed outright, depending on the gravity of the offense.

4. Failure to Wear Prescribed Uniform

Not wearing the prescribed uniform while on duty shall be dealt with as follows:

1st Offense – Written Reprimand
2nd Offense – Three (3) days Suspension
3rd Offense – Six (6) days Suspension
4th Offense – Dismissal

5. Improper Wearing of Company ID

Penalty for failing to wear the Identification Card on the chest area for immediate security identification within Company premises is as follows:

1st Offense – Verbal Warning
2nd Offense – Written Reprimand
3rd Offense – Three (3) days Suspension
4th Offense – Seven (7) days Suspension
5th Offense – Fifteen (15) days Suspension
6th Offense – Dismissal

6. Unauthorized Use of Another Employee's ID

Using the Identification Card of another employee for gaining access to Company premises; and consequently allowing another to use his ID will be dealt with the following penalties:

1st Offense – Seven (7) days Suspension
2nd Offense – Fifteen (15) days Suspension
3rd Offense – Dismissal

7. Climbing Tower Without Authorization to Climb

Climbing a tower without an Authorization to Climb shall be penalized by either suspension or by outright dismissal depending upon the gravity of the offense.

8. Tampering Safety Systems

Tampering Fire Protection Appliances and Life Safety Systems, such as fire alarms and extinguishers, smoke detectors, etc., shall be penalized by either suspension or outright dismissal,

depending upon the gravity of the offense.

9. Commission of Unsafe Acts

Unsafe acts and hazards caused by employees shall be penalized by either suspension or outright dismissal, depending upon the gravity of the offense.

10. Failure to Act on a Preventive/ Corrective Action Request (PCAR)

All operating units involved in operations and maintenance, projects and site management, are obliged to strictly comply with the Company Safety, Health & Environmental Management policies and procedures.

Failure to act on a non-compliance matter those results in business interruption, loss of service or fatal accident shall be penalized with Dismissal. Under other circumstances, the penalty shall be as follows:



1st Offense – Written Warning
2nd Offense – Ten (10) days Suspension
3rd Offense – Dismissal

11. Poor Housekeeping and Sanitation

All employees are obliged to be safety conscious and concerned with the preservation of health and good housekeeping. Penalties for violation are:

1st Offense – Verbal Warning
2nd Offense – Written Reprimand
3rd Offense – Three (3) days Suspension
4th Offense – Seven (7) days Suspension
5th Offense – Fifteen (15) days Suspension
6th Offense – Dismissal

THE RULES OF A DISCIPLINARY PROCEEDING

Q What are the rules of a Disciplinary Proceeding?

A 1. Responsibility of Line Management[1]

Line managers are responsible for maintaining order and discipline, including the enforcement of rules and the conduct of disciplinary proceedings. They shall be assisted by HR, Internal Audit, Legal and Security when needed.

2. Nature of Disciplinary Proceedings

Administrative investigations shall be summary in nature and in the interest of due process; the Company shall use all reasonable means to consider all facts in each case with speed and objectivity.

[1] *Line Management refers to all the officers of the Section, Department, Division or Group where the employee concerned is assigned.*

3. Fact-finding Inquiry: Gathering of Evidence

Upon receipt of a report on a violation, the Immediate/ Next Level Superior should immediately cause a fact-finding inquiry with the purpose of determining the accuracy of the report and gathering evidence. He or she shall be assisted by the Security, Internal Audit, HR or Legal Divisions.

4. Notice of Administrative Charge

If evidence shows violation of rules, the Immediate Superior, in coordination with the Division Head/Group Head, issues a Notice of Administrative Charge against the employee.

5. Contents of the Notice of Administrative Charge

The Immediate Superior and the Division Head/Group Head sign on the Notice of Administrative Charge, that specifies:

5.1. the particular acts or omissions committed by the employee; and

5.2. directs the employee to explain within twenty-four (24) hours from receipt why no disciplinary action should be taken against him.

The notice also states "preventive suspension" for employees who may pose serious and imminent threat to Company property or to life.

6. Period of Preventive Suspension

Preventive suspension lasts for thirty (30) days only and the disciplinary proceedings are terminated within this period. If the employee concerned causes delay in the procedures, this delay is not considered in reckoning the 30-day period.

7. Non-Accrual of Salaries and Benefits During Preventive Suspension

During preventive suspension, the employee is not entitled to salaries and benefits, unless he is later cleared of the charge.

During preventive suspension, the Immediate Superior is tasked to notify:

7.1. Payroll and Timekeeping to withhold salaries & benefits, as well as

7.2. Security Division for retrieval of the Identification Card and other company-issued properties.

8. Answer/Explanation

Within twenty-four (24) hours from receipt of the Notice of Administrative Charge, the employee should submit his written answer. Twenty Four (24) hours extension may be requested by an employee as provided by law.

9. Administrative Hearing

Whether the employee responds or not to the notice of administrative charge, the

Immediate or Next Level Superior with HR determines whether to proceed with an administrative hearing.

In case of a hearing, the Immediate Superior sends the employee a written notice stating the date, time and place of hearing. He or she shall be assisted by Security, Internal Audit, HR, and/or Legal.

10. What happens in a sexual harassment case?

Cases involving sexual harassment shall be heard by a Committee on Decorum composed of:

10.1. HR;

10.2. Legal;

10.3. Security; and

10.4. Union, if a union member is involved.

The administrative hearing is summary in nature and limited to factual issues not clear from the evidence at hand.

The accused employee will be heard and may be assisted by his lawyer or representative. The participation or presence of such lawyer or representative shall not be allowed to delay or in any way detract from the summary nature of the proceedings.

11. Decision

Based on substantial evidence, the Immediate Superior or the Committee on Decorum, shall render a decision immediately after the hearing to either impose appropriate disciplinary action or clear the employee of any charges.

The decision is signed by the Immediate Superior and noted by the Division/Group Head. In sexual harassment cases, the decision is signed by the Committee on Decorum.

12. Implementation of the Decision

The Immediate Superior serves the Notice of Disciplinary Action to the employee and provides copies to:

12.1. Payroll and Timekeeping who shall immediately cut-off or adjust the salaries and benefits of the employee for penalties of suspension, demotion or dismissal;

12.2. Security Division who shall retrieve the Identification Card and other properties issued to the employee for penalties of suspension or dismissal; and

12.3. Human Resources Group shall file in the 201 of the concerned employee any decision rendered in a disciplinary proceeding, whether for or against employee

12.4. Union; if a union member is involved

NOTES

Primer on
Unethical Practices

Unethical, Corrupt & Other Prohibited Practices

A Globe employee maintains the highest standards of honesty and professional conduct. Seeking undue financial and material advantage from transactions for Globe is a breach of trust between him and the Company.

Q What are unbecoming and unethical practices?

A These are practices that do not conform to approved standards of social or professional behavior.

These are behaviors that are not aligned with the organization's codes of conduct that stress honesty, responsibility, accountability and reliability.

Q What are corrupt practices?

A

1. Requesting or receiving financial or material benefit for yourself or another from anyone you have helped (or will help) secure any contract or purchase from Globe
2. You or any relative accepting employment in an organization that you are in business with—or within one year after such business had been terminated
3. Giving anyone unwarranted benefits or advantages—through partiality, bad faith or gross negligence—in performing your official functions
4. Divulging valuable, confidential information acquired in your official capacity to unauthorized persons

Q What is gross negligence?

A It is behavior that would naturally and reasonably result in injury, clearly disregarding the welfare of the Company or consciously ignoring adverse consequences, which were evident at the time the contract was entered into. It is violating the conflict-of-interest policy.

Q Can I solicit gifts or sponsorships from customers or suppliers?

A You cannot solicit personal gifts or events sponsorship from potential or current customers, suppliers, contractors and sub-contractors.

Q Can I receive unsolicited gifts from customers or suppliers?

A Within 48 hours of receipt, submit the gift and a filled-out gift disclosure form to the Group Head. He decides whether the gift will be 1) returned, 2) surrendered to the Human Resources Group (HRG), or 3) kept by the staff or Group.

If Globe is evaluating the giver as a contender for any kind of project or product accreditation, you will have to return the gift.

You may, however, keep corporate giveaways that do not exceed Php3,000 in cumulative value (within three months).

Q Can a customer or supplier sponsor my local or foreign travel?

A Official business trips that benefit Globe require the Group Head's endorsement and the President's approval.

A formally documented offer of travel sponsorship has to lay out the itinerary and terms. In the case of having to deliver a speech or presentation, for example, you will have to decline anything (other than tokens of appreciation) that can be considered as compensation.

Sponsored expenses also need to be listed for the Company's reference in processing cash advances and reimbursements.

But a customer or supplier cannot sponsor your trip if it is connected to their pending business with the Company.



Q Can I fraternize with Globe's customers and suppliers?

A These have to be interactions that benefit the Company, which may include supplier-hosted sports activities, social events or workshops for Globe employees.

However, these have to be unsolicited and declared in advance. The Group Head has to approve employee attendance, and the Human Resources Group (HRG) has to determine that the activity meets Globe's standards of modesty.

Unless they are work-related, supplier-hosted activities should be held outside of office hours.

NOTES

Primer on
Conflict of Interest

Conflict of Interest

A Globe employee is above board and, at all times, exercises discretion, prudence and mature judgment when entering transactions for the Company.

This policy instructs employees, project hires, consultants and secondees on handling conflict-of-interest situations.

Q What are conflict-of-interest situations?

A Your having a personal or financial interest or consideration that is divergent or in conflict with your professional obligations, that may compromise or have the appearance of compromising your judgment in the administration, management, decision-making and discharge of duties, including, but not limited to the following:

1. You—or your middleman—doing business for Globe with your spouse, relative (up to the fourth degree of consanguinity or affinity) or former employer (within two years before this transaction);
2. Having a financial interest in a business transaction where you can officially intervene;
3. Accepting employment or directorships outside of Globe, except if your Group Head had approved this upon your disclosure;
4. Access to sensitive information that is of value to your spouse, relative or a former employer;
5. Having a spouse, relative or close friend employed by competing companies.

Q What should I do in a conflict-of-interest situation?

A Disclose this within 24 hours, in a memo and disclosure form, to your immediate supervisor and Group Head.

Potential employees, project hires or consultants must similarly disclose in writing preexisting conflict-of-interest situations before Globe can possibly engage their services.

You are also expected to accomplish the Related Party Disclosure Form annually, every January.

Q Can a conflict-of-interest situation be considered acceptable?

A If your immediate supervisor and Group Head determine that your work duties and responsibilities will not be compromised, they would next seek the approval of the HRG Head and the President. Only upon their clearance can you continue in your current function (with appropriate safeguards from your Group Head).



Q What happens after my conflict-of-interest situation is considered unacceptable?

A You will be given one month to resolve this by

1. seeking reassignment or
2. removing your relative from the situation. In either case, you may continue your employment with the appropriate safeguards.

Q What happens if I fail to disclose my conflict-of-interest situation?

A This subjects you to reprimand, suspension or termination at the discretion of your immediate supervisor. Furthermore, violation of this policy may be construed as an unethical or corrupt practice having the consequences specified under the Unethical, Corrupt and Other Prohibited Practices Policy.

NOTES

Primer on **Whistleblower**

Whistleblower Reporting

This policy provides a mechanism for employees, suppliers and third parties, and business partners to report activities that violate Company policies and regulations.

Q What is whistleblower reporting?

A Mechanism for any person, whether employed by Globe or not, to submit information on suspected: violations of the Company policy on unethical and corrupt practices, misappropriation of Company assets, fraudulent reporting practices violations of the Company's Stock Transaction Policy, violations of the Securities Regulation Code, or violations of the Code of Corporate Governance.

Q What is a protected disclosure?

A A good faith communication on improper activities (as listed above) that we protect and hold in confidence.

As a whistleblower, protection of your identity and that of your sources will be maintained to the extent possible within the legitimate needs of law and the investigation.

However, a disclosure is not deemed as a protected disclosure if it is: false, simulated and malicious intended to harass or slur the character or service record of a person, or disrupt company operations without any basis a mockery of this policy.

Q What kind of protection will I be given?

A If you are not involved in the reported improper activity, you will not be subject to dismissal, demotion, harassment or discrimination. The Disclosure Committee will designate a Human Resources Group (HRG) representative as a Whistleblower Protection Officer to ensure this.

However, if you withdraw your disclosure, you lose the protection of this policy.

Q How do I report an improper activity?

A

1. Call the Whistleblower Hotline 0917-8189934.
2. Submit a report through the Whistleblower Portal.
3. Send a letter to the e-mail address gt_whistleblower@globetel.com.ph for disclosures.
4. Submit a letter to Employee Relations (ER), HR-Service Delivery Center at 3rd Floor, GT Tower 1, Mandaluyong.

Q What happens to my disclosure?

A You will be notified that your complaint has been received. The ER or the Complaint Administrator will relay this to the Disclosure Committee for investigation and action.

If the Disclosure Committee is involved in the report, this will be endorsed to the Board of Directors.

On the other hand, if a member either of the Board of Directors or Employee Relations or the Complaint Administrator is involved, this will be sent to the Corporate Secretary.

Q When does a complaint call for an investigation?

A If the Disclosure Committee—composed of the Company's Corporate Secretary and one representative each from HRG, Internal Audit, Enterprise Risk Management (ERM) and Legal Services Division—determines that: 1) this policy covers the complaint, and 2) sufficient and valid evidence supports it.

The committee either conducts the investigation or assigns a handler to present his findings. This policy protects committee members in the reasonable exercise of their functions.



Q What happens to the investigation results?

A The Disclosure Committee submits its findings to the HRG for the appropriate disciplinary action.

If the report finds that the improper activity risks damaging Globe's reputation or financial standing, this will be forward to the Office of the President and the Audit Committee within 10 days of HRG's receipt.

The Audit Committee will recommend if the report needs to be further relayed to the Board of Directors.

If the report determines that the investigation subject is civilly and criminally liable, a copy will be forwarded to the Legal Division for the appropriate legal action.

The Disclosure Committee will state in its report whether the investigation results will be included in the employee's 201 file or vendor accreditation file.

Q What are the role, rights and responsibilities of a whistleblower?

A Unless asked to participate, you must refrain from investigating or obtaining evidence on your own.

Be candid and thorough with Globe-authorized investigators.

Unless the Committee on Protected Disclosures overrules it, you have to be informed on the status of your disclosure. Until you choose to reveal yourself, your identity will be protected.

Q What are the role, rights and responsibilities of an investigation participant?

A If asked to participate in an investigation, you have a duty to cooperate. A request for confidentiality will be honored. You cannot discuss evidence or testimony to the investigation subject or with anyone else not connected to the case.

Do not withhold, fabricate or alter evidence and testimony. These obstruct the investigation and call for disciplinary action.

Q What are the role, rights and responsibilities of an investigation subject?

A Once the Disclosure Committee informs the subject of the allegation, he has the duty to participate in the investigation. His identity will be protected and he will be informed of his right against self-incrimination. The decision to conduct an investigation is not an accusation; it is a neutral fact-finding process.

He has the right to consult with persons of his choice, including legal representation. Unless there are compelling reasons against it, he has the chance to respond to the investigation's evidences against him.

He may not withhold, fabricate or alter evidence and testimony. These obstruct the investigation and call for disciplinary action.

He will be informed of the investigation results. Any disciplinary action against him will follow personnel procedures.

Q Can a guilty whistleblower be granted immunity?

A The Disclosure Committee may, under exceptional circumstances, with the endorsement of the President and approval of the Board of Directors, grant immunity to a whistleblower who participated in improper activity.

However, there are conditions:

1. he must not be the guiltiest of the investigation subjects;
2. his testimony is indispensable; and
3. he extends his full cooperation.

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Policies and Procedures on
CODE OF CONDUCT

Policies & Procedures

Code of Conduct

Code of Conduct

TITLE I PHILOSOPHY ON DISCIPLINE

Every employee is expected to observe the highest standards of accountability, performance, punctuality, honesty, integrity, courtesy, and teamwork, and thus, contribute to the achievement of the Company's goals of customer satisfaction, service excellence and profitability.

The Company adheres to the principle that the best form of discipline is self-discipline. Employees must be able to discipline themselves without the compulsion of law or fear of punishment. It is not enough that the employee should avoid doing "wrong" – he should, consciously and as a personal commitment "do the right things the right way" for the right purpose at the right time.

Although disciplinary action may be imposed for any wrongdoing, the overall intent is more on the prevention of the infraction rather than the administration of the penalty.

TITLE II GENERAL PROVISIONS

ART. 1. *Coverage* - This Code shall apply to all employees of Globe Telecom, Inc., Innove Communications, GXI, their subsidiaries and affiliates.

ART. 2. *Uniformity of Penalties* - Discipline must be enforced consistently. It shall be applied uniformly to offenders similarly situated.

ART. 3. *Impersonal Imposition of Discipline* – The imposition of disciplinary action shall be directed against the employee's wrongdoing, not against his person or personality.

The identity of an employee who is the subject of a Code of Conduct process and information on any Code proceedings should be maintained in confidence to the extent possible given the legitimate needs of the law and the fact-finding process.

ART. 4. *Single Penalty* – Only one penalty shall be imposed for each offense. If an administrative charge arising from one act or omission results in a finding that two or more violations defined in the Code have been committed, the penalty for the most serious offense shall be applied.

ART. 5. *Responsibility of Superiors* – It is the duty of every superior to maintain discipline within his area of responsibility. He shall be strictly accountable for the proper discipline and job performance of all subordinates under him, failure of which, he shall be held responsible as provided elsewhere in this Code. Correspondingly, each superior shall be given sufficient authority and power to effectively discharge the foregoing responsibilities.

ART. 6. *Responsibility of Employees* – It shall be the duty of every employee to familiarize himself with all the provisions of this Code. Ignorance of or unfamiliarity with the provisions of this Code shall not excuse any violation thereof.

ART. 7. *Obligation to Report Wrongdoing* – It shall be the duty of every employee to report to management with reasonable dispatch any information in their possession about any offense which has been, is being, or is about to be committed. Failure to do so will subject the employee to the appropriate disciplinary action. [1]

The protection of the reporting party's identity will be maintained to the extent possible, within the legitimate needs of law and the fact-finding process. Where appropriate, the protected disclosure protocols will be followed as specified in our Whistleblower policy.

ART. 8. *Duty of Superior to Act on the Report* – It shall be the duty of the superior to act immediately upon all reports of violations, otherwise, he shall be guilty of failure on the job.

ART. 9. *Effect of Disciplinary Action on Career Improvement* – An employee's record of offenses shall diminish or remove, as the circumstances may warrant, an employee's eligibility for merit increases, promotion, incentives, or similar improvement in his job situation.

ART. 10. *Imposable Penalties* – The following are the imposable penalties under this Code:



(a) Verbal Warning; [2]

(b) Written Reprimand; [3]

(c) Suspension; [4]

(d) Demotion; [5] and

(d) Dismissal. [6]

In the imposition of the aforesaid penalties, the Company may consider any attendant aggravating or mitigating circumstances.

ART. 11. *Separate Civil or Criminal Action* – The imposition of any of the abovementioned penalties shall be without prejudice to any civil, criminal or other actions which the Company may decide to take against the erring employee.

The Code shall be a living document, as such, may be changed from time to time, as may be required by any change in laws, rules and regulations that may pertain to the behavior of employees. Code update shall follow our HR policy change, approval and cascade process.

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[1] *In relation to Policies and Procedures Manual on Whistleblower (PM–HRG06–009/00)*

[2] *Verbal warning is a penalty which cautions the erring employee to refrain from committing the same offense in the future under pain of a more severe penalty. This is documented as a recall mechanism.*

[3] *Written reprimand is a penalty more severe than warning in the sense that it is accompanied by censure, rebuke or sharp scolding.*

[4] *Suspension is the temporary separation of an employee from service. When the penalty of suspension is imposed, the number of days shall be understood to be working days.*

[5] *Demotion is the transfer of an employee to a lower rank or position with or without the corresponding reduction in salary.*

[6] *Dismissal is the permanent separation of an employee from service.*

ART. 12. *Non-Exclusivity* – Acts and omissions which may not fall under the offenses specified in this Code but are clearly prejudicial to the interest of the Company shall be meted out the appropriate disciplinary sanctions, in consonance with the inherent prerogative of the Company to discipline its employees.

This Code does not preclude the Company from applying the just causes for dismissal under the *Labor Code* and special laws.

TITLE III OFFENSES AND PENALTIES

CHAPTER I OFFENSES AGAINST CORPORATE VALUES INVOLVING HONESTY AND INTEGRITY

ART. 13. *Corruption/Extortion/ Bribery* – Any employee who directly or indirectly demands, requests, solicits, receives, or accepts any commission, share, or consideration, monetary or otherwise, for himself or for another person, in connection with any contract or transaction entered into by the Company, or in connection with the performance of his duties, or by reason of his position or office, shall suffer the penalty of Dismissal.

ART. 14. *Fraud Against the Company* – The penalty of Dismissal shall be imposed against any employee who:

(a) makes a false representation of facts;

(b) employs any kind of deception;

(c) makes a false or fraudulent claim against the Company;

(d) initiates or participates in any action intended to defraud the Company;

(e) obtains payment, benefit, or gain from the Company to which he is not entitled;

(f) knowingly honors a forged signature for his own benefit or that of another person; or

(g) gives due course or approval to a document knowing it to be false or erroneous.

ART. 15. *Theft, Pilferage or Misappropriation* – Any employee who steals, misappropriates, or attempts to steal or misappropriate, funds or properties belonging to the Company or co-employee, shall suffer the penalty of Dismissal.

ART. 16. *Perjury or False Testimony* – Any employee who makes untruthful sworn statements or gives false testimony on a matter subject of official inquiry or investigation by the Company, shall suffer the penalty of Dismissal.

ART. 17. *Falsification* – The penalty of Dismissal shall be imposed against any employee who:

(a) Falsifies any company document or record;

(b) Enters false information on any company document or record;

(c) Makes untruthful statements in a narration of facts; or

(d) Uses a falsified document or certificates.

ART. 18. *Conflict of Interest*[7] – It is the obligation of every employee to declare and divulge in writing to the Company his own involvement in any conflict of interest with the Company. Failure on the part of an employee to divulge the same to the Company shall be penalized with Dismissal.

In general, conflict of interest will be deemed to exist where an employee has or may possibly have a financial or personal interest divergent with or in conflict with his professional obligations, or where financial or other personal considerations may compromise, or have the appearance of compromising the employee's judgment in the administration, management, decision-making and discharge of his official functions. Personal interest is not confined to the personal involvement of the employee himself — it may also arise from the employee's family[8] or close personal relationship[9] with a contractor, sub-contractor, customer, competitor, creditor or any other entity that does business with the Company.

While the following list of conflict of interest situations is not exhaustive, it illustrates the types of situations that fall within the purview of this Code:

(a) Being in an official capacity to negotiate, procure, endorse or approve a transaction for and behalf of the Company, either by himself or through a middlemen or agent, with:

  (i) a person, or entity where the controlling interest is held by the spouse of the employee or his relative within the fourth degree of consanguinity or affinity; or

  (ii) the former employer of the employee within two (2) years prior to the date of the transaction in question.

(b) Directly or indirectly having financial or pecuniary interest in any business, contract or transaction over which the employee has the occasion to intervene or take part in his official capacity, or which will require his endorsement or approval;

(c) Outside employment, directorship, officership, partnership, consultancy, distributorship, or agency in any company or enterprise which adversely affects the employee's working efficiency and productivity;

(d) Access to sensitive information which may be of value to a person or entity where the controlling interest is held by:

  (i) the spouse of the employee or his relatives within the fourth degree of consanguinity or affinity; or

  (ii) the former employer of the employee within two (2) years prior to the date of the transaction in question.

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[7] *In relation to Policies and Procedures Manual on Conflict of Interest (PM-HRGD6-007/02)*

[8] *Family relationship shall include the spouse or relatives by consanguinity or affinity to the fourth degree*

[9] *Close personal relationship shall include close friendship or professional employment by the employee giving rise to or assuring free access to such employee.*

(e) Having a spouse or relative within the fourth degree of consanguinity or affinity with individuals in the employ of a competitor or business partner;

(f) Investments or other pecuniary or material interest, directorship, officership, partnership, employment, consultancy, distributorship, or agency or sub-agency in a contractor; sub-contractor; customer; competitor; creditor; or any other entity that does business with the Company or which is in competition with the business of the Company;

(g) Borrowing money or property from, or otherwise incurring any debt to, any of the individuals, companies or enterprises mentioned above;

(h) Solicitation or acceptance, whether directly or indirectly, of payments, commissions, rebates, services or gifts of more than nominal value, excessive entertainment, or improper



or excessive favors from a contractor; sub-contractor; customer; competitor; creditor; or any other entity that does business with the Company or which is in competition with the business of the Company;

(i) Pre-empting the Company in the purchase of any asset which the Company is interested in acquiring;

(j) Taking for oneself, or passing on to a relative or associate a business opportunity which became known to the employee because of his position in the Company.

CHAPTER II OFFENSES AGAINST CORPORATE VALUES INVOLVING GOOD PERSONAL BEHAVIOR AND CONDUCT

ART. 19. *Sexual Harassment* – In a work-related or employment environment, sexual harassment is committed:

(a) When sexual favor is solicited as a condition for hiring, re-employment, or continued employment of an employee; or

(b) When sexual favor is solicited as a condition for granting favorable terms, conditions of employment, promotions, compensation, privileges or other considerations;

(c) When refusal to grant the sexual favor results in limiting, segregating, or classifying the employee which in any way would discriminate, deprive, or diminish employment opportunities or otherwise adversely affect said employee;

(d) When sexual advances impair the employee's rights or privileges under existing labor laws; or

(e) When the sexual advances result in an intimidating, hostile, or offensive environment for the employee.

Any employee who commits the aforementioned acts, regardless of whether the demand, request or requirement is accepted, shall suffer the penalty of Dismissal.

ART. 20. *Immoral or Indecent Conduct* – Any employee who engages in immoral, indecent, or lascivious behavior, including the use of profane or obscene language in addressing another person, within the company premises during working hours or while on duty shall be penalized as follows:

First Offense	– Three (3) days Suspension
Second Offense	– Seven (7) days Suspension
Third Offense	– Fifteen (15) days Suspension
Fourth Offense	– Dismissal

ART. 21. *Fighting Within Company Premises* – Any employee who quarrels, physically assaults, or engages in a fight with a co-employee or any other person within company premises shall suffer the penalty of Dismissal.

ART. 22. *Threats or Coercion* – Threatening, intimidating, or coercing a co-employee or a third party within the company premises shall be penalized as follows:

First Offense	– Seven (7) days Suspension
Second Offense	– Fifteen (15) days Suspension
Third Offense	– Dismissal

ART. 23. *Discourtesy or Disrespect to co-employees* – Discourtesy or disrespect to co-employees shall be penalized as follows:

First Offense	– Seven (7) days Suspension
Second Offense	– Fifteen (15) days Suspension
Third Offense	– Dismissal

ART. 24. *Drunkenness* – Any employee who reports for work under the influence of liquor, or who drinks alcoholic beverages during working hours (except on official functions) shall be penalized as follows:

First Offense	– Seven (7) days Suspension
Second Offense	– Fifteen (15) days Suspension
Third Offense	– Dismissal

ART. 25. *Use or Possession of Prohibited Drugs* – Any employee who uses or is found in possession of prohibited or regulated drugs or narcotics shall be dismissed and/or dealt with in accordance with the law under the Comprehensive Dangerous Drug Act (RA no. 9165).

ART. 26. *Smoking in Prohibited Places* – Smoking in designated smoke-free zones in the employment premises is strictly prohibited. Violation of this rule shall subject the employee to the following penalties:

First Offense	– Verbal Warning
Second Offense	– Written Reprimand
Third Offense	– One (1) day Suspension
Fourth Offense	– Seven (7) days Suspension
Fifth and Subsequent Offense	– Fifteen (15) days Suspension

If the smoking was done in a place where smoking poses a threat to the

safety and security of company, the penalty shall be as follows:

First Offense	– Fifteen (15) days Suspension
Second Offense	– Dismissal

ART. 27. *Gambling* – Any employee who indulges in gambling in any form at any time within the company premises shall be penalized as follows:

First Offense	– Written Reprimand
Second Offense	– Fifteen (15) days Suspension
Third Offense	– Dismissal

ART. 28. *Failure to Report Loss Incident Occurrence* – Failure to report a loss incident occurrence, such as motor vehicle accident involving a service vehicle of the Company, property damage, etc. by an employee entrusted therewith or in physical posession thereof, shall be penalized as follows:

First Offense	– Seven (7) days Suspension
Second Offense	– Fifteen (15) days Suspension
Third Offense	– Dismissal

CHAPTER III ANTI-CUSTOMER OFFENSES

ART. 29. *Discourtesy Against Customers* – Discourtesy towards any customer, in any form or aspect, including, but not limited to rudeness, arrogance, insolence, impoliteness, disdain, contentiousness, ungraciousness, incivility, or inconsiderateness in word or action, shall be penalized as follows:

First Offense	– Three (3) days Suspension
Second Offense	– Seven (7) days Suspension
Third Offense	– Fifteen (15) days Suspension
Fourth Offense	– Dismissal

ART. 30. *Unauthorized Disclosure of Information* – Divulging the customer's personal information, call details, billing statement, account and history, and other confidential matters without proper authorization, shall be penalized as follows:

First Offense	– Fifteen (15) days Suspension
Second Offense	– Dismissal

ART. 31. *Misinformation* – Giving false, inaccurate, misleading, incomplete, delayed, or no information to customers, when the employee knows, should know or is in a position to obtain such information, resulting in inconvenience, discomfort, dissatisfaction, or expense to customer, shall be penalized as follows:

First Offense	– Verbal Warning
Second Offense	– Written Reprimand
Third Offense	– Three (3) days Suspension
Fourth Offense	– Seven (7) days Suspension
Fifth Offense	– Fifteen (15) days Suspension
Sixth Offense	– Dismissal

ART. 32. *Neglect of Customer* – Failure or refusal to respond, assist or attend to the concerns of a customer or failure or refusal to provide prompt, efficient, and courteous service to a customer shall be penalized as follows:

First Offense	– Verbal Warning
Second Offense	– Written Reprimand
Third Offense	– Three (3) days Suspension

Fourth Offense - Seven (7) days Suspension
Fifth Offense - Fifteen (15) days Suspension
Sixth Offense - Dismissal

Incompetence in responding and attending to the concerns of the customer shall be dealt with similarly.

ART. 33. *Mishandling a Customer* – Disengaging or dropping the customer's call, transferring the customer's call to an invalid channel thereby leaving the customer's concern unresolved, leaving the workstation for a long period of time, causing the customer to terminate his call, or setting the Automatic Call Distribution on "busy" mode resulting in unanswered calls, shall be penalized as follows:

First Offense - Verbal Warning
Second Offense - Written Reprimand
Third Offense - Three (3) days Suspension
Fourth Offense - Seven (7) days Suspension
Fifth Offense - Fifteen (15) days Suspension
Sixth Offense - Dismissal

CHAPTER IV OFFENSES AGAINST JOB PERFORMANCE

ART. 34. *Failure on the Job* – Any employee who demonstrates his refusal or inability without justifiable reason to perform his duties and responsibilities; or to accomplish the performance and productivity standards thereof shall be meted a penalty depending upon the gravity or frequency of the offense and on whether the situation is temporary or remediable or permanent and incurable. Where the acts amount to gross and habitual neglect of duty or analogous to it, the penalty shall be as follows:

First Offense - Verbal Warning
Second Offense - Written Reprimand
Third Offense - Three (3) days Suspension
Fourth Offense - Seven (7) days Suspension
Fifth Offense - Fifteen (15) days Suspension
Sixth Offense - Dismissal

ART. 35. *Non-Observance of Standard Operating Procedures* – Willful or intentional non-observance of standard operating procedures for direct or indirect personal gain shall be meted with a penalty ranging from suspension to dismissal depending on the gravity of the offense.

ART. 36. *Failure to Provide Guidance/ Failure of Management* – Failure of a superior to provide basic orientation, training or guidance to subordinates in discharge of their duties and responsibilities, leading to violation of company policies or existing laws shall be meted with a penalty ranging from suspension to dismissal depending on the gravity of the offense.

ART. 37. *Sleeping While on Duty* – Sleeping while on duty shall be penalized as follows:

First Offense - Verbal Warning
Second Offense - Written Warning
Third Offense - Seven (7) days Suspension
Fourth Offense - Fifteen (15) days Suspension
Fifth Offense - Dismissal

ART. 38. *Absence Without Leave* – Any employee who absents himself from work without the previous notice

to his immediate superior shall be penalized as follows:

First Offense	- Two (2) days Suspension
Second Offense	- Three (3) days Suspension
Third Offense	- Seven (7) days Suspension
Fourth Offense	- Fifteen (15) days Suspension
Fifth Offense	- Thirty (30) days Suspension

Absence without leave for fifteen (15) days or more shall be considered as gross and habitual neglect of duty, for which the penalty of Dismissal shall be imposed.

ART. 39. *Tardiness* – Any employee who reports for work late for two (2) times, or accumulates one (1) hour tardiness, within a 7-day attendance monitoring cycle, shall be penalized as follows:

First Offense	- Verbal Warning
Second Offense	- Written Reprimand
Third Offense	- Three (3) days Suspension
Fourth Offense	- Seven (7) days Suspension
Fifth Offense	- Fifteen (15) days Suspension
Sixth Offense	- Dismissal

For the above sixth offense to merit dismissal, the first up to the sixth offense must be committed within one calendar year, i.e., January to December of the same year.

ART. 40. *Unauthorized Undertime* – Any employee who leaves his workplace during his work time or prior to the expiration of his work schedule, or leaves his workplace for more than one (1) hour thereof without the approval of his superior, shall be penalized as follows:

First Offense	- Verbal Warning
Second Offense	- Written Reprimand
Third Offense	- Seven (7) days Suspension
Fourth Offense	- Fifteen (15) days Suspension
Fifth Offense	- Dismissal

ART. 41. *Limiting Work Output* – Any employee who deliberately spends more time than reasonably necessary to perform his job or task, or incites, others to do the same shall be meted with a penalty ranging from suspension to dismissal depending on the gravity of the offense.

ART. 42. *Loitering and Abandonment of Post* – An employee who idles away his time within or outside of the company premises, or abandons his post during working hours, shall be penalized as follows:

First Offense	- Verbal Warning
Second Offense	- Written Reprimand
Third Offense	- Seven (7) days Suspension
Fourth Offense	- Fifteen (15) days Suspension
Fifth Offense	- Dismissal

ART. 43. *Malingering* – Any employee who feigns illness or disability for purposes of avoiding work, duty or service, or for other personal reason, shall be penalized as follows:

First Offense	- Fifteen (15) days Suspension
Second Offense	- Dismissal

The penalty of Dismissal shall be imposed if the employee submits a falsified medical certificate to justify his feigned illness or disability.

ART. 44. *Improper Use of Sick Leave* – An employee who: (a) avails of his sick leave without informing his superior

about the nature of his illness; (b) extends his approved sick leave without prior notification; or (c) refuses to be examined by the company-designated physician while on sick leave, shall be penalized as follows:

First Offense	- Written Reprimand
Second Offense	- Seven (7) days Suspension
Third Offense	- Fifteen (15) days Suspension
Fourth Offense	- Dismissal

ART. 45. *Culpable Delay in Disposing Disciplinary Cases* – Any official who unreasonably delays the resolution of disciplinary cases shall be meted out the following penalty:



First Offense	- Seven (7) days Suspension
Second Offense	- Fifteen (15) days Suspension
Third Offense	- Thirty (30) days Suspension
Fourth Offense	- Dismissal

CHAPTER V OFFENSES AGAINST TEAMWORK

ART. 46. *Insubordination* – All Company rules and regulations are intended to be complied with by all employees, and any direct order given by a superior relating to work assignment must be promptly obeyed.

Penalty shall be suspension or outright dismissal depending upon the gravity of the offense.

ART. 47. *Abuse of Authority* – Abusing the exercise of one's authority or taking undue advantage of such authority to gain undue favors or advantage for oneself or to oppress, harass, and otherwise prejudice another shall be penalized either by suspension or outright dismissal, depending upon the gravity of the offense.

ART. 48. *Sowing Intrigues* – Any employee who spreads or disseminates false, inaccurate, misleading information about an employee with the intent of damaging, tarnishing or besmirching his reputation or standing within the Company, or weakening or destroying the trust and confidence of others in him, or undermining or destroying the authority of his superior over others shall be penalized as follows:

First Offense	- Fifteen (15) days Suspension
Second Offense	- Dismissal

ART. 49. *Withholding of Cooperation* – Any employee who refuses or fails to cooperate with, or who deliberately withholds cooperation from, or who refuses or fails to help, assist and provide team support to fellow employees, whether peers, superiors, or subordinates, when such cooperation and teamwork are needed to ensure the performance or completion of any company operation or to protect Company's interests, shall be penalized as follows:

First Offense	- Fifteen (15) days Suspension
Second Offense	- Dismissal

ART. 50. *Withholding of Information* – Any employee who refuses or fails without justifiable reason, to communicate with or provide information to a fellow employee when such information or communication is authorized or needed to ensure the performance or completion of any company operation, or for any employee to make sound decision, or to protect the Company's interests shall be penalized as follows:

First Offense – Fifteen (15) days Suspension
Second Offense – Dismissal

ART. 51. *Giving False Information* – Any employee who has the responsibility to give correct information who deliberately or through culpable negligence, gives false, inaccurate, misleading, incomplete, or delayed information to a fellow employee which results in: damage to the quality of the Company's products and services; customer dissatisfaction; errors, delays, inefficiencies, higher costs, and similar disruptions or irregularities in operations; losses or foregone revenues; lowering of employee productivity or morale; wrong or unsound decisions; or any other disruption or damage to the Company's effectiveness and efficiency in achieving its goals, objectives and standards in any area of its operations, shall be penalized as follows:

First Offense – Seven (7) days Suspension
Second Offense – Fifteen (15) days Suspension
Third Offense – Dismissal

CHAPTER VI OFFENSES AGAINST THE GOOD NAME AND SECURITY OF THE COMPANY

ART. 52. *Injuring Company Reputation* – Any employee who causes damage or injury to the reputation and image of the Company in the eyes of other people, such as by spreading false rumor about the Company, embarrassing, ridiculing, or mocking the Company by word and/or action in the presence of other people, whether employees or not, or criticizing the Company in public, shall suffer the following penalty:

First Offense – Fifteen (15) days Suspension
Second Offense – Dismissal

ART. 53. *Revelation of Confidential Information* – Revealing or releasing confidential information pertaining to the Company (including, but not limited to trade secrets, marketing or financial data); or assisting any person to access such confidential information, shall suffer the penalty of Dismissal.

ART. 54. *Concealing or Withholding Information* – Concealing or withholding from the appropriate authorities within the Company any information any wrongdoing, or threat/danger to the well-being or safety of the Company's personnel, customers, property, interests, or to the profitability of the company's operations shall be penalized depending upon the gravity of the offense.

ART. 55. *Damage to Company Property* – Any employee who causes damage to company property shall suffer the following penalty:

First Offense - Fifteen (15) days Suspension
Second Offense - Dismissal

If the damage to company property was deliberately done or was caused by the employee's deviation from standard operating procedures, the penalty shall be Dismissal.

CHAPTER VII OFFENSES AGAINST SECURITY, SAFETY, HEALTH AND ENVIRONMENT

ART. 56. *Refusal to Cooperate With Security Personnel* – Any employee who refuses to cooperate with security personnel in the performance of their duties shall be penalized as follows:

First offense - Verbal Warning
Second Offense - Written Reprimand
Third Offense - Seven (7) days Suspension
Fourth Offense - Fifteen (15) days Suspension
Fifth Offense - Dismissal

ART. 57. *Unauthorized Use of Company Property* – Company facilities and/or equipment are to be used as may be required by the regular work of the employee and as the nature of work may require. No company facility and/or equipment maybe used other than that for company purposes without the previous authorization of the company official concerned. Any employee who uses company property for personal purposes, or takes or removes company property from the usual area, shall be penalized as follows:

First offense - Verbal Warning
Second Offense - Written Reprimand
Third Offense - Seven (7) days Suspension
Fourth Offense - Fifteen (15) days Suspension
Fifth Offense - Dismissal

ART. 58. *Carrying Deadly Weapons*– Unless authorized by the Company, employees are not allowed to carry within company premises, including company sponsored events, firearms, knives, explosives, and other deadly weapons. Violation of this rule shall subject the employee to suspension or outright dismissal, depending upon the gravity of the offense.

ART. 59. *Failure to Wear Prescribed Uniform* – Any employee who does not wear the prescribed uniform while on duty shall be penalized as follows:

First Offense - Written Reprimand
Second Offense - Three (3) days Suspension
Third Offense - Six (6) days Suspension
Dourth Offense - Dismissal

ART. 60. *Improper Wearing of Company ID* – While inside the company premises, employees should wear his Identification Card on his chest for immediate security identification. Failure to comply with this rule shall subject the employee to the following penalties:

First Offense - Verbal Warning
Second Offense - Written Reprimand
Third Offense - Three (3) days Suspension
Fourth Offense - Seven (7) days Suspension
Fifth Offense - Fifteen (15) days Suspension
Sixth Offense - Dismissal

ART. 61. *Unauthorized Use of Another Employee's ID* – Any employee who uses the Identification Card of another employee for the purpose of gaining entry to the company premises or offices shall be penalized as follows:

First Offense	- Seven (7) days Suspension
Second Offense	- Fifteen (15) days Suspension
Third Offense	- Dismissal

ART. 62. *Allowing Another Employee to Use His ID* – Any employee who allows his Identification Card to be used by another employee shall be penalized as follows:

First Offense	- Seven (7) days Suspension
Second Offense	- Fifteen (15) days Suspension
Third Offense	- Dismissal

ART. 63. *Climbing Tower Without Authorization to Climb* – Any employee who climbs a tower without an Authorization to Climb shall be penalized by either suspension or outright dismissal depending upon the gravity of the offense.

ART. 64. *Tampering Safety Systems*– Tampering Fire Protection Appliances and Life Safety Systems, such as fire alarms, fire extinguishers, smoke detectors, etc., shall be penalized either by suspension or by outright dismissal depending upon the gravity of the offense.

ART. 65. *Commission of Unsafe Acts* – Commission of unsafe acts and hazards that endanger co-employees and company property shall be penalized either by suspension or by outright dismissal depending upon the gravity of the offense.

ART. 66. *Failure to Act on a Preventive/Corrective Action Request (PCAR)* – All operating units of the Company, including employees involved in operations and maintenance of buildings, facilities or sites; or those involved in the implementation of projects, i.e., construction and telecom works; and those involved in other activities relating to site management, are obliged to strictly comply with Safety, Health & Environmental Management policies and procedures of the Company. Any Preventive/Corrective Action Request (PCAR) must be acted upon with dispatch.

Failure to act or close a Preventive/ Corrective Action Request (PCAR) on a matter relating to non-compliance with standard operating procedures resulting in business interruption, loss of service or fatal accident shall be penalized with Dismissal. If the omission did not result in business interruption, loss of service or fatal accident, the penalty shall be as follows:

First Offense	- Written Warning
Second Offense	- Ten (10) days Suspension
Third Offense	- Dismissal

ART. 67. *Poor Housekeeping and Sanitation* – Clean and healthy surroundings is conducive to work and appealing to customers. All employees, therefore, are obliged to be safety conscious and concerned with the preservation of health and good housekeeping. Spitting, throwing papers, cigarette butts, trash, etc. on the floor, including improper use of toilet facilities are strictly prohibited. Violation thereof shall be penalized as follows:

First Offense	- Verbal Warning	Fourth Offense	- Seven (7) days Suspension
Second Offense	- Written Reprimand	Fifth Offense	- Fifteen (15) days Suspension
Third Offense	- Three (3) days Suspension	Sixth Offense	- Dismissal

TITLE IV **RULES OF DISCIPLINARY PROCEEDINGS**

RULE I PRELIMINARY PROVISIONS

SECTION 1. *Responsibility of Line Management* [1] - The maintenance of order and discipline is basically a Line Management responsibility. Thus, enforcement of rules, including the conduct of disciplinary proceedings, is a Line Management function. He or she shall be assisted by HR, Internal Audit, Legal and/or Security as may be warranted by the circumstances of each case.

SECTION 2. *Nature of Disciplinary Proceedings* – Disciplinary proceedings or administrative investigations shall be summary in nature. The rules of procedure and evidence as applied in judicial proceedings shall not be controlling. The Company shall use all reasonable means to ascertain the facts in each case speedily and objectively, all in the interest of due process.

RULE II FACT-FINDING INQUIRY

SECTION 1. *Gathering of Evidence*- Upon receipt of a report, verbal or written, signed or unsigned, that a violation of company rules and regulations has been committed or is being committed, the Immediate or Next Level Superior concerned shall immediately cause a fact-finding inquiry to be conducted for the purpose of determining the veracity of the report and gathering the necessary evidence, which may be in the form of documents or sworn statements of witnesses. For this purpose, the Immediate Superior shall be assisted by Security, Internal Audit, HR and/or Legal Divisions.

RULE III ADMINISTRATIVE PROCEEDINGS

SECTION 1. *Notice of Administrative Charge* – If the evidence gathered shows that an infraction has been committed, the Immediate or Next Level Superior, in close coordination with the Division Head/Group Head, shall issue a Notice of Administrative Charge against the employee concerned.

SECTION 2. *Contents of the Notice of Administrative Charge* – The Notice of Administrative Charge shall be signed by the Immediate Superior and noted by the Division Head/Group Head, and shall:

(a) Specify the particular acts or omissions committed by the employee; and

[1] *Line Management refers to all the officers of the Section, Department, Division or Group where the employee concerned is assigned.*

(b) Direct the employee to explain within twenty-four (24) hours from receipt why no disciplinary action should be taken against him.

If the continued presence of the employee poses a serious and imminent threat to the property of the Company or to the life of co-employees, the employee concerned shall be placed under preventive suspension, and this matter shall be stated in the Notice of Administrative Charge.

SECTION 3. *Period of Preventive Suspension* – The preventive suspension shall last for thirty (30) days only. The disciplinary proceedings should be terminated within this 30-day period. If the disciplinary proceedings could not be terminated during the 30-day period due to a cause attributable to the fault of the employee, such period of delay shall not be considered in reckoning the 30-day period.

SECTION 4. *Non-Accrual of Salaries and Benefits During Preventive Suspension* - During the 30-day period of preventive suspension, the employee is not entitled to salaries and benefits, unless he is later exonerated of the charge.

To ensure that the employee is not paid any salaries and benefits during the period of his preventive suspension, the Immediate Superior shall notify Payroll and Timekeeping about the preventive suspension of the employee. The Immediate Superior shall likewise notify the Security Division about the preventive suspension to enable it to retrieve the Identification Card and other company-issued property.

SECTION 5. *Answer/Explanation* – Within twenty-four (24) hours from receipt of the Notice of Administrative Charge, the employee shall submit his written answer. Twenty Four (24) hours extension may be requested by an employee as provided by law.

SECTION 6. *Administrative Hearing* - Upon receipt of the answer/explanation, or if the employee does not submit any answer/explanation, the Immediate Superior with HR shall determine whether or not there is a necessity to conduct administrative hearing.

If the Immediate Superior (IS) and HR deem it proper to conduct an administrative hearing, the IS shall send to the employee a written notice stating the date, time and place of hearing. In the conduct of the administrative hearing, the Immediate Superior may shall be assisted by HR, Internal Audit, Legal and/or Security.

Cases involving sexual harassment shall be heard by a Committee on Decorum composed of representatives from:

(a) HR;

(b) Legal;

(c) Security; and

(d) Union, if a union member is involved.

The administrative hearing shall be summary in nature and shall be limited to factual issues not clear or ascertainable from the evidence at hand. The employee shall be given ample opportunity to be heard and if he so desires, he may be assisted by his lawyer or representative. However, the participation or presence of such lawyer or representative shall not be allowed to

unduly delay or in any way detract from the summary nature of the proceedings.

SECTION 7. *Decision* – After the termination of the administrative hearing, the Immediate Superior or the Committee on Decorum, shall immediately render a decision imposing the appropriate disciplinary action or exonerating the employee, if the evidence does not establish any infraction.

The decision shall be rendered on the basis of substantial evidence, which means such relevant evidence which a reasonable mind might accept to support a conclusion and shall state the factual basis for exoneration or imposition of the disciplinary action.

The decision shall be signed by the Immediate Superior and noted by the Division Head/Group Head. In sexual harassment cases, the decision shall be signed by the Committee on Decorum.

SECTION 8. *Implementation of the Decision* – The Immediate Superior shall serve the Decision to the employee. Simultaneous with the service of the decision, the Immediate Superior shall notify and furnish a copy of the decision to:

(a) Payroll and Timekeeping;
(b) Security Division; and
(c) Human Resources Group.
(d) Union; if a union member is involved

SECTION 9. *Role of Payroll and Timekeeping* – Upon receipt of the notice of disciplinary action, Payroll and Timekeeping shall immediately cut-off or adjust the salaries and benefits of the employee who was meted out the penalty of suspension, demotion, or dismissal.

SECTION 10. *Role of Security Division* – Upon receipt of the notice of disciplinary action, the Security Division shall retrieve the Identification Card and other properties issued to the employee who was meted out the penalty of suspension or dismissal.

SECTION 11. *Role of the Human Resources Group* – Any decision rendered in a disciplinary proceeding, whether for or against an employee, shall be filed by the Human Resources Group in the 201 Files of the concerned employee.

TITLE V **EFFECTIVITY**

This Code of Conduct shall take effect on 06 August 2007.

Done in Mandaluyong City on 01 August 2007.

NOTES

NOTES

Policies and Procedures on **Unethical Practices**

Policies & Procedures

Unethical Practices

Unethical, Corrupt and Other Prohibited Practices

I. EMPLOYEE RESPONSIBILITY

It is every employee's responsibility to protect the interest and integrity of Globe and to maintain the highest standards of professional conduct expected of all Globe employees. The employee should, therefore, maintain the highest degree of honesty, integrity and devotion to duty, with full awareness that any misconduct or misdemeanor on his part may constitute a breach of trust and confidence that Globe has reposed to him.

II. TRUST AND CONFIDENCE

The employee, by virtue of his employment, is bound not to betray that trust by seeking to gain any undue personal or pecuniary advantage (other than the rightful proceeds of employment) from his dealings with or for and in behalf of the Company.

III. UNBECOMING AND UNETHICAL PRACTICES

3.1. Solicitation of gifts, presents or other personal benefits from suppliers, contractors, sub-contractors of contractors, their employees or agents, as well potential suppliers, contractors and sub-contractors, or from customers or potential customers , including but not limited to persons applying for accreditation as suppliers, contractors or sub-contractors, persons or entities requesting for type-approval of equipment, and bidders on projects (collectively, the "Covered Persons") is considered unbecoming of an employee and is strictly prohibited.

3.1.1. Requesting the Covered Persons to host any of the activities mentioned in Sec. 3.3 hereof is likewise considered unbecoming and is strictly prohibited.

3.1.2. Solicitation of gifts or other personal benefits from the Covered Persons in connection with or in consideration of business with the Company or help to be given by the employee in business with Company is considered a corrupt practice and shall be covered by the Corrupt Practices provision of this policy.

3.2. Receipt of unsolicited gifts from customers or suppliers during national festivities such as Christmas, during which it is customary to give or receive gifts, is not prohibited, but must be declared regardless of amount.

3.2.1. Upon receipt of a gift the employee must within 48 hours from receipt of the gift fill out a gift disclosure form (F-HRG-44) and submit that form together with the gift to the Group Head who shall decide whether (1) the same shall be returned to the giver, or (b) should be surrendered to HRG, or (c) kept by the staff or the Group. The Group Head must sign off on the disposition of the gift and the form must be submitted to HRG within one week from receipt of the gift.

3.2.2. As an exception however, the following may be kept by the employee and need not be declared: (i) company give-aways Covered Persons bearing the Covered Person's name or logo which are of insignificant value, such as umbrellas, diaries and planners, T-shirts, jackets, sports bags and the like; (ii) gifts of food, liquor, and personal toiletries.

3.2.3. The foregoing notwithstanding (i) a company give-away worth more than P3,000 however shall be considered significant and must be declared and approved by the group head in accordance with Sec. 3.2; (ii) food gifts, gifts of liquor and gifts of personal toiletries worth more than Php 3,000 must also be declared and approved in accordance with Sec. 3.2.; (iii) a series of gifts given within three(3) months the cumulative value of which exceeds Php 3000 must likewise be declared and approved in accordance with Sec. 3.2.

3.3. Unsolicited gifts that are purely due to personal or family relationships are not covered by this policy.

3.4. The foregoing notwithstanding, an employee must return to the giver any unsolicited gift of any value received during a period of time when the giver is subject of evaluation by Globe, including but not limited to periods of time when the vendor is undergoing shortlisting for tenders, has been included as a contender in a Request for Proposal, Request for Quotation, Request for Indication of Interest, bidding, accreditation, product type-approval, and other similar activities.

3.5. A customer or supplier's offer to sponsor local or foreign travel, which travel is not the other party's obligation to provide under any contract or undertaking, should be declined if it does not meet the following conditions:

3.5.1 It is for contract signings, training or attendance at conventions, assemblies or otherwise related to the Company's business and which benefit the Company; and

3.5.2 It is not in connection with or in consideration of any pending business with the Company; and

3.5.3 Such travel has been endorsed by the Group Head and approved by the President prior to taking such trip. The Group Head's endorsement should be based on the careful review of formally documented offer of travel sponsorship that sets out the itinerary, including terms and arrangements for the travel such as: (i) Any required labor from the employee such as the rendition of presentations or speeches. In this case, the employee should refuse to accept anything (other than tokens of appreciation) which can be construed as a form of compensation. (ii) Expenses that will be for the account of the Covered Persons, including billing arrangements with the travel agent and hotel. This will be referred to by the Company in processing cash advances and expense reimbursements related to the travel.

3.6 The company encourages its employees and the Covered Persons to deal with each other on a purely professional basis and to minimize fraternizing with each other unless such contact benefits the company. Therefore:

3.6.1 Sports activities hosted by suppliers and vendors specifically and only for Globe employees, or exclusively between Globe employees and the vendor's staff and employees, whether individually or in groups, are permitted forms of interaction only if they are (i) unsolicited, (ii) properly declared prior to the actual event and (iii) the employees' attendance is approved by the Group Head concerned.

3.6.2 Short-duration social activities such as parties, lunches and dinners hosted by suppliers and vendors that have no work-related agenda are not prohibited provided they are (i) unsolicited; (ii) declared prior to the actual event and (iii) the employees' attendance must be approved by the immediate superior

concerned. Moreover, these must be of modest value only. Offers for such activities where the cost exceeds Php 1,000 per head should be declined.

3.6.3 Long-duration social activities which are work-related such as team-buildings, product workshops, project kick-offs and the like, hosted by suppliers and vendors are allowed provided they are (i) unsolicited, (ii) declared prior to the event and approved by HRG and the Group Head, and (iii)subject to standards of modesty, as determined by HRG.



3.6.4 All the foregoing activities hosted by the Covered Persons except for work-related activities should be held outside of office hours.

3.6.5 Raffle prizes or gifts or tokens to be given during any of the above occasions (whether work-related or not) should be declared in accordance with the gift policy stated in Sec. 3.2 hereof.

IV. CORRUPT PRACTICES

The following are deemed corrupt practices:

4.1 Directly or indirectly requesting or receiving any gift, present, share, percentage or benefit for himself or any other person, in connection with any contract or transaction between the Company and any other party, whether or not the employee, in his official capacity, has any participation, negotiation, procurement, endorsement, approval, or intervention in any manner whatsoever.

4.2 Directly or indirectly requesting or receiving any gift, present or other pecuniary or material benefit for himself or for another, from any person for whom the employee, in any manner or capacity, has secured or will secure or obtain or will help to secure or obtain, any contract, purchase or award from the Company, in consideration for the help given or to be given.

4.3 Accepting or having any member of his family accept employment in a private enterprise that has pending official business with him during the pendency thereof or within one year after the termination of such official business.

4.4 Causing any undue injury to the Company or giving any private party unwarranted benefits, advantage or preference in the discharge of his official functions through manifest partiality, evident bad faith or gross inexcusable negligence.

4.5 Divulging valuable information of a confidential character, acquired by him in his official capacity, to unauthorized persons.

V. OTHER PROHIBITED PRACTICES

5.1 Employees are expected to exercise due diligence in their work and protect the Company's interest at all times. Therefore, the Company punishes gross negligence in entering on behalf of the Company, into any contract or transaction patently and grossly disadvantageous to the Company, whether or not the employee benefited thereby.

5.1.1 Gross negligence is the pursuit of a course of conduct that would naturally and reasonably result in injury. It is an utter disregard of the welfare of the Company or consciously ignoring adverse consequences which were clearly evident at the time the contract was entered into.

5.2 All violations of the Conflict of Interest policy (ref. no. PM-HRG06-007)

5.3 For members of the Board of Directors, violations of *Sections 31-34 of the Corporation Code of the Philippines, and violations of the Code of Corporate Governance.*

Sec. 31. *Liability of directors, trustees or officers.* – Directors or trustees who willfully and knowingly vote for or assent to patently unlawful acts of the corporation or who are guilty of gross negligence or bad faith in directing the affairs of the corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors or trustees shall be liable jointly and severally for all damages resulting therefrom suffered by the corporation, its stockholders or members and other persons.

When a director, trustee or officer attempts to acquire or acquires, in violation of his duty, any interest adverse to the corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the corporation and must account for the profits which otherwise would have accrued to the corporation.

Sec. 32. *Dealings of directors, trustees or officers with the corporation.* – A contract of the corporation with one or more of its directors or trustees or officers is voidable, at the option of such corporation, unless all the following conditions are present:

1. That the presence of such director or trustee in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
2. That the vote of such director or trustee was not necessary for the approval of the contract;
3. That the contract is fair and reasonable under the circumstances; and
4. That in case of an officer, the contract has been previously authorized by the board of directors.

Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a director or trustee, such contract may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock or of at least two-thirds (2/3) of the members in a meeting called for the purpose: Provided, That full disclosure of the adverse interest of the directors or trustees involved is made at such meeting: Provided, however, That the contract is fair and reasonable under the circumstances.

Sec. 33. *Contracts between corporations with interlocking directors.* – Except in cases of fraud, and provided the contract is fair and reasonable under the circumstances, a contract between two or more corporations having interlocking directors shall not be invalidated on that ground alone: Provided, That if the interest of the interlocking director in one corporation is substantial and his interest in the other corporation or corporations is merely nominal, he shall be subject to the provisions of the preceding section insofar as the latter corporation or corporations are concerned.

Stockholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.

Sec. 34. *Disloyalty of a director*– Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the corporation, thereby obtaining profits to the prejudice of such corporation, he must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders

owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable, notwithstanding the fact that the director risked his own funds in the venture.

VI. REPORTING OF VIOLATIONS

Employees who witness violations of this policy should report the same to the Human Resources Group.

NOTES

Policies and Procedures on **Conflict of Interest**

Policies & Procedures

Conflict of Interest

Conflict of Interest

I. OBJECTIVES

To provide guidelines that would define a conflict-of-interest situation and that would direct employees in the manner by which they are to conduct themselves when placed in such situation/s.

II. SCOPE

This policy shall apply to all regular employees, officers and directors of Globe and Subsidiaries, including consultants/project hires seconded to or engaged on a full-time basis by Globe, although they are not considered as a Globe regular employee (hereafter referred to as Covered Employee/s). This will automatically form part of the existing Globe Code of Conduct booklet.

III. DEFINITIONS

Conflict-of-Interest – a situation where a Covered Employee has or possibly may have a personal or pecuniary interest divergent or in conflict with his professional obligations, or where financial or other personal considerations may compromise, or have the appearance of compromising, the Covered Employee's judgment in the administration, management, decision-making and discharge of his official functions.

Conflict of Interest situations shall include, but are not limited to the following:

1. Being in an official capacity to negotiate, procure, endorse or approve a transaction for and in behalf of the Company, either by himself or through a middleman or agent, (a) with a person, or a company where the controlling interest is held by a person who is the spouse of the Covered Employee or is related to the Covered Employee within the fourth degree of consanguinity or affinity, or (b) with one who is the Covered Employee's former employer within two (2) years prior to the date of the transaction in question.
2. Otherwise directly or indirectly having financial or pecuniary interest in any business, contract or transaction in connection with which the Covered Employee has the occasion to intervene or take part in his official capacity, or which will require his endorsement or approval.
3. Outside employment and/or personally held directorships outside of Globe, except as disclosed by the Covered Employee and approved by his Group Head.
4. Access to sensitive information which may be of value to a person or a company where the controlling interest is (a) held by a person/s, who is the spouse of the Covered Employee or related to the Covered Employee within the fourth degree of affinity or consanguinity, or (b) who / which is the Covered Employee's former employer within two (2)

years prior to the date of the transaction in question.

5. Having a spouse or a relative within the fourth degree of consanguinity or affinity with individuals in the employ of competitor companies or business partners.
6. Such other instances analogous to the foregoing.

IV. REFERENCE

PM – HRG06 – 008 Unethical, Corrupt and other Prohibited Practices

V. GENERAL POLICIES AND GUIDELINES

1. It is every Covered Employee's responsibility to protect the interests and integrity of Globe and to maintain the highest standards of conduct when performing his duties and responsibilities and in entering into, negotiating or procuring transactions for and in behalf of the Company.
2. Every Covered Employee is enjoined to exercise utmost discretion, prudence and mature judgment in the discharge of his duties and responsibilities to avoid conflict-of-interest situations or any appearance thereof.
3. Covered Employees to be hired or engaged by the Company are advised to disclose pre-existing conflict-of-interest situations as defined in this policy. The procedures in the handling of conflict-of-interest situations prior to hiring or engagement are further explained at a later portion of this policy.
4. Existing Covered Employees must accomplish on an annual basis on or before the end of January of each year the Related Party Disclosure form (F-HRG-43). The form shall be submitted in three (3) copies to the Group Head, who shall retain a copy for himself and forward the remaining 2 copies to the Head of the Human Resources Group.
5. Apart from the regular disclosure, any Covered Employee who may, at any time, find himself in any of the conflict-of-interest situation should, within twenty-four (24) hours from the discovery of such, disclose the same in a written memo to his Group Head, attaching thereto the Disclosure form. The procedures in the handling of conflict-of-interest situations of existing Covered Employees are further explained at a later portion of this policy.
6. The failure to disclose the existence of a conflict-of-interest situation is deemed by the Company as an actionable offense. Physical or pecuniary damage to the Company is not an element of this offense; rather, it is the breach of the employee's duty of utmost loyalty to the Company and integrity and honesty in all acts that the penalty seeks to address.

VI. WAIVER OR RELAXATION OF THE POLICY

The President and the Head of the Human Resources Group are given the joint authority, to waive or relax the conflict-of-interest in their reasonable discretion, except in the cases where the waiver or relaxation will result in the violation of existing laws, rules and regulations.

VII. LIABILITY FOR VIOLATION

A violation of this policy may, under the circumstances, be construed as an unethical or corrupt practice subject to the consequences under the Unethical, Corrupt and Other Prohibited Practices Policy (ref. no. PM-HRG06-008) of the Company. However, whether or not such violation constitutes an unethical or corrupt practice, a violation of this policy may subject the employee to reprimand, suspension or termination, within the discretion of his immediate Superior.

VIII. APPLICATION TO GLOBE CONSULTANTS AND DIRECT PROJECT HIRES

Consultants and project hires of the Company shall be made to sign, as a pre-condition to engagement of their services, their conformity to this policy. This shall include the accomplishment of the annual Related Party Disclosure form.

IX. POLICIES AND GUIDELINES IN HANDLING CONFLICT-OF-INTEREST PRIOR TO HIRING AND ENGAGEMENT:

1. All Covered Employees for hiring or engagement must disclose pre-existing conflict-of-interest situations as defined in this policy. Strategic Staffing for regular employees to be hired and the line requisitioner for consultants and project hires, shall be tasked with the responsibility of requiring such disclosure from the candidate.
2. Should the prospective Immediate Superior and Group Head of the Covered Employee find the disclosed conflict-of-interest situation acceptable, vis-à-vis the duties and responsibilities of the position, the approval of the Head of Human Resources Group and the President must be sought by them.
3. Should the Head of Human Resources and the President also find the conflict-of-interest situation acceptable, the hiring or engagement of the candidate may be pursued.
4. Should at any point in the hiring process, the candidate's prospective Immediate Superior, Group Head, Head of Human Resources Group or the President find the conflict-of-interest situation unacceptable, the hiring or engagement of the subject candidate shall not be pursued.

X. POLICIES AND GUIDELINES IN HANDLING CONFLICT-OF-INTEREST OF EXISTING COVERED EMPLOYEES:

1. A Covered Employee must not put himself in a conflict-of-interest situation. In the event a Covered Employee finds himself in such a situation, he should disclose the same to his Immediate Superior and Group Head.
2. Should his Immediate Superior and Group Head find the disclosed conflict-of-interest situation acceptable, vis-à-vis the duties and responsibilities of his position, the approval of the Head of Human Resources and the President must be sought by them.
3. Should the Head of Human Resources Group and the President also find the conflict-of-interest situation acceptable, the Covered Employee may continue in his current function with the appropriate safeguards set in place by the Group Head, as needed.
4. Should at any point in the above process, the Covered Employee's Immediate Superior, Group Head, Head of Human Resources Group or the President find the conflict-of-interest situation unacceptable, the Covered Employee will be afforded one (1) month to cure the conflict-of-interest situation by seeking reassignment/redeployment opportunities to functions where the same conflict-of-interest situation would not exist or by the Covered Employee's related party's own relinquishment or removal from the situation giving rise to the conflict. In such an event, the employee may continue in his employment or engagement under his new assignment with the appropriate safeguards set in place by his Group Head, as needed.
5. Should the conflict-of-interest situation remain after the above one (1) month period, the employment or engagement of the Covered Employee shall be terminated for reasons of conflict-of-interest.

XI. TRANSITORY PROVISIONS:

1. The revised Conflict-of-Interest policy shall be made known to all Covered Employees at least one (1) month before its implementation.
2. Upon its announcement and until its implementation, all Covered Employees shall be given the opportunity to declare any pre-existing conflict-of-interest situation, without fear of being charged for non-disclosure.
3. Declared conflict-of-interest situations shall be addressed consistent with the provisions of this policy except as the punitive part thereof.

4. Undeclared conflict-of-interest situations discovered after the implementation of this policy shall be treated as a case of failure to disclose the existence of a conflict-of-interest situation, dishonesty, and breach of the Covered Employee's loyalty to the Company.
5. The revised Conflict-of-Interest policy shall take effect on January 1, 2007.

NOTES

Policies and Procedures on **Whistleblower**

Policies & Procedures

Whistle-Blower

Whistleblower

I. INTRODUCTION

GLOBE is committed to compliance with laws and regulations to which it is subject and to conduct its business in accordance with ethical standards. All officers and employees of the Company, and all suppliers and business partners of the company, are thus required to observe and practice high standards of business and personal ethics in the conduct of their duties and responsibilities.

This Policy provides a formal mechanism for employees, **suppliers and third parties** to submit reports of improper activities perpetrated by the company's employees, officers and directors, and **suppliers and partners**, that violate laws and regulations, company policies, the company's Code of Conduct, or which violate the company's ethical standards. Submitted reports will be investigated according to the protocols established in this policy, and the responsible submission of complaints in good faith shall be protected by the company.

With the promulgation and dissemination of this policy, the company hopes that persons in possession of information of improper activities will surface this information formally and on a timely basis in order to give management the opportunity to take action and address such improper activities in order to protect company assets, interests, and reputation.

This Policy does not fundamentally change the responsibility for conducting investigations but clarifies normal jurisdictional interests and processes by which complaints are to be dealt with.

In all instances the Company retains the prerogative to determine when circumstances warrant an investigation and, in conformity with this Policy and applicable laws and regulations, the appropriate investigative process to be employed.

II. POLICY AND COVERAGE

This Policy provides a formal mechanism for any person, whether employed by Globe or not, to submit information or allegations of suspected–

(a) violations of the Company's Corrupt Practices Policy

(b) acts of Company asset misappropriation

(c) fraudulent reporting practices

(d) violations of the Company's Stock Transaction Policy

(e) violations of the Securities Regulation Code

(f) violations of the Code of Corporate Governance

(g) unethical conduct

The following are not covered in this Policy:

(a) Individual employee grievances and complaints regarding terms and conditions of employment will continue to be reviewed under the applicable personnel policies or collective bargaining agreement.

(b) Complaints of violations of the company's Code of Conduct

initiated by a superior against a subordinate by way of a disciplinary action shall be subject to existing processes on disciplinary action as provided in the Code of Conduct.

(c) Allegations of ISR or other illegal conduct by the company's customers, suppliers or vendors shall be referred to Usage Fraud Management as part of existing processes.

III. DEFINITIONS

Improper Activity any activity by a Company officer, employee, supplier or business partner which

(a) Is a violation of the Company's Corrupt Practices Policy;

(b) Is an act of Company asset misappropriation

(c) A fraudulent reporting practice

(d) A violation of the Company's Stock Transaction Policy

(e) A violation of the Securities Regulation Code

(f) A violation of the Code of Corporate Governance

(g) Is otherwise unethical

Disclosure. Any communication on, or allegation of, Improper Activity

Protected Disclosure. Good faith communication that discloses information that may evidence improper activity which is protected under this Policy.

Whistleblower. A person making a protected disclosure

Whistleblower Hotline. A telephone number designated by the company's Enterprise Risk Management (ERM) group for receiving reports of improper activity

Whistleblower Portal. The portal set up for the purpose of receiving Disclosures.

Disclosure Committee. The committee formed to investigate Disclosures made under this Policy

Complaint Administrator The person in charge of administering the Whistleblower Portal, and receiving, collating and submitting Disclosures, keeping track of the status of investigations and making reports to the Committee

IV. FORM AND CONTENTS OF DISCLOSURE

1. A Disclosure may be made in any form. No particular form shall be required. Verbal disclosures, however, must be reduced to some form of writing, and persons receiving verbal disclosure who wish to escalate the same for action to the Disclosure Committee must reduce the same into writing.
2. A Whistleblower shall have the option to identify himself and/or sources of his information (if any), or withhold his identity and/or that of his sources.
3. Disclosures must allege the specific facts that have lead the Whistleblower to believe that an improper activity has been or is being committed. Disclosures must be coherent,

allege facts rather than conclusions or speculations, and should contain as much specific information as possible to allow for proper assessment of the need, nature, extent, and urgency of action thereon.

V. REPORTING ALLEGATIONS OF SUSPECTED IMPROPER ACTIVITIES

1. Any person who has knowledge of a suspected improper activity has the duty to make a Disclosure in accordance with Sec. V(2) of this Policy.
2. Disclosures may be submitted or reported through any of the following:
   (a) by calling up the designated Whistleblower Hotline
   (b) through the Whistleblower Portal
   (C) by sending an e-mail to a designated e-mail address for Disclosures
   (d) by sending a letter to the designated personnel of the company's Enterprise Risk Management group (ERM)

   These are by no means the only channels by which Disclosures may be received. Persons or units within the organization who receive Disclosures (in whatever form, including verbal Disclosures) shall, however, forward or relay the Disclosures to ERM or the Complaint Administrator for proper handling in accordance with this Policy.
3. ERM shall designate a Complaint Administrator who shall be in-charge of administering the portal, and receiving, collating and submitting all Disclosures to the Disclosure Committee.

   Where, however:
   (a) The Disclosure involves a member of the Board of Directors, the Disclosure shall be transmitted directly to the Corporate Secretary for handling.
   (b) The Disclosure involves ERM or the Complaint Administrator, the same shall be sent directly to the Corporate Secretary
   (c) The Disclosure involves the Disclosure Committee, the Disclosure Committee shall endorse the same to the Board of Directors.
4. The Whistleblower shall receive a notice that the complaint has been received and that it shall be processed in accordance with this Policy.

VI. EVALUATION OF THE PROTECTED DISCLOSURE AND INVESTIGATION OF THE SUSPECTED IMPROPER ACTIVITY

1. The Disclosure Committee shall be composed of the Company's Corporate Secretary and one representative each from Human Resources Group (HRG), Internal Audit, ERM and Legal Services Division. The members of the Disclosure Committee shall be persons of known objectivity, independence, integrity, trustworthiness, sound judgment, and with a good working knowledge of the operations of the company.
2. In the event that the protected disclosure involves a member of the Disclosure Committee, such member shall inhibit himself from taking part in the evaluation, investigation, and reporting of that particular protected disclosure.
3. The Disclosure Committee shall evaluate the complaint and determine if an investigation is warranted. An investigation will be conducted if:
   (a) Subject of the complaint is covered by this Whistleblower Policy;
   (b) The complaint is supported by evidence or at least, includes sufficient details which can be validated and used as basis for conducting an investigation; and
   (c) The complaint is not patently false, malicious, intended to harass, or makes a mockery of this Whistleblower Policy, or
   (d) The Disclosure Committee, the Corporate Secretary (in the case of Disclosures under Sec. 3(a) and (b) or the Board of Directors (in the case of Disclosures under Sec. 3(c) determines that an investigation should be made.
4. If an investigation is warranted, the Disclosure Committee shall either conduct the investigation or designate a handler who will conduct a fact finding investigation. The handler shall submit to the Committee of his finding of facts. Investigations shall be carried out in accordance with company policies and best practices in investigation, and without compromising the civil rights of any person.
5. The Disclosure Committee shall submit to the HRG a Report on the result of the investigation for the imposition of the appropriate disciplinary action, if warranted by such result.
6. If the improper activity subject of the investigation has a significant financial and reputation risk impact to the Company, HRG shall forward the Report of the Disclosure Committee to the Office of the President and the Audit Committee within ten (10) days

from receipt of the Report. The Audit Committee shall determine if the report shall be further reported to the Board of Directors.

7. If the Report of the Disclosure Committee include a finding of civil or criminal liability on the part of the investigation Subject, HRD shall forward to the Legal Division a copy of the Report of the Committee on Protected Disclosure for the filing of the appropriate legal action.
8. The Disclosure Committee shall state in its report whether or not the result of the investigation shall be included in the employee's 201 file or in the vendor accreditation files of the vendor or business partner..
9. The Complaint Administrator shall be responsible for keeping track of the status of investigations and actions on Disclosures and preparing a monthly report to the Disclosure Committee on the actions taken.

VII. ROLES, RIGHTS AND RESPONSIBILITIES OF WHISTLEBLOWERS, INVESTIGATION PARTICIPANTS, AND SUBJECTS OF THE INVESTIGATION

A. Whistleblowers

1. Whistleblowers provide initial information related to a reasonable belief that an improper activity has occurred. The motivation of the whistleblower is irrelevant to the consideration of the validity of the allegations. However, the intentional filing of a false report is itself considered an improper activity which the Company has the right to act upon.
2. Whistleblowers shall refrain from obtaining evidence for which they do not havea right of access.
3. Whistleblowers have a responsibility to be candid. They should set forth all known information regarding any reported allegations. Persons making a report of alleged improper activities should be prepared to be interviewed by investigators.
4. Anonymous whistleblowers must provide sufficient corroborating evidence to justify the commencement of an investigation. An investigation of unspecified wrongdoing or broad allegations will not be undertaken without verifiable evidentiary support. Because investigators are unable to interview anonymous whistleblowers, it may be more difficult to evaluate the credibility of the allegations and therefore, less likely to cause an investigation to be initiated.

5. Whistleblowers are reporting parties, not investigators. They are not to act on their own conducting any investigative activities, nor do they have a right to participate in any investigative activities other than as requested by investigators.
6. Protection of a whistleblower's identity will be maintained to the extent possible within the legitimate needs of law and the investigation. Should the whistleblower self-disclose his or her identity, the Company will no longer be obligated to maintain such confidence.
7. Whistleblowers have a right to be informed of the disposition of their disclosure absent overriding reason as determined by the Committee on Protected Disclosures.

B. Investigation Participants

1. Company employees who are interviewed, asked to provide information, or otherwise participate in an investigation have a duty to fully cooperate with the Company-authorized investigators.
2. Participants should refrain from discussing or disclosing the investigation or their testimony with anyone not connected to the investigation. In no case should the participants discuss with the investigation subject the nature of evidence requested or provided or testimony given to investigators unless agreed to by the investigator.
3. Requests for confidentiality by participants will be honored to the extent possible within the legitimate needs of law and the investigation.
4. Investigation participants have a responsibility to further the investigation and assure its timely completion. Evidence shall not be simulated, withheld, destroyed, or tampered with; testimony shall not be fabricated, altered or withheld, or intentionally made misleading; and witnesses shall not be influenced, coached, or intimidated. Any act in violation of this paragraph or any other attempt to obstruct the investigation, shall be considered an offense subject to disciplinary action.

C. Investigation Subjects

1. A subject is a person or persons who is/are the focus of investigation as a result of a Disclosure. The decision to conduct an investigation is not an accusation; it is to be treated as a neutral fact finding process. The outcome of the investigation mayor may not support a conclusion that an improper act was committed and, if so, by whom.

2. The identity of a subject should be maintained in confidence to the extent possible given the legitimate needs of law and the investigation.
3. The Disclosure Committee shall determine the opportune time to inform Subjects of the allegations. Once informed, they shall have opportunities for input during the investigation.
4. Subjects have a duty to cooperate with investigators. They should be informed, however, that they have a right against self-incrimination under the law.
5. Subjects have a right to consult with a person or persons of their choice. This may involve representation, including legal representation.
6. Subjects are free at any time to retain their own counsel to represent them with regard to the investigation.
7. Subjects have a responsibility not to interfere with the investigation and adhere to admonitions from investigators in this regard. Evidence shall not be simulated, withheld, destroyed, or tampered with by the subject; testimony shall not be fabricated, altered or withheld, or intentionally made misleading by the subject; and witnesses shall not be influenced, coached, or intimidated by the subject. Any act in violation of this paragraph or any other attempt to obstruct the investigation, shall be considered an offense subject to disciplinary action.
8. Evidence shall not be withheld, destroyed, or tampered with, and witnesses shall not be influenced, coached, or intimidated, and any act of destruction or tampering, withholding of evidence, or any other attempt to obstruct the investigation, shall be considered an offense subject to disciplinary action.
9. Unless there are compelling reasons to the contrary, subject should be given the opportunity to respond to material points of evidence contained in an investigation report.
10. Subjects have a right to be informed of the outcome of the investigation.
11. Any disciplinary or corrective action initiated against the subject as a result of an investigation pursuant to this shall adhere to applicable personnel conduct and disciplinary procedures.

VIII. WHISTLEBLOWER PROTECTION POLICY

1. Disclosures shall be deemed Protected Disclosures if they are made in good faith and with a reasonable belief that there has been an improper activity committed, or that one is being or about to be committed. A complaint made in good faith with a reasonable basis for belief shall be deemed a Protected Disclosure even if it subsequently turns out to be untrue. However, complaints which are patently false, simulated, malicious, intended to harass, slur or cast aspersions on the character or service record of a person, or disrupt the company's operations, without any reasonable basis for a belief that an improper activity has been committed, or make a mockery of this Whistleblower Policy, shall not be deemed a Protected Disclosure.
2. The Disclosure Committee shall determine if a Disclosure is a Protected Disclosure or not. In the case of disclosures under Sec. V(3)(a) and (b), the Corporate Secretary shall determine if a Disclosure is a Protected Disclosure or not; and in case of disclosures under Sec. V(3)(c) the Board of Directors shall determine if the Disclosure is a Protected Disclosure or not.
3. A Whistleblower making a Protected Disclosure shall be entitled to the protection of this policy provided that he himself is not complicit to the improper activity reported. In particular, he shall not be subject to dismissal, demotion, any form of harassment or discrimination, or current or future bias in performance evaluation, by virtue of his having made a Protected Disclosure.
4. If the Whistleblower is not an employee, but a vendor, supplier or business partner, the Whistleblower shall not be denied future business of the company solely on the basis of his having made a Protected Disclosure, unless it also appears from the facts of the case that the Whistleblower participated in the prohibited conduct with sufficient knowledge that the same was illegal, prohibited, unethical, or would be to the detriment and prejudice of Globe.
5. The Disclosure Committee may, under exceptional circumstances, with the endorsement of the President and with the approval of the Board of Directors, grant immunity to a Whistleblower who has participated in the improper activity reported. In any event, immunity may only be granted to a Whistleblower under the following conditions:, ***first***, the Whistleblower whose immunity is being sought is not the most guilty of the subjects of the investigation; ***second*** that his testimony is absolutely indispensable to

the investigation and without it, the company would not be able to take appropriate action; and ***third***, that he extends full cooperation to the investigation.

6. A Whistleblower who subsequently withdraws his Disclosure shall not be entitled to the protection of this Policy.
7. The Disclosure Committee shall designate a representative of HRG as a Whistleblower Protection Officer to ensure that Whistleblowers are accorded the proper protection under this Policy.
8. The members of the Disclosure Committee shall likewise be protected in the reasonable exercise of their functions under this Policy, and shall be indemnified by the company in the event of suit or claims for all actions taken by them in accordance with this policy.

IX. DISSEMINATION AND AMENDMENT OF THE POLICY

HRG shall be responsible for the public dissemination of this Policy across the company. Where necessary, HRG shall arrange for appropriate training to be given to members of the Disclosure Committee and to persons who will be involved in the implementation of this policy.

The Company may amend the provisions of this Whistleblower Policy. Any amendment, however, shall be effective after due notice is given to the officers and employees of the Company.

NOTES

FORM

Related Party Disclosure Form (F-HRG-43)

Globe

NAME	POSITION / BAND	GROUP / DEPARTMENT / SECTION

BUSINESS ENGAGED IN

COMPANY NAME	NATURE OF BUSINESS	BUSINESS PARTNERS	% INTEREST	DOING BUSINESS WITH GLOBE (IF YES, indicate nature)

RELATED PARTY TRANSACTIONS

NAME OF FAMILY MEMBER or RELATED PARTY	COMPANY NAME	NATURE OF BUSINESS	NATURE OF TRANSACTIONS / DEALINGS W/ GLOBE

OTHERS

This is to certify that the information provided and reported is complete and accurate.

EMPLOYEE	GROUP HEAD	HEAD / HUMAN RESOURCE GROUP
SIGNATURE / DATE	SIGNATURE OVER PRINTED NAME / DATE	SIGNATURE OVER PRINTED NAME / DATE

For a guided way to accomplish the Notice to Explain, please consult HR Labor Relations through 730 2491

For Replication purposes only

NOTES

SERVICE DELIVERY CENTER

3/F Globe Telecom Plaza I,
Pioneer cor. Madison Streets
1552 Mandaluyong City

For questions, please contact

Labor Relations Department
0917 818 9934
gt_whistleblower@globetel.com.ph

Globe

PERSONAL COPY OF

Proprietary and to be returned upon Employee's Separation from the Company.

ANNEX "C"

Related Party Transactions (RPTs)

We disclose, review, and approve related party transactions, in accordance with the principles of transparency and fairness, to ensure that they are at arm's length, the terms are fair, and they will inure to the best interest of the corporation and its subsidiaries or affiliates and their shareholders.

The RPTs are disclosed in our financial statement (page 204), annual reports, and other applicable filings in accordance with the relevant rules and issuance of the SEC and other applicable regulatory bodies. The disclosure includes, but is not limited to, the name of the related party, relationship with the corporation for each RPT, and the nature and value for each RPT. Such disclosure is also made publicly available by the corporation, for the benefit of all shareholders and other stakeholders, through our website and such other media channels as applicable.

Shareholders, including minority shareholders, and other stakeholders are provided with proper guidelines and procedures for right of action and remedies that are readily accessible in order to redress the conduct of the corporation (e.g. Facebook page, Twitter account, e-mail account, and hotline numbers), as necessary.

The independent directors form the independent committee that is tasked to review and monitor material RPTs, among others, to ensure our best interest, our shareholders', and all other stakeholders', and that the RPTs are executed with fair and transparent terms prior to endorsement to the Board for approval.

Non-compliance with any of the provisions of the policy on RPT shall result in the nullification of any agreement or contract involved in the execution of the RPT. A director, officer, employee, or Related Party is subject to the corresponding procedures and penalties under our Code of Conduct and relevant laws, as applicable.

In 2015, members of the Board agreed to vote in accordance with the decision of the three independent directors in resolving a matter on voting preferred shares to further exercise independence and integrity at the Board level.

[*Source: Globe Telecom 2015 Annual & Sustainability Report (ASR), p. 47*]

Our Policy on RPTs and disclosures thereof are also posted on our corporate website for the easy reference of our customers and stakeholders (http://www.globe.com.ph/corporate-governance/related-party-transactions).

H. Transactions with Related Parties

Globe Telecom and Innove, in their regular conduct of business, enter into transactions with their major stockholders, AC and Singtel, venturers and certain related parties. These transactions, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, include the following:

Entities with joint control over Globe Group – AC and Singtel

- Globe Telecom has interconnection agreements with Singtel. The related net traffic settlements receivable (included in "Receivables" account in the consolidated statements of financial position) and the interconnection revenues earned (included in "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Traffic settlements receivable – net	**₱22,824**	₱79,191	₱201,216
Interconnection revenues	**725,635**	784,965	921,540
Interconnection costs	**50,346**	112,976	116,477

- Globe Telecom and Singtel have a technical assistance agreement whereby Singtel will provide consultancy and advisory services, including those with respect to the construction and operation of Globe Telecom's networks and communication services (see Note 25.6 of the FS), equipment procurement and personnel services. In addition, Globe Telecom has software development, supply, license and support arrangements, lease of cable facilities, maintenance and restoration costs and other transactions with Singtel.

The details of fees (included in repairs and maintenance under the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) incurred under these agreements are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Technical assistance fee	**₱67,907**	₱160,534	₱163,004
Maintenance and restoration costs and other transactions	**57,551**	63,695	61,841
Software development, supply, license and support	**7,069**	19,642	16,681

The outstanding balances due to Singtel (included in the "Accounts payable and accrued expenses" account in the consolidated statements of financial position) arising from these transactions are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Technical assistance fee	**₱57,967**	₱135,877	₱35,775
Maintenance and restoration costs and other transactions	**8,985**	10,882	20,695
Software development, supply, license and support	**-**	-	4,014

- Globe Telecom earns subscriber revenues from AC. The outstanding subscribers receivable from AC (included in "Receivables" account in the consolidated statements of financial position) and the amount earned as service revenue (included in the "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Subscriber receivables	**₱12,215**	₱9,662	₱14,761
Service revenues	**19,338**	18,990	14,107

- Globe Telecom reimburses AC for certain operating expenses. The net outstanding liabilities to (included in "Accounts payable and accrued expenses" account in the consolidated

statement of financial position) and the amount of expenses incurred (included in the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	**2015**	2014	2013
General, selling and administrative expenses	**₱48,743**	₱37,135	₱7,768
Accounts payable and accrued expenses	**50**	755	–

Joint Ventures in which the Globe Group is a Venturer

- Globe Telecom has preferred roaming service contract with BMPL. Under this contract, Globe Telecom will pay BMPL for services rendered by the latter which include, among others, coordination and facilitation of preferred roaming arrangement among JV partners, and procurement and maintenance of telecommunications equipment necessary for delivery of seamless roaming experience to customers. Globe Telecom also earns or incurs commission from BMPL for regional top-up service provided by the JV partners. The net outstanding liabilities to BMPL related to these transactions amounted to ₱3.11 million and ₱2.37 million as of December 31, 2015 and 2014, respectively. Balances related to these transactions (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounted to ₱18.68 million, ₱23.76 million and ₱3.76 million, as of December 31, 2015, 2014 and 2013, respectively.

- In October 2009, the Globe Group entered into an agreement with BPI Globe BanKO for the pursuit of services that will expand the usage of GCash technology. As a result, the Globe Group recognized revenue amounting to ₱8.96 million, ₱6.13 million and ₱0.54 million in 2015, 2014 and 2013, respectively. The related receivables amounted to ₱7.47 million and ₱14.86 million in 2015 and 2014, respectively.

Transactions with the Globe Group Retirement Plan (GGRP)

- In 2007, Globe Telecom, Innove and GXI pooled its plan assets for single administration by the GGRP, which was created for the management of the retirement fund. The decisions of the GGRP are made through collective decision of the Board of Trustees.

  The plan is funded by contributions as recommended by the independent actuary on the basis of reasonable actuarial assumptions. These assumptions and the funded status of the pension plan are disclosed in Note 18.2.

  The funded status for the pension plan of Globe Group as of December 31, 2015 and 2014 amounted to ₱3,063.12 million and ₱2,321.20 million, respectively (see Note 18.2).

  The fair value of plan assets by each class held by the retirement fund, on a pooled basis follows:

	2015	2014
	(In Thousand Pesos)	
Cash and cash equivalents	**₱192,982**	₱143,746
Investment in fixed income securities	**1,199,764**	1,129,892
Investment in equity securities	**1,755,411**	1,636,204
Loans and receivables	**968,782**	968,000
Liabilities	**(968,782)**	(968,000)
Balance at end of year	**₱3,418,157**	₱2,909,842

  All equity and debt instruments held, except for investment in preferred shares of HALO Group, debt securities issued by private corporations and long-term negotiable certificates of deposit, have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

Loans and receivables consist of interest and dividend receivables, receivable on securities sold to brokers and loan granted by the plan to BHI.

Liabilities pertain to interest and trust fee payables, accrued professional fees and loan granted to the plan by Globe Telecom.

- As of December 31, 2015 and 2014, the pension plan assets of the retirement plan include shares of stock of Globe Telecom with total fair value of ₱31.20 million and ₱26.32 million, and shares of stock of other related parties with total fair value of ₱144.07 million and ₱111.55 million, respectively. Gains arising from these investments amounted to ₱11.75 million, ₱12.91 million and ₱8.34 million in 2015, 2014 and 2013, respectively.

- In 2008, the Globe Group granted a short-term loan to the GGRP amounting to ₱800.00 million with interest at 6.20%. Upon maturity in 2009, the loan was rolled over until September 2014 with interest at 7.75%. Further, in 2009, the Globe Group granted an additional loan to the retirement fund amounting to ₱168.00 million which bears interest at 7.75% and is due also in September 2014.

  On September 16, 2014, the maturity of the outstanding balance of loan receivable from GGRP amounting to ₱968.00 million was extended to September 11, 2017 and the interest rate was reduced to 5% per annum effective on September 11, 2014. Interest income amounted to ₱49.07 million, ₱68.02 million and ₱76.26 million in 2015, 2014 and 2013, respectively (see Note 19).

  The retirement plan utilized the loan to fund its investments in BHI, a domestic corporation organized to invest in media ventures. BHI has controlling interest in Altimax Broadcasting Co., Inc. (Altimax) and Broadcast Enterprises and Affiliated Media Inc. (BEAM), respectively.

- On August 13 and December 21, 2009, the Globe Group granted five-year loans amounting to ₱250.00 million and ₱45.00 million, respectively, to BHI at 8.275% interest. The ₱250.00 million loan is covered by a pledge agreement whereby in the event of default, the Globe Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Globe Group. The ₱45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between Globe Group and BEAM (see Note 25.5). Interest income amounted to ₱8.04 million, ₱11.30 million and ₱13.72 million in 2015, 2014 and 2013, respectively (see Note 19 of the attached Notes to the Consolidated Financial Statements).

  On August 13, 2014, the maturity of the outstanding balance of loan receivable from BHI amounting to ₱158.62 million was extended to August 13, 2017 and the interest rate was reduced to 5% per annum effective August 14, 2014 (see Note 11 of the Attached Notes to the Consolidated Financial Statements).

- On February 1, 2009, the Globe Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast service to Globe subscribers using the mobile TV service. As a result, the Globe Group recognized an expense (included in "Professional and other contracted services") amounting to ₱190.00 million in 2015 and ₱155.00 million in 2014 and 2013. Effective January 1, 2015, BEAM charged an increased service fee rate to Globe Group as a result of an amendment to the MOA.

- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. As a result, the Globe Group recognized an expense (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounting to ₱90.00 million in 2014 and 2013.

- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. As a result, the Globe Group recognized an expense (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounting to ₱24.85 million in 2015 and ₱40.88 million in 2014 and 2013.

Transactions with Yondu

As a result of Globe Telecom's sale of its controlling stake in Yondu, transactions are recognized in the consolidated statement of financial position starting September 16, 2015.

The Globe Group has a VAS sharing agreement with Yondu. Under the agreement, Yondu is entitled to a 30% share on revenue (included in the "Service revenues" account of the parent company statements of comprehensive income) for providing mobile contents to Globe and TM subscribers. The Globe Group's payout to Yondu on mobile content transactions for the period September 16, 2015 to December 31, 2015 amounted to ₱78.85 million.

Yondu also provides various enterprise solutions-based services to the Globe Group for network, platform and applications development under its Business Process Outsourcing Unit (BPO) and mobile content. The Globe Group's related expenses for the period September 16, 2015 to December 31, 2015 amounted to ₱39.32 million, out of which ₱1.49 million were capitalized.

The outstanding balances of receivable and payables resulting from transactions with Yondu amounted to ₱74.23 million and ₱373.54 million, respectively, as of December 31, 2015. Dividends receivable amounting to ₱266.49 million was recognized in the consolidated financial statements as of December 31, 2015.

Transactions with other related parties

Globe Telecom has money market placements and bank balances, and subscriber receivables (included in "Cash and cash equivalents" and "Receivables" accounts in the consolidated statements of financial position, respectively) and earns service revenues (included in the "Service revenues" account in the consolidated statements of comprehensive income) from its other related parties namely, Ayala Land Inc., Ayala Property Management Corporation, Bank of the Philippine Islands, Manila Water Company, Inc., Integrated Microelectronics, Inc., Stream Global Services, Inc., HR Mall Inc., Honda Cars, Inc., Isuzu Automotive Dealership, Inc., Accendo Commercial Corp., Affinity Express Philippines, Inc., Alveo Land Corp., Asian IOffice Properties,Inc., Avida Land Corp., Avida Sales Corporation, Ayala Hotels, Inc., Ayala Plans, Inc., Ayala Systems Technology, Inc., Cebu Holdings, Inc., Makati Development Corp., myAyala.com, Inc., North Triangle Depot Commercial Corp., PSI Technologies, Inc., Roxas Land Corp, Serendra, Inc., Station Square East Commercial Corp., Ten Knots Development, KHI ALI Manila, Inc., Lagoon Development Corp., Subic Bay Town Center, Inc., Ayala Aviation Corporation, Laguna AAA Water Corp., Liveit Solution, Inc., Liveit Investments, Ltd., Integreon, Inc., Arvo Commercial Corp., Amaia Land Corp., Michigan Power, Philippine Intergrated Energy Solutions, Inc., Southcrest Hotel Ventures, Inc., Bonifacio Hotels and Crestview E-Office.

The balances with other related parties are recorded under the following accounts:

(In Thousand Pesos)	**2015**	2014	2013
Cash and cash equivalents	**₱1,621,045**	₱1,385,635	₱166,074
General, selling and administrative expenses	**208,351**	171,873	346,280
Property and Equipment	**59,417**	64,300	60,437
Revenues	**509,715**	479,923	439,702
Accounts payable and accrued expenses	**23,527**	15,454	72,440
Subscriber receivables (included in "Receivables" account)	**204,226**	218,837	212,391

The balances under "General, selling and administrative expenses" and "Property and equipment" accounts consist of expenses incurred on rent, utilities, customer contract services, other miscellaneous services and purchase of vehicles, respectively.

These related parties are either controlled or significantly influenced by AC.

Transactions with Key Management Personnel of the Globe Group

The Globe Group's compensation of key management personnel by benefit type are as follows:

(In Thousand Pesos)	**2015**	2014	2013
Short-term employee benefits	**₱185,000**	₱237,100	₱157,272
Share-based payments	**31,282**	9,649	15,151
Post-employment benefits	**52,960**	30,466	18,090
	₱269,242	₱277,215	₱190,513

There are no agreements between the Globe Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Globe Group's retirement plans.

The Globe Group has no non-interest bearing short-term loans to its key management personnel in 2015 and 2014, respectively.

The summary of balances arising from related party transactions for the relevant financial year (in thousands) are presented in the next pages:

2015

	Amount/Volume			Outstanding Balance				
	Revenues	Cost and Expenses	Property and Equipment (Note 7)	Cash and Cash Equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over Globe Group								
AC	**₱19,338**	**₱48,743**	**₱–**	**₱–**	**₱12,215**	**₱50**	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	**675,289**	**132,527**	**–**	**–**	**22,824**	**66,952**	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BMPL	**–**	**18,681**	**–**	**–**	**–**	**3,113**	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BanKO	**8,965**	**–**	**–**	**–**	**7,468**	**–**	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
Yondu	**40,961**	**39,317**	**–**	**–**	**318,711**	**373,538**	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	**49,071**	**–**	**–**	**–**	**968,000**	**–**	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	**8,041**	**–**	**–**	**–**	**158,620**	**–**	3 years, 5%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱ 45.00 million is fully secured by chattel mortgage agreement
BEAM	**–**	**190,000**	**–**	**–**	**–**	**–**	Interest-free, settlement in cash	–
Altimax	**–**	**24,847**	**–**	**–**	**–**	**–**	Interest-free, settlement in cash	–
Key management personnel	**–**	**269,242**	**–**	**–**	**–**	**–**		Unsecured, no impairment
Others	**509,715**	**208,351**	**59,417**	**1,621,045**	**204,226**	**23,527**	Interest-free, excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
Total	**₱1,311,380**	**₱931,708**	**₱59,417**	**₱1,621,045**	**₱1,692,064**	**₱467,180**		

2014

	Amount/Volume			Outstanding Balance				
	Revenues	Cost and Expenses	Property and Equipment (Note 7)	Cash and Cash Equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over Globe Group								
AC	**₱18,990**	**₱37,135**	**₱–**	**₱–**	**₱9,662**	**₱755**	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	**671,989**	**243,871**	**–**	**–**	**79,191**	**146,759**	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BMPL	**–**	**23,765**	**–**	**–**	**–**	**2,367**	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BanKO	**6,812**	**–**	**–**	**–**	**7,160**	**–**	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
BTI	**504,671**	**5,000**	**–**	**–**	**4,443,956**	**80,334**	Loan receivable - 20 years, 9.60% to 11.55%; lease capacity provisioning - interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	**68,015**	**–**	**–**	**–**	**968,000**	**–**	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	**11,304**	**–**	**–**	**–**	**158,620**	**–**	3 years, 5%, settlement in cash ,	The ₱250.00 million is covered by a pledge agreement while the ₱ 45.00 million is fully secured by chattel mortgage agreement.
BEAM	**–**	**155,000**	**–**	**–**	**–**	**–**	Interest-free, settlement in cash	–
Altimax	**–**	**40,880**	**–**	**–**	**–**	**–**	Interest-free, settlement in cash	–
Key management personnel	**–**	**277,215**	**–**	**–**	**–**	**–**	Interest-free, excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
Others	**479,923**	**171,873**	**64,300**	**1,385,635**	**218,837**	**15,454**	Interest-free, excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
Total	**₱1,761,704**	**₱954,739**	**₱64,300**	**₱1,385,635**	**₱5,885,426**	**₱245,669**		

ANNEX "D"



EXECUTIVE COMMITTEE CHARTER

Contents

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Attachments.

Appendix 1 – Limits of Authority
Appendix 2 - Fundamental Matters

CHARTER OF THE EXECUTIVE COMMITTEE

1. COMPOSITION

The Board shall appoint all the members of the Executive Committee. The Executive Committee shall be composed of five (5) members, at least three (3) of whom shall be non-executive members of the Board. Unless otherwise determined by the Board, the Chairman of the Board shall be a member of the Executive Committee and act as the Executive Committee's Chairman. The proportion of non-Filipino nationals to citizens of the Philippines in the membership of the Executive Committee shall not at any time exceed the proportion that the number of shares of the Corporation held by aliens bears to the number of shares of the Corporation held by citizens of the Philippines as set forth in its Articles of Incorporation.

2. SCOPE AND RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE

2.1 General Statement of Responsibility

The Executive Committee stands as a delegate of the Board of Directors to whom the Board has delegated, subject to certain general and specific limits stated in this charter, **the duty to provide management sound guidance and advice, policies, and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of the strategies that the Board has approved.** The Executive Committee provides guidance to management in (a) formulating the basic strategies for achieving targets set by

the Board and (b) putting in place the infrastructure for control and operational risk management systems[1] that assess risks on an integrated cross-functional approach, and review and assess the adequacy of Globe's operational risk management process, specifically on strategic, technology, and operational risk, jointly with Management. This function shall include receiving from senior management periodic information on risk exposures and risk management activities; (c) considering and/or completing mergers, acquisitions and strategic investments; (d) undertaking strategic projects and significant transformation initiatives. The Board has delegated certain approval powers to the Executive Committee in this Charter; management, however, stands as the locus of decision-making for the day-to-day affairs of the Corporation.

2.2 General Limits of Authority

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act on such matters within the competence of the Board of Directors in accordance with the Corporation's By-Laws, except with respect to –

i. approval of any action for which shareholders' approval is also required;

ii. the filling of vacancies in the Board or in the Executive Committee,

iii the amendment or repeal of By-Laws or the adoption of new By-Laws;

[1] *The Executive committee will have oversight for operational risk management, as opposed to financial risk management, which for the avoidance of doubt remains within the purview of the Audit and Finance Committees*

iv. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

v. the distribution of cash dividends; and

vi. the exercise of powers delegated by the Board exclusively to other committees, if any.

2.3 Specific Limits of Authority

Without prejudice to the generality of the foregoing, the Executive Committee may, without need of a specific prior delegation from the Board, approve matters and authorize capital and operational expenditures and investments within the specific limits of authority stated in **Appendix 1 – Limits of Authority** of this Charter. Additionally, it will:

(i) Review and, as it deems fit, endorse capital and operational expenditures, and proposed investments, being proposed for the approval of the Board (i.e., beyond the approval limit of the Executive Committee);

(ii) Review the financial performance of the various business units, and approve their respective business plans and annual budgets;

(iii) Provide advisory support on participation and/or strategic investments, such as but not limited to, new cable systems, M&A and others,

(iv) Provide advisory support on the company and/or group insurance program; and

(v) Perform such other functions as the Board may delegate to it.

An act of the Executive Committee that is within the scope of its powers shall not require ratification or approval for its validity and effectivity.

All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or alteration by the Board of Directors, provided that no rights or acts of third parties shall be affected by any such revision or alteration.

The Board of Directors may at any time enlarge or redefine the powers of the Executive Committee. The Limits of Authority stated in **Appendix 1** shall be approved by the Board of Directors and may be modified only with the prior approval of the Board of Directors.

2.4 Exclusions to the Executive Committee's General and Specific Limits of Authority

In addition to the exclusions stated above, unless otherwise determined by the Board, approval of the matters listed in **Appendix 2 - Fundamental Matters** is reserved to the Board and is expressly excluded from the general and specific limits of authority of the Executive Committee.

2.5 Specific Responsibility for Corporate Governance

The Executive Committee shall be responsible for reviewing the Company's compliance with the Code of Corporate Governance and making recommendations thereon to the Board of Directors. Any complaints of non-compliance or violations of the Company's Manual of Corporate Governance shall be submitted by the Company's Compliance Officer to, and shall first be heard by, the Executive Committee and the Executive Committee's recommendations on the disposition of the matter shall be submitted to the Board of Directors for approval, except when the violation is alleged to have been

committed by the Executive Committee, in which case the matter shall be elevated by the Company's Compliance Officer directly to the Board of Directors.

The Executive Committee shall also be responsible for conducting initial reviews of possible Conflict of Interest of directors and officers of the corporation and making recommendations for the disposition thereof, for the approval of the Board.

3. RULES OF PROCEDURE

3.1 Quorum and Meetings

A majority of all the members of the Executive Committee shall constitute a quorum

The Chairman of the Executive Committee shall call for a meeting of the Executive Committee by directing the Corporate Secretary to send notices of such meeting to all the members. The notices of meeting shall be sent at least seven (7) days before such meeting, together with the agenda and any materials required to enable an adequate discussion of the agenda items for the meeting The foregoing notwithstanding, the members may waive notice of the meeting.

All meetings of the Executive Committee shall be minuted by the Corporate Secretary, and the minutes thereof submitted to the Executive Committee for approval. The minutes of the meeting of the Executive Committee shall be submitted for the review of the Board of Directors at the following Board meeting

3.2 Approvals

The Executive Committee shall, in a meeting in which there was quorum, decide by consensus and shall act by a majority vote of its members only after its members fail to reach a consensus after having exhausted all means to arrive at

one. Meetings may be conducted in person or via videoconference or teleconference.

As and by way of exception, the Chairman of the Executive Committee may, upon the urgent request of management, allow the Corporate Secretary to seek the approval of each Executive Committee member to be taken by circulation of the proposal for which approval is being sought, provided, however, that such circulated proposals shall be submitted for ratification of the Executive Committee at its following meeting.

3.3 Flow of Information

Management shall, as appropriate, provide the members of the Executive Committee with such information as is necessary to assist them in performing their duties and make responsible decisions on the proposals submitted to them. Any member of the Executive Committee may, in their discretion, require the Company's executives or employees to present and/or explain specific proposals or aspects thereof, whether during or prior to or after a meeting of the Executive Committee. The Executive Committee may also authorize the appointment of outside professionals such as auditors, advisers and counsel to assist the Executive Committee to perform its duties, provided however that the amount of expenditure for such outside professionals shall at all times be reasonable and shall be within the Limits of the Authority of the Executive Committee as stated in Appendix 1. The Company shall cover the reasonable expenses of providing such support.

3.4 Other Rules of Procedure

The Executive Committee may set such other rules of procedure as it deems necessary from time to time, subject only to the limits stated herein

4. REVIEW AND AMENDMENTS TO THIS CHARTER

The Executive Committee shall review the Charter as needed.

Amendments to this Charter shall be made only with the prior approval of the Board of Directors.

5. ADOPTION AND EFFECTIVITY OF THIS CHARTER

This Charter shall take effect on May 4, 2010.

APPENDIX 2 FUNDAMENTAL MATTERS

Unless otherwise determined by the Board, approval of the following matters is hereby reserved to the Board and is expressly excluded from the general and specific limits of authority of the Executive Committee:

1. Declaration of any dividend or adoption of a resolution for a change to the dividend policy.
2. Creation, issuance, purchase, offer, repurchase, cancellation, consolidation, sub-division, reclassification, reduction, redemption, reorganization of, or any other alteration to, the share capital or equity securities of Globe.
3. Amendment of the Articles of Incorporation or the By-laws of Globe.
4. Passing of any resolution for the winding up, application for the appointment of a receiver or adoption of any other resolution for the liquidation of Globe.
5. Establishment and reconstitution of an executive committee of the Board to which the powers of the Board can be delegated, the extent to which the powers of the Board will be delegated to it or any amendment thereof, or appointment or removal of any person to or from such executive committee.
6. Appointment, re-appointment, remuneration and award of other benefits, transfer or removal of the CEO and the CFO, and remuneration of and award of any other benefits to any of the directors of Globe.
7. Cessation, reorganization or other material change in the nature or scope of any line of business of Globe or establishment or disposal of a subsidiary or foreign branch of Globe.
8. Change in the financial year of Globe.
9. Approval or amendment of any business plan, annual budget, strategic plan or investment plan for Globe, or entry into any contract or

commitment beyond the scope of the business plan (as the same may be amended from time to time) for Globe.

10. Incurring of any expenditure, making of any contractual commitment or engagement in any other transaction or series of transactions with a monetary value in excess of 10 percent (10%) of the overall budgeted expenditure in the annual budget of Globe (as the same may be amended from time to time) for any financial year.
11. Giving of any guarantee or indemnity for any third party debt outside of the ordinary course of business.
12 Provision of any credit, or making of any loan or advance, to or for any person, corporation or body outside the ordinary course of business, other than to employees of Globe in accordance with such arrangements as may be approved by the Board from time to time.
13. Borrowing of any money in excess of the limits set out in the annual budget (as the same may be amended from time to time), borrowing of any amount which requires the provision of any guarantee or undertaking by the shareholders of Globe (or any of them) as security for such borrowing, or the creation by Globe of any mortgage, pledge, encumbrance or other security interest over or in respect of its assets or undertaking outside the ordinary course of business.
14 Acquisition, sale, lease, exchange, or disposal of or investment in any assets or business (other that shares which are covered in item (16) below) by Globe in excess of US$10,000,000 (United States Dollars Ten Million)
15. Agreement to any modification to the terms of, or the imposition of any condition to, or the surrender of, any licenses to offer telecommunication or related services.
16. Acquisition or disposal of, or investment in, any shares by Globe if the total amount of the capital contribution or the value of the equity exceeds US$2,000,000 (United States Dollars Two Million), entry into or termination of any partnership or joint venture or cooperation agreement with any third

party, amalgamation or reconstruction of Globe or merger of Globe with any other corporation, firm or body.

17. Exercise of any option, conversion right, or pre-emptive right over or in respect of any shares held by Globe in another corporation if the total amount of the capital contribution made by or the value of the equity owned by Globe in such corporation exceeds US$2,000,000 (United States Dollars Two Million).
18. Exercise of the voting rights attached to any shares owned by Globe if the total amount of the capital contribution made by or the value of the equity owned by Globe in such corporation exceeds US$ 2,000,000 (United States Dollars Two Million).
19 Entry into any transaction with any shareholder of Globe or its affiliate(s) other than transactions concluded in the ordinary course of business and at arm's lengths.
20. Entry into any transaction that requires any shareholder of Globe to guarantee the performance by Globe of its obligations to any third party.
21. Submission to the vote of the shareholders of Globe of any matter requiring a special majority (being at least two-thirds of the voting shares) under the laws of the Republic of the Philippines.
22. Commencement, defence or settlement by Globe of any litigation, arbitration or administrative proceedings other than in the ordinary course of business and routine debt collections.
23. Grant of any power of attorney other than in the ordinary course of business.
24. Change of the auditors of Globe.
25. Change in any of the accounting policies of Globe.
26. Nomination of any director to the board of directors of an affiliate of Globe.

ANNEX "E"



AUDIT COMMITTEE CHARTER

Adopted by resolution of the Board of Directors of the Company on September 2003
Amended by resolution of the Board of Directors of the Company on 23 October 2007
Amended by resolution of the Board of Directors of the Company on 6 November 2009
Source Reference: SEC's Revised Code of Corporate Governance (Memo Circ No. 6, 22Jun2009)
Amended by resolution of the Board of Directors of the Company on 6 August 2012
Source Reference: SEC's Memorandum Circular No. 4 Series of 2012, issued 31 May 2012
Amended by resolution of the Board of Directors of the Company on 4 February2015

ANNEX "E"

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A. Introduction

The Charter of the Audit Committee ("Charter") sets out the purpose/mission, authority, roles, and responsibilities of Globe Telecom's ("Globe" or the "Company") Audit Committee; including the rules governing the Audit Committee, as approved by the Board of Directors.

The Committee shall review the Charter at least annually and obtain the approval of the full Board of Directors for any revisions thereto or for any case where external bodies may suggest change. Suggestions by such external bodies, however, are subject to the approval of the Committee.

B. Purpose/Mission

It is the policy of Globe to constitute and maintain an Audit Committee which shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to the Company's:

- Integrity of the financial statements and the financial reporting process;
- Internal and financial reporting principles, policies and systems;
- Independent auditor's qualifications and independence;
- Internal audit function and independent auditors' performance; and
- Compliance with legal, regulatory, corporate governance requirements.

To fulfill its oversight responsibilities, the Committee shall maintain free and open communication with the Company's management, independent auditors and internal auditors.

- The Company's management is responsible for day-to-day operations of the organization. This includes:
  - ⇒ Ensuring the integrity of the Company's financial statements and disclosures;
  - ⇒ Maintaining effective system of internal controls; and
  - ⇒ Operating an effective risk management process.

- The Independent auditors are directly responsible to the Audit Committee in helping ensure the integrity of the Company's financial statements.

- The Internal Auditors help the Committee identify the risks, control, and financial reporting issues through the continuous review of the effectiveness of the

Company's risk management, internal controls and corporate governance processes.

C. Authority

The Audit Committee has the authority to:

- Appoint, compensate, and oversee the work of the public accounting firm employed by the Company to conduct the annual audit. This firm will report directly to the Committee.
- Resolve any disagreements between management and the independent auditor regarding financial reporting.
- Direct the Internal Audit function.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation, when necessary, without the permission of the Board or Management. The Committee shall be provided with the needed resources to support its work.
- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests – or external parties.
- Meet with Company officers, Chief Audit Executive, independent auditors, or outside counsel, as often as necessary, to discuss any issues arising from the audit process.

D. Committee Membership

In accordance with the manual of Corporate Governance:

1 The Audit Committee shall be appointed by the Board of Directors from among their number, as supported by an approved Board Resolution.

2 The Audit Committee shall be comprised of at least three (3) members, majority of whom shall not be:
- 2.1 Executive Directors of the Company or any related corporation;
- 2.2 Any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the functions of the Audit Committee.

3 Members of the Audit Committee shall elect an independent director as Chairman of the Committee.

4 The Chairman of the Audit Committee shall be responsible for ensuring the effective interaction among Committee members and with management and the internal and independent auditors.

5 Each member shall have an adequate understanding of accounting and auditing principles in general, of the Company's financial management systems and environment in particular, and relevant expertise to fulfill the Committee's role effectively.

E. Roles and Responsibilities

The Audit Committee is expected, through the provision of checks and balances, to support the Company's corporate governance process. Specifically, it shall be responsible for the following:

1 ***Financial Reporting***

1.1 Review financial statements and all related disclosures and reports certified by the Chief Financial Officer, and released to the public and/or submitted to the Philippine Securities and Exchange Commission for compliance with both the internal financial management handbook and pertinent accounting standards, including legal and regulatory requirements.

1.2 Review quarterly, half-year and annual financial statements before submission to the Board of Directors, focusing on changes in accounting policies and practices, alternative accounting treatments and major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, tax, legal, and regulatory requirements.

1.3 Ensure that Management formulates accounting/reporting processes and practices in accordance with the Philippine Financial Reporting Standards (PFRS), including rules and procedures in compliance with the financial reporting requirements of the various applicable regulatory agencies.

2 Internal Control

2.1 Ensure that a transparent financial and operational management system, supported by a Procedures and Policies Handbook that will be used by the entire organization, is established to ensure the integrity of internal control activities throughout the Company.

2.2 Consider and discuss with management, the internal auditors, and the independent auditors, the major issues as to the adequacy and effectiveness of the Company's internal control system, including internal financial controls, operational and compliance controls, information technology security and controls, and any special audit steps adopted in light of material control deficiencies.

2.3 For significant control weaknesses identified, the Audit Committee may request Management to explain the impact and the actions taken to rectify the identified control weaknesses.

3 *Independent Auditor*

3.1 Review the performance and recommend the appointment, retention or discharge of the independent auditors, including the fixing of their remuneration, to the full Board of Directors.

3.2 In the case of resignation or cessation from service of an independent auditor, ensure that there is process for reporting in the annual and current reports the reasons for cessation from service, and the date thereof, of an independent auditor.

A preliminary copy of the said report shall be given by the corporation to the independent auditor before its submission.

3.3 Ensure the rotation of the lead engagement partner at least once every five (5) years and consider whether there should be regular rotation of the audit firm itself.

3.4 Review and pre-approve the Independent Auditors' plans to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.

In this regard, the Committee shall discuss with the independent auditors, before the audit commences, the nature, scope and related fees of the audit, and ensure proper coordination when more than one professional service firm is needed.

3.5 Monitor coordination of efforts between the independent and internal auditors. The Committee shall ensure that the internal and external auditors act independently from each other.

3.6 Ensure that the independent auditor has unrestricted access to all records, properties and personnel to enable performance of the required audit.

3.7 Review and approve proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company's year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the independent auditor. The amount of non-audit work of independent auditor shall be disclosed in the annual report.

3.8 Review with the independent auditor any problems or difficulties, including any restrictions on the scope of the independent auditor's activities or on access to requested information and any significant disagreements with management. The review may also include discussion of any proposed accounting adjustments that were "passed" or not recorded.

3.9 Review of the independent auditor's evaluation of internal accounting controls. Independent auditors shall provide feedback to the Audit Committee on their observations of internal control weaknesses arising from statutory financial audits. Independent auditors should highlight findings which are disputed by Management or where Management has not agreed to implement remedial actions that would rectify the identified weaknesses.

3.10 Conduct a separate meeting in executive session, with the independent auditors to discuss any matters that the Committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, and the quality of the management, financial and accounting controls.

4 ***Internal Audit Function***

4.1 Review and approve the Internal Audit Charter, including subsequent revisions thereto.

4.2 Set up the Internal Audit Department, including the appointment of the Chief Audit Executive. The Committee shall establish and identify the reporting line of the Chief Audit Executive, i.e., functionally report directly to the Audit Committee, so that the reporting levels allow the internal audit activity to fulfill properly its duties and responsibilities. The terms and conditions for the appointment / dismissal of the Chief Audit Executive shall be in accordance with the existing Company policy for hiring/dismissal of heads of functions / departments. The Committee, having appointed the Chief Audit Executive, shall also concur in his/her replacement, re-assignment or dismissal.

4.3 Review with management and the Chief Audit Executive the plans, activities, staffing, and organizational structure of the internal audit function.

4.4 Review and approve the Annual Internal Audit Work plan and all deviations therefrom, 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, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations.

The Annual Internal Audit Plan shall include the audit scope, resources and budget necessary to implement it.

The Committee shall also ensure that audit resources are reasonably allocated to the areas of highest risk and further, ensure that the Annual Internal Audit Plan is in conformity with the objectives of the corporation.

4.5 When specialized skills are not available within the Internal Audit organization to carry-out reviews of complex operations or sophisticated integrated systems, the Audit Committee may approve the augmentation of the expertise of the Internal Audit organization through the engagement of external specialists (e.g., forensic, treasury specialists, IT / telecommunication specialists, actuarial, etc.) on a project or retainer basis.

4.6 Ensure that the Internal Auditors have free and full access to all the Company's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results.

4.7 Review Internal Audit's periodic reports and the Internal Audit Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well as any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the Internal Audit Department's activities and performance relative to the audit plans and strategies approved by the Audit Committee.

4.8 On an ongoing basis, Internal Audit shall provide the Audit Committee with confirmation on the implementation of remedial actions agreed by Management in response to internal audit reports and other reports from the independent auditor, external counsel or the regulators.

4.9 Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

4.10 Provide inputs on the performance of the Internal Audit Organization and communicate/discuss such inputs with the Chief Executive Officer who shall then translate these into a performance appraisal applicable to the Chief Audit Executive and Internal Auditors taken as a whole.

4.11 Conduct separate meetings with the Chief Audit Executive to discuss any matter arising from the internal auditor's work that the Committee or the auditors may deem necessary to be discussed privately.

5 *Compliance Oversight*

5.1 Ensure that effective procedures are established for:

(i) The receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(ii) The confidential, anonymous submission by employees or other interested persons of concerns regarding questionable accounting or auditing matters.

(iii) Appropriate corporate culture promoting ethical behavior.

5.2 Review control environment of the Company to assess whether Top Management sets the right tone that supports culture of integrity and promotes the corporate values of the Company.

5.3 Review the process for communicating the code of conduct, ethics policy, and anti-fraud policy to Company personnel, and for monitoring the compliance therewith, as well as compliance to all applicable laws and regulations pursuant to which the Company conducts its operations and business activities.

5.4 Review internal control framework implemented by Management for fraud prevention and detection, including review of significant related party transactions (RPT).

On an annual basis, Management, together with Internal Audit, shall assess the effectiveness of the Company's Anti-Fraud Policy framework and present the results of its assessment to the Audit Committee, together with proposed improvement on the anti-fraud policies and controls to be adopted to address any gaps noted from the review.

The Audit Committee shall also be provided by Management with reports on all cases of suspected and actual frauds and breaches of laws and regulations on a quarterly basis or more frequent, as necessary.

5.5 Review reports of internal and independent auditors, and regulatory agencies, where applicable, ensuring that management is taking appropriate actions in a timely manner, including addressing control and compliance issues.

5.6 As necessary, institute and oversee special investigation, and, if appropriate, hire special counsel or experts to provide the necessary assistance.

6 ***Risk Management***

The Company's essential risk governance structure endorsed by the Board consists of the various Board committees designated with oversight function on specific risks:

1 The Executive Committee has oversight on corporate strategic risks and operational risk management.

2 The Finance Committee oversees the Company's financial risk management, including risks related to capital structure, acquisitions and divestments, treasury activities, tax strategy and compliance. The Finance Committee does not have principal oversight with respect to the Company's financial reporting risks which is the responsibility of the Audit Committee.

3 The Audit Committee provides oversight of the financial reporting and operational risks specifically on financial statement and reporting, internal controls, legal or regulatory compliance, corporate governance, risk management and fraud risks. For this purpose, Management shall provide a quarterly report to the Audit Committee on information regarding risk exposures and risk management activities.

Given the overlapping oversight functions of the various Board committees, and to enable an integrated approach to risk management oversight at Board level, the Audit Committee shall be the overall risks aggregator for all of the committees and shall report regularly to the Board of Directors on the Company's risk management efforts providing the Board with a more coordinated and effective review of risks across the company and assurance over Globe's overall risk management.

Management, however, remains primarily responsible for the development and implementation of the risk management strategies, policies and systems intended to address the identified risks.

7 *Reporting and Other Responsibilities*

7.1 Regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality or integrity of the Company's financial statements, the effectiveness of the system of internal controls, the performance and independence of the Company's independent auditors, the performance of the internal audit function and the Company's compliance with legal, regulatory or corporate governance requirements.

7.2 Highlight to the Board any serious concerns over the design or operating effectiveness of internal controls that may have a material impact on the financial statements.

7.3 For any awareness or knowledge of any suspected fraud or irregularity, or suspected infringement of any laws or regulations of any regulatory authority in the Philippines, which has or is likely to have a material impact on the Company's operating results or financial position, the Audit Committee must discuss such matter with the independent auditor and, at an appropriate time, report the matter to the Board.

7.4 Provide an open avenue of communication between internal audit, the independent auditors, management and the Board of Directors.

7.5 Report annually to the Board of Directors, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services. Confirm annually that all responsibilities outlined in this Charter have been carried out.

7.6 Review any other reports the Company issues that relate to Committee responsibilities.

7.7 Review and assess the adequacy of the Audit Committee Charter at least annually, requesting Board of Directors' approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation.

7.8 Perform other activities related to this Charter as requested by the Board of Directors.

F. Meetings and Schedule of Activities

1 To provide a systematic guide for the discharge of its responsibilities, the Committee will agree on an annual calendar/schedule of activities that shall determine the agenda for each meeting subject to adjustments and/or revisions as needed. The Chief Audit Executive will ensure that the schedule is carried out as planned.

2 The Audit Committee shall meet at least quarterly. Preferably, the quarterly meetings will be held prior to the meeting of the Board of Directors. In cases when there is a need for special meetings to take up any critical items that would need approval in between the quarterly meetings, it shall be up to the Chairman of the Audit Committee to either call for a special meeting or just allow the routing of the covering paper.

3 The agenda for the meetings will be developed by the Chief Audit Executive, based on the agreed calendar of activities and inputs from the Committee members, subject to the approval of the Chairman. The quarterly meetings will include the review and discussion of the quarterly or year-end financial statements, the related disclosures and other reportorial requirements.

4 The President, Chief Operating Adviser, the Chief Operating Officer and the Chief Financial Officer will be requested to attend Committee meetings. As and when appropriate, the Committee may require other members of management to be present at the meetings. External subject experts, such as the appointed independent auditors and other consultants, may also be invited to the meetings.

5 The Committee shall meet with the Chief Audit Executive and the independent auditors in executive session at least twice a year.

6 The external auditors and/or Chief Audit Executive may request a meeting with the Audit Committee whenever deemed necessary.

G. Reporting Procedures

To keep the Board of Directors apprised on the results of the Committee's activities, the Chairman of the Audit Committee shall submit a report every quarter to the Chairman of the Board; and shall be ready to present the report to the full Board during its meeting for the quarter.

The Audit Committee Chairman will also submit and present an Annual Audit Committee report to the full Board during its first meeting following the immediate fiscal year.

H. Performance Evaluation and Continuous Improvement

To ensure that the Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the Manual of Corporate Governance and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually. In this regard, the Committee shall:

1 As a body, evaluate its performance by filling up a self-assessment questionnaire that shall benchmark its practices against the expectations set out in this Charter and the records of activities and operation of the Audit Committee.

To further improve the performance of the Audit Committee, members of Senior Management Team, Internal Audit, General Counsel and independent auditors shall be required to comment and/or provide feedback using the same assessment questionnaire. The results of the said assessment may be validated by the Company's Compliance Officer.

2 Based on the results of the self-assessment, formulate and implement plans to improve its performance. These shall include the identification of relevant training needs intended to keep the members up-to-date with changes in the legislative/regulatory environment, industry best practices, corporate governance best practices, accounting and auditing standards, and other relevant issues (e.g. emerging risks). All members shall be given the opportunity to attend professional and technical development courses.

3 Semi-annually, review the status of implementation of such plans for improvement.

In addition, the Audit Committee shall obtain and subject itself to an independent assessment by the Board of Directors relative to its performance in accordance with expectations set out in this Charter and the discharge of its responsibilities as specified in the Audit Committee Calendar of Activities.

All documents and records pertinent to the assessment process shall be kept intact by the Internal Audit Department, which may be examined from time to time by the Securities and Exchange Commission and/or such other appropriate government agencies or instrumentalities.

I. Functional and Secretariat Support

The Internal Audit Department shall support the Audit Committee in the rendition of its functions, specifically:

1 Internal Audit shall provide all the secretariat support to the Committee.

2 The Chief Audit Executive shall attend all the Committee meetings and be primarily responsible for recording the minutes of the meetings.

3 Internal Audit shall keep all minutes of the meetings and make these available for inspection by any member of the Audit Committee or the Board of Directors, as and when requested. The Corporate Secretary shall be given a copy of the Audit Committee minutes for safekeeping.

Internal Audit shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and Internal Audit, these shall be highlighted to the Committee for consideration and decision.

ANNEX "F"

Globe

CHARTER OF THE NOMINATION COMMITTEE

The Nomination Committee shall be composed of at least three (3) members who shall be existing Board members, one of whom shall be an Independent Director. The Independent Director shall chair the Nomination Committee. The Nomination Committee shall fix its own rules of procedure.

The Committee shall have the following functions:

(a) It shall be responsible for installing and maintaining a process to ensure that all directors to be nominated for election at the next Annual General Stockholders' Meeting have the qualifications and none of the disqualifications for directors stated in the Company's By-Laws, Manual of Corporate Governance and in relevant laws, rules and regulations.

(b) It shall encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies.

(c) It shall preview and evaluate the qualifications of all persons nominated to positions in the corporation, which require appointment by the Board. The Nomination Committee shall endorse the appointment of such persons to the Board as a basis for the consideration of such an appointment.

The Nomination Committee shall coordinate with the Company's Compensation Committee and the Human Resources Group as necessary, and shall obtain staff support from the Company as required.

The Nomination Committee shall be guided by the Company's Mission and Vision in the fulfillment of its functions.

COMPENSATION AND REMUNERATION COMMITTEE

CHARTER and FUNCTION

The Compensation and Remuneration Committee of the Board of Directors is constituted to assist the Board of Directors of Globe Telecom, Inc. in governance matters relating to compensation and benefits of directors, key officers and personnel of the Corporation.

The Compensation and Remuneration Committee shall be composed of at least three (3) members who shall be existing Board members, one of whom shall be an Independent Director.

1. The Compensation and Remuneration Committee shall, therefore, be responsible for framing the Corporation's compensation philosophy, and to this extent shall –

   - Establish a formal and transparent procedure for developing a policy on executive remuneration packages of individual directors of the Board.

   - No director shall decide on his or her own compensation except for uniform compensation to directors for their services as a director.

   - Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of Corporate Officers, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.

   - Designate the amount of remuneration, which shall be in a sufficient level to attract and retain Directors and Corporate Officers who are needed to run the Corporation successfully.

2. Pursuant to the Company's Manual of Corporate Governance, the Compensation and Remuneration Committee is also responsible for the following specific tasks:

   - Developing a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;

   - Providing in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal years and the ensuing year;

- Reviewing the Company's Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance above-stated.

ANNEX "H"

Globe

FINANCE COMMITTEE CHARTER

I. Statement of Purpose

The Finance Committee is a standing committee of the Board of Directors. The Committee shall oversee the Corporation's financial policy and strategy, including capital structure, dividend policy, acquisitions and divestments, treasury activities, tax strategy and compliance, retirement fund contributions, and financing proposals that may be brought to the Board for approval. The Committee shall also have such other powers and perform such other duties as the Board may delegate to it.

The Finance Committee shall not have principal oversight with respect to the Corporation's financial reporting, which is the responsibility of the Audit Committee

II. Organization

1. ***Charter***
   This charter shall be reviewed by the Committee annually. Any proposed changes shall be approved by the Board of Directors.

2. ***Members***
   The Finance Committee shall be composed of such number of members as the Board may designate but in no case less than three (3) members, at least three (3) of whom shall be existing Board members. The Board shall have the authority at any time to remove individuals from the Committee.

   The Chairpersons of the Audit Committee and the Finance Committee shall not sit as members in both committees.

3. ***Meetings***
   The Committee shall meet at least four times a year, or more frequently, as needed.

   The Chairperson of the Committee shall determine the agenda for meetings of the Committee. The agenda shall be sent to members of the Committee prior to each meeting, along with supporting materials for each topic in the agenda.

   The Committee shall keep adequate minutes of its proceedings. The Committee members will be furnished with copies of the minutes of each meeting and any action taken. The Committee shall also make regular reports of its proceedings to the Board of Directors.

III. Responsibilities

The Finance Committee shall carry out the following duties, in each case in line with the Board's policies and directives:

1. ***Capital Structure and Dividend Policy***
   The Committee shall review the company's capital structure strategies. The Committee shall also review and approve the Corporation's dividend policy and recommend dividend actions to the Board of Directors.

2. ***Acquisitions and Divestments***
   The Committee shall review the financial terms of mergers, acquisitions, or other strategic investments, as well as divestitures of any material operations of the Company, and make the appropriate recommendations to the Board of Directors.

3. ***Treasury Activities and Policies***
The Committee shall have general oversight responsibility over the Corporation's Treasury activities. The Committee shall evaluate and endorse financing offers and banking facilities to the Board of Directors for their approval and manage the Corporation's liabilities. The Committee shall also review and approve changes in Treasury Policies, including:

- Policies with respect to cash flow management,
- Policies with respect to investment of the company's cash, and
- Policies with respect to financial risk management, including the use of derivatives.

The Committee shall approve Letters of Parental Guarantee and/or Letters of Comfort and Awareness between the Corporation and its subsidiaries except for those issued in the ordinary course of business or in compliance with law and court orders.

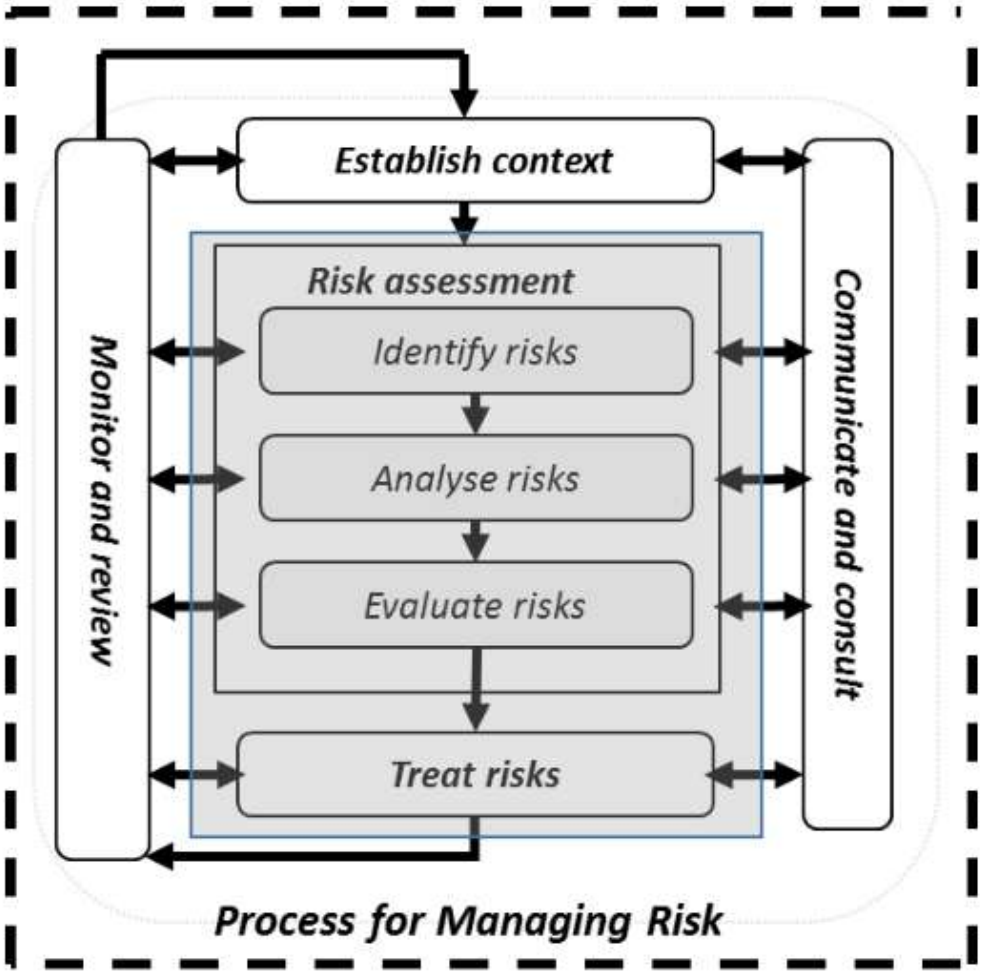
4. ***Tax Strategy and Compliance***
The Committee shall review and approve the Corporation's tax strategies and compliance.

5. ***Retirement Fund Contributions***
The Committee shall approve the Corporation's contributions to the Globe Group Retirement Plan.

6. ***Annual Financial Review and Operations Review***
The Committee shall, prior to each annual stockholders' meeting, conduct an annual review of the financial activities of the Corporation during the immediately preceding year.

7. ***Other Duties***
The Committee shall be responsible for reviewing and evaluating the financial affairs of the Corporation from time to time and carry out such other duties as may be delegated to it by the Board of Directors time to time.

Globe's Risk Management Framework [1]



Establishing the Context
Understand the overall risk environment by gathering relevant risk insights from various sources such as local/global industry news and economic trends, customer sentiments, emerging technology trends, global risk surveys, local regulatory/political news, in light of the company's strategies and business plans.

Identify risks
Identify the most critical risks impacting the achievement of business objectives using the results of environmental scanning (from establishing the context) as key inputs.

Analyze and Evaluate risks
Assess the risks and determine their impact to business outcomes in terms of significance and likelihood; risk owners are assigned to oversee management of risks.

Treat risks
Determine most appropriate strategy and develop plans for addressing the identified risks (i.e., enhancement of systems and processes, insure against possible losses, etc.).

Monitoring and review
Monitor risks and strategies/plans to address the risks via key risk indicators and key performance indicators to ensure that these are properly managed.

Conduct regular discussion of risk levels and status of implementation of risk management plans at Senior Management level and the Board.

[1] *Source: ISO 31000 - Risk Management: Principles and Guidelines*

Highly Confidential
Unauthorized disclosure internally or externally is prohibited
Provided to The Philippine Stock Exchange, Inc. Disclosure Department and Corporate Governance Office for the 2016 PSE Bell Awards evaluation process.
Attached as Annex to the Annual Corporate Governance Report (ACGR) for better appreciatioon of Globe Telecom's Risk Managemnet Framework/Methodology.

Annex "J"

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATIONS CODE (SRC) AND SRC RULE 17(a)-1(b)(3) THEREUNDER

1. **7 April 2015**
   Date of Report (Date of earliest event reported)

2. **1177**
   SEC Identification Number

3. **000-768-480-000**
   BIR Tax Identification Number

4. **GLOBE TELECOM, INC.**
   Exact Name of registrant as specified in its charter

5. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation

6. [redacted] (SEC Use Only)
   Industry Classification Code

7. **Metro Manila, Philippines**
   Address of principal office

   1634
   Postal code

8. **(02) 797-2000**
   Registrant's telephone number, including area code

9. **N.A.**
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of December 31, 2014)
COMMON SHARES	132,733,090
TOTAL DEBT (in Millions of Pesos)	65,276

Indicate the item numbers reported herein : **Please refer to attached**

Re: Results of Annual Stockholders' Meeting and Organizational Meeting

Pursuant to the requirements of the Securities Regulations Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GLOBE TELECOM, INC.
Registrant

[redacted]

Date : **7 April 2015**

SOLOMON M. HERMOSURA
Corporate Secretary

Annex "J"

Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City,
Taguig, Philippines 1634
+632.7972000
www.globe.com.ph

07 April 2015

Securities and Exchange Commission
Attn: Mr. Vicente Graciano Felizmenio, Jr.
Director – Markets & Securities Regulation Department
S.E.C. Building, EDSA
Mandaluyong City

Philippine Stock Exchange
Attn: Ms. Janet A. Encarnacion
Head – Disclosure Department
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Philippine Dealing and Exchange Corporation
Attn: Ms. Vina Vanessa S. Salonga
Head – Issuer Compliance and Disclosure Department
37/F Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

Gentlemen:

Please be informed that at the annual meeting of the stockholders of Globe Telecom, Inc. held this morning, the stockholders approved the following:

1. Approval of the minutes of the previous meeting

   Resolution No. S-01 (2015): "RESOLVED, to approve the minutes of the annual stockholders meeting held on 08 April 2014."

2. Approval of Annual Report and 2014 Audited Financial Statements

   Resolution No. S-02 (2015): "RESOLVED, to approve the 2014 Annual Report including the 2014 Audited Financial Statements of Globe Telecom, Inc."

3. Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year

   Resolution No. S-03 (2015): "RESOLVED, to ratify all acts and resolutions of the Board of Directors, Executive Committee and other Board Committees and all the acts of Management since the Annual Stockholders' Meeting on 08 April 2014 until 07 April 2015."

4. Election of directors including independent directors

   Resolution No. S-04 (2015): "RESOLVED, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

   1. Jaime Augusto Zobel de Ayala
   2. Delfin L. Lazaro
   3. Mark Chong Chin Kok
   4. Fernando Zobel de Ayala
   5. Gerardo C. Ablaza, Jr.
   6. Romeo L. Bernardo
   7. Samba Natarajan
   8. Saw Phaik Hwa *(independent)*
   9. Rex Ma. A. Mendoza *(independent)*
   10. Manuel A. Pacis *(independent)*
   11. Ernest L. Cu"

5. Election of Navarro Amper & Co./Deloitte Philippines as the independent auditor and fixing of their remuneration

   Resolution No. S-05 (2015): "RESOLVED, to appoint Navarro Amper & Co./Deloitte Philippines as the Corporation's independent auditors for the year 2015 with a remuneration of Php10.08 Million."

Moreover, in its organizational meeting, the newly elected Board of Directors approved the following appointments:

1. Board Chairman and Vice Chairmen

Jaime Augusto Zobel de Ayala	Chairman
Gerardo C. Ablaza, Jr.	Co-Vice Chairman
Mark Chong Chin Kok	Co-Vice Chairman

2. Board Committees and Memberships

Executive Committee

Jaime Augusto Zobel de Ayala	Chairman
Mark Chong Chin Kok	Member
Gerardo C. Ablaza, Jr.	Member
Ernest L. Cu	Member
Samba Natarajan	Member

Nomination Committee

Rex Ma. A. Mendoza (Independent Director)	Chairman
Mark Chong Chin Kok	Member
Gerardo C. Ablaza, Jr.	Member
Romeo L. Bernardo	Member

Compensation and Remuneration Committee

Rex Ma. A. Mendoza (Independent Director)	Chairman
Fernando Zobel de Ayala	Member
Mark Chong Chin Kok	Member
Romeo L. Bernardo	Member

Audit Committee

Manuel A. Pacis	(Independent Director)	Chairman
Saw Phaik Hwa	(Independent Director)	Member
Rex Ma. A. Mendoza	(Independent Director)	Member

Finance Committee

Delfin L. Lazaro	Chairman
Romeo L. Bernardo	Member
Fernando Zobel de Ayala	Member
Samba Natarajan	Member

3. Key Officers

Ernest L. Cu	President and Chief Executive Officer
Alberto M. de Larrazabal	Chief Finance Officer Chief Risk Officer
Gil B. Genio	Chief Operating Officer for Business and International Markets Chief Strategy Officer President, Innove Communications, Inc.
Renato M. Jiao	Chief Human Resource Officer
Rebecca V. Eclipse	Chief Customer Experience Officer
Henry Rhoel P. Aguda	Chief Information Officer
Vicente Froilan M. Castelo	General Counsel
Carmina J. Herbosa	Chief Audit Executive
Bernard P. Llamzon	EVP, Consumer Sales
Solomon M. Hermosura	Corporate Secretary
Marisalve Ciocson-Co	Compliance Officer, Assistant Corporate Secretary & VP, Legal Services

4. Consultants

Daniel James Horan	Senior Advisor for Consumer Business
Rodolfo A. Salalima	Chief Legal Counsel and Senior Advisor
Robert Tan	Chief Technical Advisor

Thank you.

Very truly yours,

[redacted]

SOLOMON M. HERMOSURA
Corporate Secretary

VOTING RESULTS ON
MATTERS TAKEN UP AT THE ANNUAL STOCKHOLDERS' MEETING
APRIL 7, 2015

Quorum based on total outstanding shares

	No. of Shares	Percentage of Total
Outstanding & Voting Shares Represented	280,621,191	90.16%

Matters for Approval

1. Approval of the minutes of the Annual Stockholders' Meeting held on April 8, 2014

Votes	Votes Cast (One vote per share)	Percentage of Voting Shares Present or Represented
For	274,680,901	97.88%
Against	-	-
Abstain	-	-

2. Annual report and Audited Financial Statements

Votes	Votes Cast (One vote per share)	Percentage of Voting Shares Present or Represented
For	280,537,561	99.97%
Against	-	-
Abstain	83,630	0.03%

3. Ratification of all acts and resolutions of the Board of Directors and management adopted during the preceding year

Votes	Votes Cast (One vote per share)	Percentage of Voting Shares Present or Represented
For	280,527,056	99.97%
Against	10,505	0.004%
Abstain	83,630	0.03%

4. Election of directors (including the independent directors)

	Votes Cast (One vote per share)	Percentage of Voting Shares Present or Represented
Jaime Augusto Zobel de Ayala	280,059,323	99.80%
Mark Chong Chin Kok	280,200,424	99.85%
Gerardo C. Ablaza, Jr.	280,177,373	99.84%
Ernest L. Cu	280,357,119	99.91%
Fernando Zobel de Ayala	280,073,793	99.80%
Samba Natarajan	280,235,824	99.86%
Delfin L. Lazaro	280,206,479	99.85%
Romeo L. Bernardo	279,950,262	99.76%
Rex Ma. A. Mendoza (independent director)	280,423,536	99.93%
Saw Phaik Hwa (independent director)	280,457,094	99.94%
Manuel A. Pacis (independent director)	280,560,693	99.98%

5. Election of Independent Auditors and fixing of remuneration

Votes	Votes Cast (One vote per share)	Percentage of Voting Shares Present or Represented
For	280,555,943	99.98%
Against	65,248	0.02%
Abstain	-	-

**The voting results were validated by SyCip Gorres Velayo & Co.*

Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City,
Taguig, Philippines 1634
+632.7972000
www.globe.com.ph

Minutes of the Annual Meeting of Stockholders*
April 7, 2015, Tuesday, 9:00 A.M.
Ballroom 2, Fairmont Makati
1 Raffles Drive, Makati Avenue, Makati City

	No. of Shares	Percentage of Total
Outstanding and Voting Shares Represented	**280,621,191**	**90.16%**

Directors Present:

Jaime Augusto Zobel de Ayala	*Chairman of the Board* *Chairman, Executive Committee*
Gerardo C. Ablaza, Jr.	*Co-Vice Chairman of the Board* *Co-Vice Chairman, Executive Committee* *Member, Compensation and Remuneration Committee* *Member, Nomination Committee*
Mark Chong Chin Kok	*Co-Vice Chairman of the Board* *Co-Vice Chairman, Executive Committee* *Member, Compensation and Remuneration Committee* *Member, Nomination Committee*
Ernest L. Cu	*President and CEO* *Member of the Board* *Member, Executive Committee*
Delfin L. Lazaro	*Member of the Board* *Chairman, Finance Committee*
Fernando Zobel de Ayala	*Member of the Board* *Member, Finance Committee*
Romeo L. Bernardo	*Member of the Board* *Member, Compensation and Remuneration Committee* *Member, Nomination Committee* *Member, Audit Committee* *Member, Finance Committee*
Manuel A. Pacis	*Independent Director* *Chairman, Audit Committee*

Rex Ma. A. Mendoza — *Member of the Board*
Chairman, Nomination Committee

Directors Tay Soo Meng and Guillermo Luchangco were absent from the meeting.

1. CALL TO ORDER

After the national anthem, the Chairman, Mr. Jaime Augusto Zobel de Ayala, called the meeting to order. He welcomed the stockholders, and announced the presence of the members of the Board, the President and Chief Executive Officer, and other officers of the Company at the meeting.

2. NOTICE OF MEETING, DETERMINATION OF QUORUM AND RULES OF CONDUCT AND PROCEDURES

The Secretary certified that, in accordance with the By-Laws, written notice of the time, date, place and purpose of the meeting was sent on March 3, 2015 to all stockholders of record as of February 6, 2015. The notice also was published on April 1, 2015 in the Philippine Daily Inquirer and Business World, newspapers of general circulation.

The Secretary further certified that stockholders representing 280,621,191 shares or 90.16% of the 311,248,211 outstanding and voting shares were present in person or by proxy.

The Chairman advised that anyone who wished to make a remark should identify himself after being acknowledged by the Chair and should limit his remarks to the item in the agenda under consideration.

Thereafter, the Secretary discussed the voting procedures. He informed the stockholders that they may opt for manual or online voting. For manual voting, each stockholder was given a ballot to enable the stockholder to vote in writing. For online voting, sixteen (16) stations were placed outside the Ballroom where stockholders may cast their votes online. Both ballot and website platform stated the proposed resolutions for consideration by the stockholders and each proposed resolution was shown on the screen as the same was taken up at the meeting.

All the items in the agenda, except for the election of directors, required the vote of stockholders representing at least a majority of the outstanding voting stock. The election of directors was by plurality of votes and every stockholder was entitled to cumulate his votes.

Each outstanding share of stock entitled the registered stockholder to one vote.

The Secretary also announced that the polls were open for the stockholders to cast their votes either manually or online. All votes received were tabulated by the Office of the Corporate Secretary and the results validated by an external auditor SyCip Gorres Velayo & Company (SGV). As the items in the agenda were taken up, the Secretary reported on the votes received and tabulated at that point in time.

The Secretary informed the stockholders that the final tally of votes would be reflected in the minutes of the meeting.

3. APPROVAL OF MINUTES OF THE 2014 STOCKHOLDERS' MEETING

The next order of business was the approval of the minutes of the annual stockholders' meeting held on April 8, 2014.

The Chairman said that copies of the minutes were distributed to the stockholders and posted at the Company website before the meeting.

On motion of Ms. Olive Pagulayan seconded by Ms. Celeste Flores the stockholders approved the minutes and adopted the following Resolution No. S-01 (2015), which was shown on the screen:

Resolution No. S-01 (2015)

*"**RESOLVED**, to approve the minutes of the annual stockholders' meeting held on 8 April 2014."*

As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the motion for the approval of the minutes and the adoption of Resolution No. S-01 (2015) were as follows:

Votes	Votes Cast (One vote per share)	Percentage of Voted Shares
For	274,680,901	97.88%
Against	0	0%
Abstain	0	0%

4. ANNUAL REPORT OF OFFICERS AND AUDITED FINANCIAL STATEMENTS

Chairman's Report

The Chairman reported that Globe Telecom posted record highs in overall service revenues and profitability. Notwithstanding intense industry competition, Globe registered broad-based growth across key services, which proved that network modernization and transformation initiatives over the last three years paid off. Combined with strategic partnerships with world-class content providers and the use of innovation to deliver new products and services that cater to the emerging Filipino digital lifestyle, Globe emerged as the mobile data provider of choice for Filipinos.

Compared to the country's strong economic performance, the telecommunications sector posted a lower growth rate of 3.7% in Y2014 as the Mobile segment had yet to fully monetize the increase in data traffic. With consumer behavior favoring digital services for connectivity, music and video content, and productivity, and combined with increasing smartphone penetration, the industry's network traffic shifted from the core services of voice and SMS to data usage. Also, to encourage the adoption of mobile browsing among consumers, particularly prepaid customers, promos offering free access to social networking, communication apps, and mobile internet services were introduced throughout the year. Moreover, competition in the Philippine telecommunications industry remained intense with the incumbent taking measures to

protect its market share. Mobile penetration reached an estimated 113% by the end of the year with over 113M subscribers for the whole industry. The incidence of multi-SIMming remained high as customers shifted usage depending on the attractiveness of voice and SMS intra-network offers. Thus, yields for traditional voice and SMS remained low due to the market's continued preference for value-based, flat-rate and unlimited value offers. The multi-SIM incidence was partly an inadvertent consequence of the free internet and mobile browsing services offered by both players.

Consistent with Globe's aim to provide sustainable dividends to shareholders, close to Php10B in dividends was paid out in Y2014 representing approximately 86% of Y2013 core net income (in line with the Company's policy of distributing dividends equivalent to 75% to 90% of prior year's core net income), which was 12% higher than last year. The 4.3% dividend yield remained competitive when compared against yields of government securities and Philippine listed companies. Coupled with the increase in share price for the year, the total shareholder return in Y2014 was 9.1%.

Globe's record performance in Y2014 was a strong testament to its commitment to provide subscribers with a differentiated level of customer service fully backed by a modern network and a strong commitment to innovation. Globe continued to innovate on services, distribution methods, and customer convenience, which enabled Globe to keep a step ahead of competition. In tune with the emerging Filipino digital lifestyle, Globe launched new suite of mobile internet plans, or the Lifestyle Bundles, that allowed Postpaid subscribers to customize data usage based on their lifestyles and interests. On content, Globe forged strategic partnerships with world-class leaders or pre-eminent internet companies such as Google, Facebook, Viber, Spotify, National Basketball Association (NBA), and HOOQ, which not only validated the culture of openness and collaboration but also enhanced the value of the Globe brand. In the field of technology and business startups, Kickstart Ventures Inc. (Kickstart) continued to give emerging digital technology companies access to funding, resources, and networks to enable startup companies to grow their business and ideas. To date, Kickstart has a portfolio of 21 digital startups focused on delivering solutions for e-lifestyle, ecommerce, software-as-a-service, and social impact.

In its commitment to create shared value for all stakeholders, Globe continued to pursue business models that promote greater social inclusion. Globe's pioneering initiatives in mobile money and microfinance through GCash and BPI Globe BanKo (BanKo), respectively, were business models that advocated financial inclusion. GCash solidified its presence in the mobile commerce industry and partnered with entities from both the private and public sector. In Y2014, GCash partnered with the local governments of Quezon City, Valenzuela City, and Batangas City under the USAID's Scaling Innovation through Mobile Money (SIMM) project to provide residents a platform to settle their payments of real property taxes and business and construction permits. On the other hand, BanKo, a micro-finance-focused savings bank committed to provide financial empowerment to the low-income segment and microfinance institutions, had reached out to the rural communities. Partnering with the global humanitarian organization, Mercy Corps, BanKo's emergency transfer program provided the means to directly and efficiently send out financial assistance to 25,000 families in Haiyan-affected communities and islands in the Visayas area. In relation to GCash, the Chairman announced the prospects of the Automated Fare Collection System (AFCS), a public-private partnership project with Ayala Corporation, Bank of the Philippine Islands, and the First Pacific Group, that would upgrade the Light Rail Transit and Metro Rail Transit

ticketing systems. Globe aimed to build the AFCS as an e-payment ecosystem to include other forms of public transport and retail. Finally, in the area of education, Globe had been the telecom infrastructure provider for content downloading for Text2Teach, which augmented the formal teaching of Math, Science, English, and Values Education for grade school students through communication technologies used in delivering educational video materials.

In closing, the Chairman thanked the Board of Directors, the management team, and employees for their tireless efforts and contributions the past year. He also thanked the business partners for their support, the subscribers for their loyal patronage, and shareholders for their trust and confidence in Globe. Also, the Chairman acknowledged the significant contributions of outgoing directors, Mr. Tay Soo Meng and Mr. Guillermo Luchangco.

Thereupon, the Chairman handed over the floor to the President and CEO, Mr. Ernest Cu, to deliver his report.

The President's Report

Mr. Cu reported that the Company recorded its best year yet in Y2014. Consolidated service revenues peaked at Php99B, 9% up vs. LY (Php90.5B). Backed by strong revenue growth and cost management, EBITDA reached Php39.3B, the highest recorded level since Y2007. Net income was Php13.4B, 170% higher than the Php5B recorded last year. Dividends declared amounted to Php75 per common share, which was 12% better than the Php67 per share dividend declared in Y2013. Further, Globe recorded a historic all-time high in terms of share price at Php2,140 or 22.3% growth from the beginning of the year.

The sustained strong performance of the Company was reflective of the transformation initiatives started in Y2009. Globe successfully completed the network modernization, which began in Y2011, and by the end of Y2014 100% of legacy sites were changed-out with software-defined radios. 3G became pervasive throughout the nation and LTE in large metro areas was implemented. Also, Globe laid out over 10,000 kilometers of fiber and upgraded the core network. Moreover, Globe joined a consortium of international telecom companies in building a $250M undersea international cable system that would directly connect Southeast Asia and the United States with superior latency and with the aim to deliver an additional 20 terabits per second of capacity. On the IT front, Globe modernized and integrated the business support systems (BSS) and took a deliberate approach to migrate the Prepaid subscribers into the new IT infrastructure. With a modernized data-ready network and an integrated business support system on its way, the Company was in a good position to further sustain the revenue momentum seen in the past years.

Globe spearheaded the transition of its 46M customers into the digital world and led the industry in introducing product innovations geared towards the digital lifestyle. Over the past years, Globe pioneered efforts in introducing products and promotions that cater to the customers digital preferences through the collaborative partnerships with global giants in the world of content, i.e. Google (to provide free access to Google search services), Viber and other messaging apps (to provide sachet bundles for subscribers through UnliChat promo offers), Facebook (to allow Globe and TM subscribers free access to Facebook for a period of six months from November 2013 to April 2014, and

re-launched for a two-month period ending November 2014), and Wattpad (to allow users to read and share written literature and stories, and enabled Globe and TM subscribers access to crowd-sourced content as part of promotions or part of bundles with data plans). Also, Globe launched Globe GoSurf data plans, volume-based plans for customers' data access based on consumption. GoSurf was meant to improve customer experience by curbing abusive data behavior and provide needed data capacities across all subscribers. Adoption of GoSurf data plans had been widely successful partly due to the bundling of free access to Spotify. The partnership with Spotify paved the way in ensuring proper data pricing for the industry and in shifting away from time-based and unlimited data plans. In addition, Globe partnered with the National Basketball Association (NBA) and HOOQ. Globe, as the official wireless partner of NBA would bring exclusive NBA League Pass and other NBA-related content to all subscribers. Through partnership with HOOQ, Globe, TM, and Tattoo customers could enjoy unlimited online video streaming coupled with offline viewing options. To complement the international content portfolio, local film and TV content also were available through strategic alliances with the country's top content producers, such as GMA Network, Viva Communications, Regal Entertainment, and ABS-CBN. Filipinos would be the first to have access to the service as HOOQ's first launch was done in the Philippines. Indeed, Globe tailor-made lifestyle packages to meet subscribers' social networking and crowd-sourced content needs, including chatting and digital communication, music, sports, and media.

In line with the thrust of providing or catering to the digital lifestyle needs of the customers, Globe revolutionized the telecom retail with the introduction of the Globe Gen3 stores. Gen3 stores were designed to house interactive lifestyle vignettes, featuring a myriad of products and lifestyle packages to further engage the customers and tailor-fit the retail experience to their demands. Conceived in collaboration with Tim Kobe, who designed the famed Apple store in Manhattan, New York, the Gen3 stores offer a revolutionary take on the telecom retail experience by creating windows into what data and technology could do in different areas in the stores, all of which are moveable and could change periodically much like the way technologies change. The two (2) Gen3 stores at SM North Edsa, Quezon City and Limketkai Mall, Cagayan de Oro opened in December 2014.

The early returns of programs in Mobile Data led to incredible results with Mobile Data revenues growing 23% YoY from Php11.6B LY to Php14.3B. Smartphone penetration and Mobile Data users increased significantly from last year. With the growth in Mobile Data service revenues, Mobile revenues reached an all-time high of Php78.1B from 72.8B LY. The strong 7% YoY growth in Mobile revenues was not only driven by Mobile services, as core voice and SMS likewise increased 7% and 1%, respectively. As the Globe brand resonated as the brand of choice in the digital space, acquisition of new subscribers reached record-levels with total gross acquisitions of 38.5M subscribers across all three (3) brands, up from 30.9M in Y2013. Cumulative Mobile subscribers stood at about 44M, up 14% from 37.8M last year. In the Broadband segment, Globe maintained the revenue momentum throughout Y2014. Revenues reached Php12.7B, a 22% improvement from Php10.4B recorded a year ago. The strong growth in Broadband revenues was underscored by the robust subscriber expansion for both wired and wireless subscribers, rising demand for data connectivity, affordability of WiFi-enabled gadgets, and increased pervasiveness of Globe's wireless and wired data network. Accordingly, Globe ended the year with 2.8M Broadband subscribers, up 37% from Y2013. Complementing the growth of the Mobile and Broadband segments, Fixed

Line or Corporate Data grew 17% from Php4.7B in Y2013 to Php5.5B, driven by the robust growth of the Philippine economy over the past year and Globe's renewed focus in providing solutions that matter to corporate clients, i.e. traditional leased lines, cloud computing, and managed services.

Globe's record-breaking results were the product of the engagement of Globe's 6,182 strong workforce. Employee engagement at Globe was 87% based on a survey conducted by Towers Watson. Globe employee engagement level compared favorably against the Philippine national norm (83%), global telecommunications norm (79%), and global high-performing company norm (83%). Globe also was awarded the Platinum Award for Excellence in Management and Corporate Governance from The Asset Magazine, and the People's Choice Stevie Awards for Telecommunications, as organized by the International Business Awards. The engagement level of employees included going the extra mile not only for the customers but also for the community. Cultivating the spirit of volunteerism, Globe employees logged a total of 12,668 hours of volunteerism work geared towards extending Globe's collective hand in public service. One of the major corporate social responsibility (CSR) efforts of Globe was Project Noah's Ark. Together with Habitat for Humanity, Globe held a groundbreaking for the construction of Noah's Ark classrooms in seven municipalities in Aklan. Globe also launched Project 1 Phone to recover and recycle e-wastes from mobile phones and portable devices, promote proper disposal thereof, and provide additional funds in the building of schools in Aklan.

In conclusion, Mr. Cu said that the customer service orientation that had been instituted, the culture of innovation in place, and the sustained engagement of the employees would enable Globe to continue to break records moving forward. Together with Globe's data-ready network, integrated business support systems, and content portfolio built on sustainable partnerships with global players, Globe could sustain the momentum and continue to create a wonderful world.

Questions or Comments from the Stockholders

The Chairman opened the floor for questions on the annual report and the 2014 audited financial statements. Mr. Guillermo Guilly asked about the impact to the Company of the government's migration to digital platform. Mr. Cu answered that the movement to e-government platform created opportunities for Globe to bid in government projects. He added that Globe had in fact been participating in various projects of the government. Next, Mr. Soliben Steven inquired if Globe had a comprehensive annual target, and whether all targets were achieved. He also inquired about the status of Globe's alliance with Bayan Telecommunications, Inc. (Bayantel). Mr. Cu replied that Globe hit all budget, which were actually above expectations. In Y2014, Globe broke all grounds in terms of revenues, profitability, and market share. As regards Bayantel, there were no more opposition to the merger between Globe and Bayantel as the TRO had expired and the Court of Appeals already denied the petition of competition, and Globe was just waiting for the National Telecommunications Commission to render a decision on the matter.

Approval of the Annual Report and the 2014 Audited Financial Statements

The Chairman requested for a motion for approval of the annual report including the 2014 audited financial statements.

On motion made by Mr. George Abellera and seconded by Ms. Anna Formaran, the stockholders approved the annual report including the 2014 audited financial statements and adopted the following Resolution No. S-02 (2015), which was shown on the screen.

Resolution No. S-02 (2015)

*"**RESOLVED**, to approve the 2014 Annual Report including the 2014 Audited Financial Statements of Globe Telecom, Inc."*

As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the motion for the approval of the 2014 Annual Report including the 2014 Audited Financial Statements, and the adoption of Resolution No. S-02 (2015) were as follows:

Votes	Votes Cast (One vote per share)	Percentage of Voted Shares
For	280,537,561	99.97%
Against	0	0%
Abstain	83,630	0.03%

5. RATIFICATION OF ALL ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT ADOPTED DURING THE PRECEDING YEAR

At the request of the Chairman, the Secretary explained that the ratification by the stockholders was sought for all the acts and resolutions of the Board of Directors, Executive Committee, and other Board Committees and all the acts of Management of the Company taken or adopted since the annual stockholders' meeting on April 8, 2014 until the date of this meeting.

The acts and resolutions of the Board and its Committees were reflected in the minutes of meetings and included approval of contracts and agreement, projects and investments, treasury matters, and acts and resolutions covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of Management were those taken to implement the resolutions of the Board or its Committees or taken in the general conduct of business.

There being no question on the item under consideration, the Chairman requested for a motion for approval.

Upon motion made by Mr. Ramon Navarro and seconded by Ms. Elizabeth Tolentino, the stockholders ratified all acts and resolutions during the preceding year of the Board of Directors, Executive Committee, and other Board Committees and the acts of Management, and adopted Resolution No. S-03 (2015), as shown on the screen.

Resolution No. S-03 (2015)

*"**RESOLVED,** to ratify all acts and resolutions of the Board of Directors, Executive Committee, and other Board Committees, and all the acts of Management since*

the Annual Stockholders' meeting on April 8, 2014 until April 7, 2015."

As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the motion to ratify the acts and resolutions of the Board of Directors and Management during the preceding year, and the adoption of Resolution No. S-03 (2015) were as follows:

Votes	Votes Cast (One vote per share)	Percentage of Voted Shares
For	280,527,056	99.97%
Against	10,505	0.004%
Abstain	83,630	0.03%

6. ELECTION OF DIRECTORS (INCLUDING THE INDEPENDENT DIRECTORS)

The next item in the agenda was the election of eleven (11) members of the Board of Directors for the ensuing year. The Chairman requested Mr. Rex Ma. A. Mendoza, Chairman of the Nomination Committee, to inform the stockholders of the process in the nomination of directors for the ensuing year.

Mr. Mendoza reported that in accordance with the By-Laws of the Corporation, the Manual of Corporate Governance and the SEC Rules, the names of the following nominees to the Board of Directors were submitted to the Nomination Committee by a minority shareholder, and each one accepted in writing the nomination:

1. Jaime Augusto Zobel de Ayala
2. Delfin L. Lazaro
3. Mark Chong Chin Kok
4. Fernando Zobel de Ayala
5. Gerardo C. Ablaza, Jr.
6. Romeo L. Bernardo
7. Samba Natarajan
8. Saw Phaik Hwa
9. Rex Ma. A. Mendoza
10. Manuel A. Pacis
11. Ernest L. Cu

Messrs. Manuel A. Pacis and Rex Ma. A. Mendoza, and Ms. Saw Phaik Hwa were nominated as independent directors. The nomination closed on February 20, 2015. The Nomination Committee, in the exercise of its assigned task, determined that the 11 nominees, inclusive of the 3 nominees for independent directors, have all the qualifications and none of the disqualifications to sit as members of the Board of Directors of the Company.

Thereupon, Mr. Mendoza submitted the nominees for election by the stockholders. As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes received by each nominee (and percentage of votes represented) were as follows:

Nominees*	For		Against		Abstain	
	Number	%	Number	%	Number	%
Jaime Augusto Zobel de Ayala	280,059,323	99.80	560,293	0.20	0	0
Delfin L. Lazaro	280,206,479	99.85	413,237	0.15	0	0
Mark Chong Chin Kok	280,200,424	99.85	419,192	0.15	0	0
Fernando Zobel de Ayala	280,073,793	99.80	545,823	0.19	0	0
Gerardo C. Ablaza, Jr.	280,177,373	99.84	442,343	0.16	0	0
Romeo L. Bernardo	279,950,262	99.76	574,553	0.20	0	0
Samba Natarajan	280,235,824	99.86	383,792	0.14	0	0
Ernest L. Cu	280,357,119	99.91	357,398	0.13	0	0
Rex Ma. A. Mendoza (Independent)	280,423,536	99.93	196,080	0.07	0	0
Manuel A. Pacis (Independent)	280,560,693	99.98	58,923	0.02	0	0
Saw Phaik Hwa (Independent)	280,457,094	99.94	162,522	0.06	0	0

In view of the results of the election, on motion of Mr. Serville Arsenio Garcia seconded by Ms. Celeste Flores, the eleven (11) nominees were declared elected as directors for the ensuing year to serve as directors from the date of the meeting until their successors are duly elected and qualified, and Resolution No. S-04 (2015) adopted, as shown on the screen.

Resolution No. S-04 (2015)

*"**RESOLVED,** to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:*

1. *Jaime Augusto Zobel de Ayala*
2. *Delfin L. Lazaro*
3. *Mark Chong Chin Kok*
4. *Fernando Zobel de Ayala*
5. *Gerardo C. Ablaza, Jr.*
6. *Romeo L. Bernardo*
7. *Samba Natarajan*
8. *Saw Phaik Hwa*
9. *Rex Ma. A. Mendoza*
10. *Manuel A. Pacis*
11. *Ernest L. Cu"*

The Chairman welcomed Mr. Samba Natarajan and Ms. Saw Phaik Hwa to the Board.

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* *Under the Corporation Code of the Philippines, election of directors is by plurality of votes. "Abstain" and "Against" votes have no effect on the outcome of the elections.*

7. ELECTION OF INDEPENDENT AUDITORS AND FIXING OF THEIR REMUNERATION

At the request of the Chairman, Mr. Manuel A. Pacis, Chairman of the Audit Committee, informed the stockholders that in line with the Company's corporate governance policy, the Committee recommended the accounting firm of Navarro Amper & Co./Deloitte Philippines as the Company's independent auditor for year 2015. The Committee proposed, and the Board of Directors agreed, to endorse the election of Navarro Amper & Co./ Deloitte Philippines as the independent auditor of the Globe Group for the current fiscal year for a fee of Php10.08M, exclusive of 7.5% out-of-pocket expenses and audit related fees. Mr. Gregorio S. Navarro shall be the lead engagement Partner for 2015.

Upon motion made by Ms. Jennifer Lejos and seconded by Ms. Irene Esquieres, the stockholders elected the firm of Navarro Amper & Co./Deloitte Philippines as the Independent Auditor of the Company for the present fiscal year with a remuneration of Php10.08M, and adopted the following Resolution No. S-05 (2015), as shown on the screen:

Resolution No. S-05 (2015)

> ***"RESOLVED,*** *to appoint Navarro Amper & Co./Deloitte Philippines as the Corporation's independent auditors for the year 2015 with a remuneration of Php10.08M."*

As tabulated by the Office of the Corporate Secretary and validated by SGV, the votes on the motion to elect Navarro Amper & Co./Deloitte Philippines as the Company's independent auditor for the present fiscal year with a remuneration of Php10.08M and the adoption of Resolution No. S-05 (2015) were as follows:

Votes	Votes Cast (One vote per share)	Percentage of Voted Shares
For	280,555,943	99.98%
Against	65,248	0.02%
Abstain	0	0%

Mr. Pacis thanked SGV & Co., which served the Company for more than 30 years, and acknowledged the presence of the SGV & Co. representatives.

8. OTHER MATTERS

The Chairman opened the floor for comments and questions on matters that are relevant to the stockholders. There were, however, no questions from the stockholders.

9. ADJOURNMENT

There being no other matters to discuss, on motion of Ms. Angie Magallanes, seconded by Mr. Jhondo Anyayahan, the meeting was adjourned.

SOLOMON M. HERMOSURA
Corporate Secretary

ATTESTED BY:

JAIME AUGUSTO ZOBEL DE AYALA
Chairman of the Board & of the Meeting

**This is still subject for approval at the 2016 Annual Stockholders' Meeting*

Annex "K"

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Report of the Audit Committee to the Board of Directors
For the Year Ended 31 December 2014

Pursuant to the Audit Committee Charter, the Committee supports corporate governance through its oversight responsibilities relative to: a) the integrity of financial statements and financial reporting processes and principles; b) internal controls; c) the qualifications, remuneration, selection, performance and independence of external auditors; d) staffing, focus, scope, performance, and effectiveness of the internal audit function; e) risk management; and (f) compliance with legal, regulatory, and corporate governance requirements. Management however has primary responsibility for financial statements and reporting processes, internal controls, legal and regulatory compliance, risk management and corporate governance.

For 2014, the Audit Committee reports:

- An independent director chairs the Audit Committee.
- We had five (5) meetings. The Company's President & CEO, the Chief Financial Officer, and other members of management were requested to attend the Committee meetings. External subject matter experts, such as the appointed Independent Auditors and other consultants, were also invited to the meetings as needed.
- The Committee held separate executive sessions with the Head of Internal Audit, Head of Legal Services and Head of Human Resources, in addition to the Committee Chairman's separate briefing sessions with members of management, the CAE, and SGV & Co.
- We reviewed and discussed quarterly unaudited financial statements and the audited annual financial statements of Globe Telecom, Inc. and Subsidiaries (Globe Group), including Management's Discussion and Analysis of Financial Condition and Results of Operations with SGV & Co., Internal Auditors, and Management.
- We reviewed and discussed Transformation Program projects, focusing on risks and implications to current business operations and customer experience. We emphasized to management the importance of ensuring effective implementation of Sweden Phase 2 coming from the learnings from Sweden Phase 1 and the need to build Business Support System (BSS) capabilities within the company.
- We reviewed and discussed the highest corporate risks identified by the Enterprise Risk Management process, particularly on financial statements and reporting, business continuity, fraud, revenue assurance, regulatory, and Transformation Program related risks. We noted that the Company has policies in place and ongoing initiatives to manage these risks.
- We reviewed and discussed current fraud cases and anti-fraud measures implemented by management. Management should ensure that controls are embedded over systems and processes, especially for new emerging channels, complex and highly critical areas like Sweden. We underscored line management accountability, including sanctions to offenders.
- We reviewed and discussed with the Corporate and Legal Services Group Head relevant regulatory and legal updates.
- We reviewed and discussed the Company's Information Security program to protect the Company's information assets. An 18-month program using the US Cybersecurity Framework is in progress.
- We reviewed Globe's BCM program updates, noting that it requires continuous improvement based on ISO 22301 requirements.
- We discussed with the Company's Internal Auditors and Independent Auditors the overall scope of, and plans for, their respective 2014 audits, approved the same and reviewed their performance relative to the audit plans.
- We discussed the reports of SGV & Co. on financial statements and compliance to financial reporting standards and their observations on internal controls.
- We discussed the results and reports of Internal Audit, their participation in the Transformation Program, and follow-up on implementation of audit recommendations. Overall, processes and risk management controls are continuously being improved to mitigate the impact of Transformation issues on business operations and results.
- We reviewed the effectiveness of the internal audit function ensuring compliance with International Standards for the Professional Practice of Internal Auditing (ISSPIA) and providing value to the Company. We concluded that Internal Audit resources are allocated to support the Company's Transformation Program and the areas of highest risk.
- We assessed and discussed the Audit Committee's performance for 2014 to confirm that the Committee continues to meet Board, Management and shareholder expectations.
- We confirm that the Company's internal controls and risk management systems are adequate and effective in all material aspects.

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- We reviewed and recommended for Board approval the audit services of SGV & Co., approved non-audit services provided by SGV & Co. and affiliates to the Globe Group, the related fees for such services, and concluded that these services and fees do not impair their independence.

Based on the reviews and discussions referred to above, the Audit Committee recommends that the audited financial statements be included in the Annual Report for the year ended 31 December 2014 for filing with the Securities and Exchange Commission.

We also recommend the appointment of Navarro Amper & Co./Deloitte Philippines as the Globe Group's Independent Auditors for 2015 based on their superior qualifications, international and industry experience and pricing competitiveness.

3 February 2015

MANUEL A. PACIS
Chairman

ROMEO L. BERNARDO
Member

TAY SOO MENG
Member