

Dear stakeholders,

Ayala Foundation's legacy is rooted in its commitment to national progress through youth development, sustainable entrepreneurship, promotion of culture and the arts, and the protection of the environment. We at Ayala Foundation believe that before our nation can move forward and become globally competitive, Filipinos should first be able to meet their basic needs: education, health, a stable job or business, and a place to call home. When these needs are met, our people become empowered and capable partners in national development.

For Ayala Foundation to improve the lives of Filipinos at a level that will make a significant impact on the country, it has to collaborate with a critical mass of individuals and institutions who share the same vision. We therefore continue to build new partnerships and strengthen old ones—from the private and public sectors, as well as from here and abroad—to set up educational programs for underprivileged but gifted students and youth leadership programs based on the values of service to others. We continue to support cultural literacy campaigns by holding exhibits and events that celebrate Filipino creativity and artistry. Partnerships with other Ayala companies have also enabled the foundation to support micro-entrepreneurs and technology startups.

One of the foundation's major programs is the Ayala Young Leaders Congress (AYLC), which focuses on promoting servant leadership among the youth. This yearly event mounts workshops, discussions, and lectures for student leaders who may become the country's—and the world's—future leaders and catalysts for positive change.

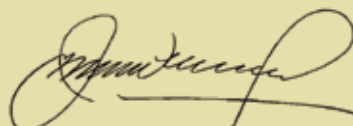
One of the foundation's major projects in 2008, in partnership with other Ayala companies, was the staging of Bravo Filipino, a four-month festival that honored the Philippines' finest artists. This project reinforced the Ayala group's commitment to recognizing and celebrating homegrown talent. Bravo Filipino set the stage for concerts and fashion shows that proudly showcased the best of our photographers, visual artists, musicians, and fashion designers.

The Filipinas Heritage Library's (FHL) Himig Collection of over 1,000 vinyl records served as the centerpiece of Bravo Filipino. Through this festival, the musical works of the country's best artists past and present were brought to the public in the form of concerts and interactive musical exhibits held in Metro Manila and Cebu.

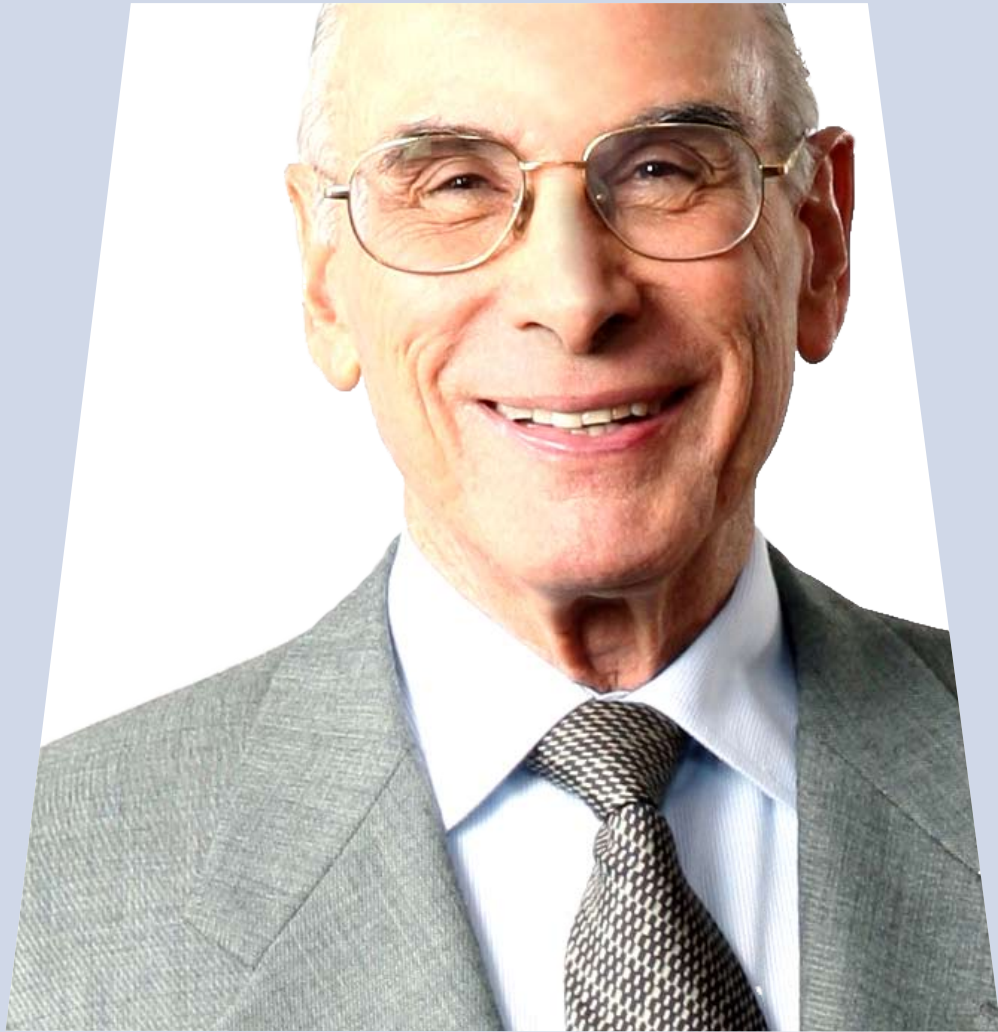
In line with our goal to promote Philippine history and culture through art, Ayala Museum set up several exhibitions and public programs that focus on our heritage and identity. The three-part exhibition entitled Crossroads of Civilizations, which opened in May, displays precolonial gold objects, 18th and 19th century costumes, and trade wares from China and Southeast Asia dating to the 10th to 13th centuries—all proof of the country's vibrant culture and trade relationships before the Spanish colonial period.

Ayala Museum and FHL also organized special exhibitions commemorating the 25th anniversary of Ninoy Aquino's martyrdom. The exhibit I Am Ninoy not only showed photos that honored the legacy of a modern hero, it also hoped to inspire Filipinos to live up to the values of heroism, leadership, and social consciousness that Ninoy upheld.

Ayala Foundation has always sought ways to enrich the lives of Filipinos through quality education or entrepreneurial programs, and has exerted efforts to explore the Filipino identity through the arts. The ties we have forged with our shareholders and partners have sustained our endeavors and have given us the opportunity to find better ways and improved technologies to serve more Filipinos. Our commitment to nation building remains steadfast. We hope that our legacy will continue to inspire and bring people together during these trying times.



Jaime Zobel de Ayala
Ayala Foundation, Inc.



The Chairman's

MESSAGE

Dear stakeholders,

By strengthening its partnerships with government institutions, private organizations, the business sector, and other local and international groups, Ayala Foundation continues to implement its commitment to improving the quality of life of Filipinos and eradicating the many forms of poverty that afflict the less privileged. In 2008, Ayala Foundation expanded the reach of its programs to ensure greater positive impact in addressing the development needs of our people and communities.

The reality of Filipino migration—millions of Filipinos leaving the country to work overseas—has been an important national concern. In 2008, Ayala Foundation partnered with the Department of Foreign Affairs in hosting the Civil Society Days of the Second Global Forum on Migration and Development held in Manila. This forum gathered 270 delegates, experts, and speakers from 60 countries to discuss important migration-related issues. Recommendations were prepared on how to effectively protect the rights of workers and at the same time ensure that they reap their full share of development, even as they contribute to the development of their home country and their country of destination. These were submitted to governments, business institutions, international development organizations, and other concerned groups.

At the same time, AFI supported a multi-sectoral effort to work with our own government in preparing a long-term, strategic Philippine national plan to maximize the benefits and minimize the costs of such migration for all concerned.

Ayala Foundation also took the lead in consolidating the corporate social responsibility projects of the Ayala group of companies into one program—the Ayala Social Initiatives (ASI). ASI published its first CSR report, Focus for Greater Reach and Impact, which followed the Global Reporting Initiative (GRI), an internationally recognized CSR reporting standard. The report discusses the Ayala group's commitment to corporate citizenship and how it is integrating its CSR programs into its core business models to make these programs more effective, strategic, and sustainable by aligning them with the



“3Es”— education, environment, and entrepreneurship. As ASI convenor, Ayala Foundation is also preparing a report on the environmental and social performance of the entire Ayala group. The first conglomerate-wide sustainability report, which follows GRI guidelines, will be released in 2009.

Ensuring a brighter future for the Filipino youth is a priority for Ayala Foundation. In 2008 we reached several important milestones in youth development. Together with our partners, Gearing up Internet Literacy and Access for Students (GILAS) celebrated the Internet connectivity of its 2000th school. By year end, in fact, more than 2,100 of about 6,300 public high schools in the country were connected to the Internet. As a result, about two million public high school students have had computer and Internet-literacy training and easy access to improved educational tools and materials through the Web since GILAS started in 2005. In addition, GILAS has facilitated the training of 9,359 teachers on information and communication technology, computer maintenance, networking, and project sustainability.

Text2Teach, on the other hand, focuses on providing under-resourced public elementary schools with multimedia educational materials in Mathematics, English, and Science. With funding from Nokia and continued support from its partners, the program entered its second phase in 2008. Two hundred seventeen schools in Northern Luzon were identified as recipients of the program, which now uses 3G technology for the delivery of educational materials. Building on the success of GILAS, AFI has invited local government officials to offer counterpart funding to ensure Text2Teach's sustainability in their areas.

Providing quality education to bright but underprivileged children remained the top concern of the Center of Excellence in Public Elementary Education (CENTEX). In 2008, the two CENTEX schools in Tondo and Batangas supported the education of 995 grade school students. Selected CENTEX graduates were offered scholarships in partner high schools.

AFI's Solid Waste Management (SWM) program had another successful year. In the Makati Central Business District (MCBD) alone, the SWM program recovered 1,400 tons of recyclables, valued at about P9.2 million. Recyclables Fairs were held in different Ayala properties, as well as at the University of the Philippines, Ateneo de Manila University, and De La Salle University. About 162 tons of recyclable materials worth P1.3 million was

MESSAGE

The President's

collected
at these
fairs. Furthermore, SWM
strengthened its presence in two barangays
in Taguig, particularly in its drive to teach daycare, grade
school, and high school students the importance of managing solid
waste in order to protect the environment.

The Ayala Technology Business Incubator (AyalaTBI), which supports the formation of science-and-technology-based industries in the Philippines, helped 23 new businesses in such areas as chip design, software development, robotics, wireless/mobile-content application, e-learning technology, and biotechnology, among others. The TechnoHub, which was inaugurated at the University of the Philippines campus in Diliman, likewise hosts an Ayala TBI facility. As of December, AyalaTBI's four facilities in Metro Manila and Cebu were occupied by 26 startup companies.

Ayala Foundation USA (AF USA) marked an important milestone in 2008, as it raised close to \$2.3 million from more than 1,000 donors in the United States. This is the highest amount AF USA has raised since it started in 2000. Moreover, 12 Philippine organizations were added to the list of AF USA's partners, bringing the total to 156 partner organizations.

We at Ayala Foundation are honored to have worked with all of you, our donors, partners, and stakeholders. Through your generosity and unfailing support, our programs and projects have made a difference in the lives of many Filipinos. Together we have taken steps that bring us closer to our goal of eradicating the many debilitating forms that poverty takes. Thank you very much for your continued trust and confidence. We look forward to working with you again in 2009 and in the years ahead.



Victoria P. Garchitorea
Ayala Foundation, Inc.