



**PLDT INC. (“PLDT” or the “Company”)  
RESPONSIBLE TAX GOVERNANCE AND  
MANAGEMENT SUSTAINABILITY POLICY (“THE POLICY”)**

**1. Overview**

- 1.1 This document is referred to as the Responsible Tax Governance and Management Sustainability Policy.
- 1.2 This document sets out the company’s tax sustainability report as part of the company’s tax risk management tool and sets guidelines in tax decision making and increases stakeholders’ trust in handling the tax affairs of the Company.

**2. Introduction**

- 2.1 PLDT Inc. (formerly Philippine Long Distance Telephone Company), referred to herein as PLDT or the Company, was incorporated under the old Corporation Law of the Philippines (Act 1459, as amended). The Company is the Philippines’ largest fully integrated telecommunications company.
- 2.2 PLDT Inc. together with some of its subsidiaries namely Smart Communications Inc. (SMART), Digitel Mobile Phils. Inc. (DMPI), EPLDT, Inc (EPLDT), and PLDT- PHILCOM (PHILCOM) are classified as Large Taxpayers and are identified as top withholding agents of the Bureau of Internal Revenue (BIR)<sup>1</sup>.
- 2.3 The Company is committed to comply with the applicable national and local tax laws, and regulations. It understands the importance of its tax contributions and how these directly impact the development of the Philippine economy and the lives of every Filipino.

**3. Approval**

- 3.1 The PLDT Tax Group produced this document, which was approved by the PLDT’s Board of Directors on June 14, 2022 pursuant to its powers granted under the Company’s by- laws<sup>2</sup>.

**4. Scope of Application**

- 4.1 This document governs the activities of all subsidiaries and entities under the PLDT Group of Companies<sup>3</sup> (the PLDT Group) in tax matters.

**5. Tax Governance and Management**

**5.1 Overview of Tax Governance**

- 1. PLDT adheres to a Code of Business Conduct and Ethics<sup>4</sup> that provides the general standards for professional and ethical behavior in its internal and external dealings. The Company is dedicated to doing business in accordance with the highest standards of



ethics and endeavors to promote a culture of good corporate governance by observing and maintaining its core business principles of accountability, integrity, fairness, and transparency.

2. The Company has an Anti-Corruption Program<sup>5</sup> embodied in its Code of Business Conduct and Ethics and implements the policy by establishing appropriate guidelines. The Company has a whistleblowing policy<sup>6</sup> that allows anyone in the Company, acting in good faith, to freely communicate their concerns about illegal or unethical practices and protects whistleblowers and witnesses from retaliation.
3. The PLDT Group approved and adopted its Material Related Party Transactions (RPT) Policy<sup>7</sup> dated September 24, 2019, pursuant to SEC Memorandum Circular No. 10, Series of 2019, or the Rules on Material Related Party Transactions for Publicly Listed Companies. The policy sets the processes, controls, and safeguards for the proper handling, including review, approval and disclosure, of such related party transactions in accordance with applicable laws and regulations.
4. PLDT Tax Group assists in business development and is committed not to implement aggressive tax planning structures.

## **5.2 Approach to Tax Risk Management**

### **1. Handling of Tax Matters**

- a. The PLDT Group reinforces its commitment to creating value for its stakeholders by the efficient management of the costs to comply with its tax obligations. These tax obligations include:
  - The payment of both the PLDT Group's own taxes (national and local) and amounts collected on behalf of third parties (withholding taxes).
  - The supply of tax information corresponding to third parties, either by means of periodic obligations or arising from information requests made by the tax authorities.
  - The provision of tax information corresponding to RPT.
- b. The PLDT Group updates its processes in relation to tax compliance as relevant tax laws, rules and regulations are released and conducts quarterly internal audits of such processes to ensure that its internal controls are designed and operating effectively in compliance with the Sarbanes-Oxley Act of 2002<sup>8</sup>.
- c. The PLDT Group reviews and approves RPT pursuant to its transfer pricing policy. The review includes determination that the transactions are conducted for commercial and business purposes and that the RPT is on arm's length terms. The



Company regularly updates its Transfer Pricing Study as reference for transactions within the PLDT Group and discloses RPT in its tax returns in accordance with applicable disclosure requirements<sup>9</sup>. The PLDT Group's transactions are based on commercial and economic considerations and are not undertaken for tax purposes.

- d. When necessary, the PLDT Group seeks external opinions from independent tax consultants on the tax implications of material transactions affecting its business.
- e. Audited annual financial statements and reports contain disclosures on taxes, duties and license fees paid or accrued during the taxable year, as required by BIR regulations, particularly under Revenue Regulation 15-2010<sup>10</sup>.
- f. In compliance with accounting standards pursuant to the effectivity of IFRIC 23<sup>11</sup> for annual periods beginning on or after January 1, 2019, PLDT conducts assessments of its tax positions.
- g. Standard tax policies and procedures are aligned across the PLDT Group.
- h. To be more efficient, the Company uses technology in supporting tax related activities and process improvements.

## **2. Our Relationship with Tax Authorities**

PLDT Group maintains professional and cordial relations with tax authorities. We proactively initiate meetings with appropriate tax officials to discuss tax implications of material transactions affecting the Company. When necessary, we file requests for confirmatory rulings on complex and significant transactions of the Company. We adhere to the corporate governance policy against bribery and corruption of agents of governments in connection with any transaction or business of the PLDT Group.

## **6. Governance and Structure of the PLDT Tax Group**

- PLDT's Tax Group is divided into Centers of Excellence in ensuring compliance with tax laws and accounting standards, managing risks, and advocating tax positions, and providing strategic tax insights to business transactions in achieving optimal tax arrangements. It reports directly to the PLDT Group's Chief Financial Officer, Senior Vice President and Chief Risk Management Officer, and regularly reports to the Audit Committee.

PLDT Tax Group provides functional direction, coordination, and guidance to members of the PLDT Group in terms of tax compliance, tax disputes resolution, and other relevant tax matters as described in its Administrative Order (AO)<sup>12</sup>.

- Several companies under the PLDT Group are members of the Tax Management Association of the Philippines (TMAP). TMAP<sup>13</sup> is regularly invited by the Philippine Congress to discuss



various tax related bills and by the BIR in relation to tax regulations it issues.

- The members of the PLDT Tax Group regularly attend training programs and seminars/webinars hosted by TMAP, the BIR and other training service providers to ensure their continuous professional development.

## 7. Effectivity, Review and Amendment

- 7.1 This Policy shall take effect on 14 June 2022, as approved by the Board of Directors (“Board”) of the Company.
- 7.2 The GNSC will review and recommend amendments to this Policy, as it deems appropriate, and any such amendments shall be subject to approval by the Board.

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<sup>1</sup> BIR Website: [BIR List of Existing Withholding Agents - Non-Individual - Bureau of Internal Revenue](#) as of October 8, 2018, pp 26-27.

<sup>2</sup> PLDT Website: [PLDT — Leading and inspiring Filipinos to create a better tomorrow](#), PLDT By-Laws (latest amended version including change of corporate name) August 30, 2016, Art V. Sec 9 (a)

<sup>3</sup> PLDT Inc. Audited Financial Statements 2021, Note 11 Investments in Subsidiaries, Joint Ventures and Deposits pp. F-70 <sup>4</sup> PLDT Website: [PLDT — Leading and inspiring Filipinos to create a better tomorrow](#), Code of Business Conduct and Ethics updated on July 11, 2006.

<sup>5</sup> PLDT Website: [PLDT — Leading and inspiring Filipinos to create a better tomorrow](#), Anti – Corruption Program uploaded May 29, 2017.

<sup>6</sup> PLDT Website: [PLDT — Leading and inspiring Filipinos to create a better tomorrow](#), Expanded Whistleblowing Policy.

<sup>7</sup> PLDT Website: [PLDT — Leading and inspiring Filipinos to create a better tomorrow](#), Material Related Party Transactions Policy approved September 24, 2019.

<sup>8</sup> Sarbanes-Oxley Act of 2002, July 30, 2002, Sec. 404 Management Assessment of Internal Controls.

<sup>9</sup> BIR Website: [2020 Revenue Regulations - Bureau of Internal Revenue \(bir.gov.ph\)](#), RR 19-2020 New BIR Form No. 1709, Replacing Form No. 1702H, Series of 1992, July 8, 2020; [2013 Revenue Regulations - Bureau of Internal Revenue \(bir.gov.ph\)](#), RR 2-2013 Transfer Pricing Guidelines, January 23, 2013.

<sup>10</sup> BIR Website: [RR 15-2010 \(bir.gov.ph\)](#) dated November 25, 2010.

<sup>11</sup> [IFRIC 23 – Uncertainty over income tax treatments | EY - Global](#), IFRIC 23 Uncertainty over Income Tax Treatments for periods beginning January 1, 2019

<sup>12</sup> PLDT Administrative Order No. 2515-29 dated October 1, 2019: Identification of Centers of Excellence on Tax Management

<sup>13</sup> [TMAP-Home](#)