



## Certification

I, Gil Samson D. Garcia, First Vice President and Head - Financial Controllership of PLDT Inc., with SEC registration number PW-55, with principal office at Ramon Cojuangco Bldg., Makati Avenue, Makati City, on oath state:

- 1) That on behalf of PLDT Inc., I have caused this 2022 Annual Report (SEC Form 17-A) to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company PLDT Inc. will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this MAR 23 2023 day of March, 2023.

**GIL SAMSON D. GARCIA**  
First Vice President and  
Head – Financial Controllership

MAR 23 2023

SUBSCRIBED AND SWORN to before me on this 23 day of March 2023 at Makati City, affiant exhibiting to me his Passport No. P6003906B, valid until December 21, 2030 issued by the Philippine Department of Foreign Affairs, NCR East.

Notary Public

**ALEX AARON A. RIOS**  
Notary Public for the City of Makati  
Until December 31, 2023  
Appointment No. M-189  
Roll of Attorneys No. 51139

IBP Lifetime No. 1031694 – 02/16/16  
PTR O.R. NO. 9568346 - 01/05/2023 Makati City  
9/F, MGO Bldg. Legazpi St. Legazpi Vill., Makati City, MM

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Book No. XI :  
Series of 2023.



March 24, 2023

**The Philippine Stock Exchange, Inc.**

6/F Philippine Stock Exchange Tower  
28<sup>th</sup> Street corner 5<sup>th</sup> Avenue  
Bonifacio Global City, Taguig City

Attention: Ms. Alexandra D. Tom Wong  
OIC-Disclosure Department

**Securities & Exchange Commission**

Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.  
Director – Markets and Securities Regulation Dept

**Philippine Dealing & Exchange Corporation**

29th Floor, BDO Equitable Tower  
8751 Paseo de Roxas, Makati City 1226

Attention: Atty. Marie Rose M. Magallen-Lirio  
Head - Issuer Compliance and Disclosure Department

Gentlemen:

In accordance with Section 17.1 (b) of the Securities Regulation Code ("SRC") and SRC Rule 17.3, we submit herewith copies of SEC Form 17-A with the Management's Discussion and Analysis and accompanying audited consolidated financial statements as at and for the year ended December 31, 2022 and Sustainability Report.

This submission shall also serve as our compliance with the PSE's Revised Disclosure Rules.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Marilyn A. Victorio-Aquino".

**Marilyn A. Victorio-Aquino**  
Corporate Secretary  
PLDT Inc.



SEC Number  
File Number

**PW-55**

**PLDT INC.**

---

(Company's Full Name)

**Ramon Cojuangco Building  
Makati Avenue, Makati City**

---

(Company's Address)

**(632) 82500254**

---

(Telephone Number)

**December 31st**  
(Fiscal Year Ending)  
(month & day)

**SEC Form 17-A**  
(Annual Report)

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Form Type

**Not Applicable**

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Amendment Designation (if applicable)

**December 31, 2022**  
Period Ended Date

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**Not Applicable**

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(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND  
SECTION 141 OF THE CORPORATION CODE  
OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2022
2. SEC Identification Number PW-55
3. BIR Tax Identification No. 000-488-793
4. Exact name of registrant as specified in its charter PLDT Inc.
5. Republic of the Philippines  
Province, country or other jurisdiction of  
incorporation or organization
6. \_\_\_\_\_ (SEC Use Only)  
Industry Classification Code:
7. Ramon Cojuangco Building, Makati Avenue, Makati City  
Address of principal office
- \_\_\_\_\_ 1200  
Postal Code
8. (632) 8816-8056  
Registrant's telephone number, including area code
9. Not Applicable  
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code, or Sections 4 and 8 of the then Revised Securities Act.

Title of Each Class

Number of Shares of Common Stock Outstanding

Common Capital Stock, Php5 par value

216,055,775 shares as at December 31, 2022

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 17 of the Securities Regulation Code and paragraph (2)(a) Rule 17 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:

Php277,631,670,875.00 (216,055,775 shares @ Php1,285 per share as at February 28, 2023)

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## CERTAIN CONVENTIONS AND TERMS USED IN THIS ANNUAL REPORT

Unless the context indicates or otherwise requires, references to “we,” “us,” “our” or “PLDT Group” in this annual report mean PLDT Inc. (formerly Philippine Long Distance Telephone Company) and its consolidated subsidiaries, and references to “PLDT” mean PLDT Inc., excluding consolidated subsidiaries (see *Note 2 – Summary of Significant Accounting Policies* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for a list of these subsidiaries, including a description of their respective principal business activities).

Unless the context indicates or otherwise requires, “Board of Directors” or the “Board” refer to the board of directors of PLDT.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

In this annual report, each reference to:

- ARPU means average revenue per user;
- BIR means Bureau of Internal Revenue;
- BSP means Bangko Sentral ng Pilipinas;
- CMTS means cellular mobile telephone system;
- CPCN means Certificate of Public Convenience and Necessity;
- DFON means domestic fiber optic network;
- DICT means Department of Information and Communications Technology;
- Digitel means Digital Telecommunications Phils., Inc.;
- DMPI means Digital Mobile Philippines, Inc.;
- DSL means digital subscriber line;
- First Pacific means First Pacific Company Limited;
- First Pacific Group means First Pacific and its Philippine affiliates;
- FP Parties means First Pacific and certain Philippine affiliates and wholly-owned non-Philippine subsidiary;
- FTTH means Fiber-to-the-HOME;
- GAAP means Generally Accepted Accounting Principles;
- GSM means global system for mobile communications;
- HSPA means high-speed packet access;
- ICT means Information and Communication Technology
- IGF means international gateway facility;
- IP means internet protocol;
- IT means information technology;
- LEC means local exchange carrier;
- LTE means long-term evolution;
- MVNO means mobile virtual network operations;
- NTC means the National Telecommunications Commission of the Philippines;
- NTT means Nippon Telegraph and Telephone Corporation;
- NTT Communications means NTT Communications Corporation, a wholly-owned subsidiary of NTT;
- NTT DOCOMO means NTT DOCOMO, Inc., a majority-owned and publicly traded subsidiary of NTT;
- NYSE means New York Stock Exchange;
- PAPTELCO means Philippine Association of Private Telephone Companies, Inc.;
- PAS means Philippine Accounting Standards;
- PCEV means PLDT Communications and Energy Ventures, Inc.;
- PFRS means Philippine Financial Reporting Standards;



- PDRs means Philippine Depositary Receipts;
- Philippine SEC means the Philippine Securities and Exchange Commission;
- PLDT Beneficial Trust Fund means the beneficial trust fund created by PLDT to pay the benefits under the PLDT Employees' Benefit Plan;
- PSE means the Philippine Stock Exchange, Inc.;
- R.A. means Republic Act of the Philippines;
- SIM means Subscriber Identification Module;
- Smart means Smart Communications, Inc.;
- U.S. SEC means the United States Securities and Exchange Commission;
- VAS means Value-Added Service;
- VoIP means Voice over Internet Protocol;
- VPN means virtual private network;
- W-CDMA means Wideband-Code Division Multiple Access; and
- WiFi means a wireless network technology that uses radio waves to provide high-speed internet and network connections.

## **PART I – BUSINESS AND GENERAL INFORMATION**

### **Item 1. Description of Business**

#### **Overview**

We are one of the leading telecommunications and digital services providers in the Philippines, in terms of both subscribers and revenues, serving the fixed line, wireless and broadband markets. Through our three principal business segments, Wireless, Fixed Line and Others, we offer a diverse range of telecommunications and digital services across our extensive fiber optic backbone and wireless and fixed line networks.

As at December 31, 2022, we served 74.1 million users through the provision of mobile, fixed line and data services. In addition to the business segments discussed above, PLDT has found it beneficial to view its business from a customer-served perspective. Accordingly, we also assign metrics along the following marketing verticals: individual, home, enterprise and international customers.

Our common shares are listed and traded on the PSE and our American Depositary Shares, or ADSs, are listed and traded on the NYSE in the United States.

Our three business units are as follows:

**Wireless.** Our wireless business focuses on driving growth in our data services while managing our legacy business of voice and SMS. We generate data revenues across all segments of our wireless business, whether through the access of mobile internet via smartphones, mobile broadband using pocket WiFi or home WiFi using fixed wireless broadband devices. We provide the following mobile telecommunications services through our wireless business: (i) mobile services, (ii) fixed wireless broadband services, and (iii) MVNO and other services.

**Fixed Line.** We are the leading provider of fixed line telecommunications services throughout the Philippines, servicing retail, corporate and SME clients. Our fixed line business group offers data, voice and miscellaneous services. We also provide other fixed line services such as data center, cloud, cyber security services and managed information technology through PLDT's subsidiary, ePLDT.

**Others.** Our other business consists primarily of our interests in digital platforms and other technologies, including our interests in VIH.

We had a market capitalization of approximately Php284,545 million as at December 31, 2022. We had total revenues of Php205,245 million and net income attributable to equity holders of PLDT of Php10,485 million for the year ended December 31, 2022.

We operate under the jurisdiction of the NTC, which jurisdiction extends, among other things, to approving major services that we offer and rates that we can charge.

Our principal executive offices are located at the Ramon Cojuangco Building, Makati Avenue, Makati City, Philippines and our telephone number is +(632) 8816-8056. Our website address is [www.pldt.com](http://www.pldt.com). The contents of our website are not a part of this annual report.

## **Business Groups**

As at December 31, 2022, our business activities were categorized into three business units: Wireless, Fixed Line and Others.

We monitor the operating results of each business unit separately for purposes of making decisions about resource allocation and performance assessment. See *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”.

### **Wireless**

Our wireless business focuses on driving growth in our data services while managing our legacy business of voice and SMS. We generate data revenues across all segments of our wireless business, whether through the access of mobile internet using smartphones, mobile broadband using pocket WiFi or home WiFi using fixed wireless broadband devices.

We provide (i) mobile services, (ii) fixed wireless broadband services, and (iii) MVNO and other services, through our wireless business, with mobile services contributing 98% of our 2022 wireless service revenues, and fixed wireless broadband and MVNO and other services contributing the remaining 2% of our 2022 wireless service revenues. Mobile data usage has surged in the past several years and now accounts for 77% of our mobile service revenues. Wireless revenues, gross of intersegment transactions, contributed 51% of our consolidated revenues in 2022 as compared to 55% and 58% for the years ended December 31, 2021 and 2020, respectively.

Our mobile services, which accounted for 98% of our wireless service revenues for the year ended December 31, 2022, are provided through Smart and DMPI with 66,304,761 total subscribers as at December 31, 2022 as compared to 71,221,952 total subscribers as at December 31, 2021, and 72,933,839 total subscribers as at December 31, 2020, representing an estimated combined market share of 40%, 44% and 49% as at December 31, 2022, 2021 and 2020, respectively, based on corporate public disclosures.

Our mobile revenue market share had eroded due to the combined impact of aggressive price competition and the consequent loss of subscribers. This was exacerbated by our larger proportion of legacy revenues from SMS and voice relative to competition, which offset growth in our mobile data revenues. We believe that mobile penetration in the Philippines increased to approximately 153% in 2022 from 149% in 2021, although the existence of subscribers owning multiple SIM cards results in this penetration rate being inflated to a certain extent.

As at December 31, 2022, approximately 97% of our mobile subscribers were prepaid service subscribers. The predominance of prepaid service reflects one of the distinguishing characteristics of the Philippine mobile market, allowing us to reduce billing and administrative costs on a per-subscriber basis, as well as to control credit risk.

Our mobile internet revenues, which primarily consist of our mobile data service revenues, increased by Php1,375 million, or 2%, to Php67,695 million in 2022 from Php66,320 million in 2021 primarily due to the increase in video streaming, gaming and social media data usage by our subscribers driven by the enhanced product offerings, marketing promotions and content partnerships. Migration initiatives also resulted in higher numbers of LTE and 5G device and data users. Our mobile internet revenues contributed 94% of our mobile data service revenues in 2022 and 2021.

Mobile data traffic on Smart’s network grew from 9,218 Terabytes per day in December 2021 to 12,932 Terabytes per day in December 2022, an increase of more than 40% of 2021 level. Mobile data traffic on Smart’s network increased from 2,881 petabytes in 2020 to 3,337 petabytes in 2021 and to 4,393 petabytes in 2022, more than 50% compared to 2020. Our mobile broadband revenues, which are derived from the use of pocket internet and other similar mobile broadband devices, increased by Php590 million, or 21%, to Php3,387 million from Php2,797 million in 2021.

In March 2021, PLDT’s Prepaid Home WiFi (“PHW”) subscribers were transferred to Smart to consolidate our fixed wireless services under Smart. Our fixed wireless broadband service revenues reached Php2,026 million in 2022 with 742,110 subscribers.

Smart’s wireless networks provide extensive voice and broadband coverage in the Philippines, covering substantially all of major metropolitan areas and most of the other population centers in the Philippines. Our low spectrum band resources (700MHz, 850MHz and 900MHz) are primarily used to provide coverage whilst higher spectrum bands (1800MHz, 2100MHz, 2300MHz, 2600MHz and 3500MHz) provide coverage and additional capacity. Our wireless broadband network supports HSPA+, LTE-Advanced and 5G to

provide an improved data experience for our customers.

### ***Fixed Line***

We believe we are the leading provider of fixed line telecommunications services throughout the Philippines, servicing retail, corporate and SME clients. Our fixed line business group offers (i) data services; (ii) voice services and (iii) miscellaneous services.

We had 3,825,424 fixed line subscribers as at December 31, 2022, an increase of 206,052, or 6%, from 3,619,372 fixed line subscribers as at December 31, 2021, while our fixed line broadband subscribers increased by 281,093, or 9%, to 3,247,979 as at December 31, 2022 from 2,966,886 as at December 31, 2021. Revenues, gross of intersegment transactions, from our fixed line business were 63%, 61% and 54% of our consolidated revenues for the years ended December 31, 2022, 2021 and 2020, respectively. Voice revenues have been declining largely due to a drop in call volumes as a result of the availability of alternative calling options and over-the-top (“OTT”) services, as well as subscribers’ shift to mobile services. An increase in our data service revenues in recent years has mitigated such decline to a certain extent. Recognizing the growth potential of data services, we have put considerable emphasis on the development of new data-capable and IP-based networks.

Our fixed line network reaches all of the major cities and municipalities in the Philippines, with a concentration in the greater Metro Manila area. We believe our network offers the country’s most extensive connections to our customers with the FTTN and fiber to the building (“FTTB”) installations. Fiber optic cables are also being deployed aggressively to our wireless base stations for the high bandwidth requirement that surpasses current microwave radio capacities. The DFON extends to underground inland and submarine cables. It is a fully resilient network spanning the whole archipelago. Our international network is comprised of various regional and transoceanic submarine cable systems in which we have economic interests.

We offer postpaid and prepaid fixed line services. Our prepaid fixed line services are intended to be an affordable alternative telephone service for consumers under difficult economic conditions.

See Item 1. “Description of Business – Infrastructure – Fixed Line Network Infrastructure” for further information on our fixed line infrastructure.

### ***Others***

Our other business consisted primarily of investments in digital platforms and other technologies, made through our investment companies, PCEV, PLDT Global Investment Holdings, Inc., (“PGIH”), and PLDT Digital Investments Pte. Ltd., (“PLDT Digital”) and its subsidiaries.

### **Historical Background**

PLDT was incorporated in the Philippines under the old Corporation Law of the Philippines (Act 1459, as amended) on November 28, 1928 as Philippine Long Distance Telephone Company, following the merger of four telephone companies under common U.S. ownership. Pursuant to Section 11 of the Revised Corporation Code, which states that corporations shall have perpetual existence unless the corporation elects to retain the specific corporate term indicated in its Articles of Incorporation, PLDT has a perpetual corporate term.

PLDT’s original franchise was granted in 1928 and was last amended in 1991, extending its effectiveness until 2028 and broadening PLDT’s franchise to permit PLDT to provide virtually every type of telecommunications service. PLDT’s franchise covers the business of providing basic and enhanced telecommunications services in and between the provinces, cities and municipalities in the Philippines and between the Philippines and other countries and territories including mobile, wired or wireless telecommunications systems, fiber optics, multi-channel transmission distribution systems, VAS (including, but not limited to, the transmission of voice, data, facsimile, control signals, audio and video), information services bureau and all other telecommunications systems technologies presently available or that can be made available through technical advances or innovations in the future. Our subsidiaries, including Smart and DMPI, also maintain their own franchises with a different range of services and periods of legal effectiveness for their licenses.

### **Recent Developments**

#### ***Class Action Suit Against PLDT***

On February 6, 2023, plaintiff Sophia Olsson filed a putative class action suit in the United States District Court for the Central District of California alleging that PLDT, Inc. and nine of its current and former directors and officers (collectively, the “Defendants”) made materially false and misleading statements regarding capital expenditures during the period 2019 to 2022. Plaintiff asserts claims under Sections 10(b) and 20(a) of the United States Securities and Exchange Act of 1934 (and related rules) but does not specify purported damages. While a complaint was filed, no Defendant has been served and there has been no other activity in the matter. Due to the early stage of this matter and uncertainties related to class certification and potential amounts to be claimed by the class, PLDT is unable to determine

if any liability will arise or estimate the range of any potential liability. The Company plans to vigorously defend against the allegations.

#### ***Proposed Acquisition of Sky Cable Corporation (“Sky”)***

On March 16, 2023, PLDT entered into a Sale and Purchase Agreement with Sky Vision Corporation, ABS-CBN Corporation and Lopez, Inc. for the proposed acquisition by PLDT of 100% of Sky’s total issued and outstanding capital stock for a total purchase price of Php6,750 million. The closing of the transaction shall be subject to compliance with certain conditions precedent which include, among others, the termination or cessation of operations by Sky of its pay TV and cable businesses, obtaining all applicable government approvals and clearances, obtaining all required consents and corporate actions, and payment of the purchase price.

#### ***Sale and Leaseback of Telecom Towers***

In 2022, Smart and Digitel Mobile Philippines, Inc. signed sale and purchase agreements (“SPAs”) with tower companies (the “TowerCos”) in connection with the sale of telecom towers and related passive telecommunications infrastructure. Concurrent with the execution of the SPAs, Smart has also entered into Master Service Agreements (“MSA”) with the TowerCos where Smart has agreed to leaseback the towers sold in the transaction for a period of 10 years. In addition to space, the TowerCos will also be responsible for providing operations and maintenance services as well as power to the sites. The sale and leaseback will be complemented by a new tower build commitment over the next few years. The closing of the agreements will be on a staggered basis depending on satisfaction of closing conditions, according to the number of towers transferred.

The proceeds of the sale will be used to prepay debt, fund major cash requirements for operations and capital expenditures resulting in debt avoidance, and pay special dividends.

Through this landmark deal, we pioneered tower sharing in the Philippines and in support of the Philippine Department of Information and Communications Technology’s goal of improving tower density. In addition, this arrangement will further solidify Smart’s superior network quality, enhance customer experience and give rise to significant operating and cost efficiencies.

For updates relating to the above discussion, please see *Note 9 – Property and Equipment* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”.

#### ***Loss of Control of PLDT over PLDT Global One Aviation Company, Inc. (“PGI”)***

On February 28, 2022, PLDT signed a deed of assignment under which investors led by Philex Mining Corporation, Metro Pacific Corporation (“MPIC”), and Roxas Holdings, Inc. separately acquired a total of Php44.7 million worth of equity interest of PGI from PLDT. In addition, PGI appointed a new director bringing the total number of directors to nine. As a result, PLDT’s ownership was diluted from 65.3% to 47.6% and retained four out of nine total board seats which resulted to a loss of control. Consequently, PLDT accounted for its remaining interest in PGI as an investment in associate.

#### ***Investment of PCEV in Maya Bank***

On January 20, 2022, PCEV entered into another subscription agreements with Voyager Finserve Corporation (“VFC”) and Paymaya Finserve Corporation (“PFC”) to subscribe to 6.2 million Common B shares each at a subscription price of Php0.10 per share, representing 60% voting rights and 1.48% economic interest in the Bank HoldCos.

On July 29, 2022, PCEV entered into another subscription agreements with VFC and PFC to subscribe to 2.7 million Common B shares each at a subscription price of Php0.10 per share, representing 60% voting rights and 1.48% economic interest in the Bank HoldCos.

On February 17, 2023, PCEV entered into another subscription agreements with VFC and PFC to subscribe to 8.0 million Common B shares each at a subscription price of Php0.10 per share, representing 60% voting rights and 1.48% economic interest in the Bank HoldCos.

#### ***Notice of Material Breach and Demand for Payment on DITO***

In February 2021, PLDT and Dito entered into an agreement for the construction of a transmission facility that served as the point of interconnection for their subscribers. Under the agreement, PLDT established and managed the interconnection facility that operated as the primary physical interface for both companies. The planned facility was completed in March 2021.

On October 6, 2022, PLDT served a Notice of Material Breach and Demand for Payment on Dito which refused to pay the outstanding balance of Php430 million for contracted services provided by PLDT in relation to the building and provisioning of transmission facilities used by DITO to deliver telecommunication services to its subscribers.

#### ***Acquisition of Additional Interest in Multisys***

On July 29, 2022, PGIH acquired additional 227 common shares of Multisys from the existing holder, representing a 4.99% of interest, for a total consideration of Php248 million, of which Php100 million was paid on the same day. In August 2022, PGIH paid Php136 million of the balance of the consideration. The remaining balance of Php12 million is still outstanding as at December 31, 2022. As of and following this acquisition, PGIH owns 2,307 common shares representing 50.72% equity interest in Multisys, which is considered a controlling interest, and in accordance with the Restated Shareholders' Agreement that the parties signed on the same date, PGIH is entitled to nominate three out of the five directors in Multisys who shall manage and control the operation of Mutisys. Consequently, the results of operations and financial position of Multisys are consolidated with the PLDT Group effective in the fourth quarter of 2022.

#### ***Investment in Class C Convertible Preferred Shares of VIH***

On April 7, 2022, PLDT Group, through PCEV, participated in the new round of fundraise for VIH amounting to US\$62 million. Leading the round was the new investor SIG Venture Capital. Also participating in the round were the other existing shareholders KKR, Tencent and International Finance Corporation (IFC), and IFC Emerging Asia Fund and IFC Financial Institution Growth Fund, as well as new investors including Singapore-based global investor EDBI and investment holding company First Pacific Company Ltd. Thereafter, PCEV's ownership in Voyager was diluted from 38.45% to 36.82%.

VIH raised US\$210 million in new funds propelling VIH's valuation to nearly US\$1.4 billion. VIH used the fresh funds to support the launch and acceleration of digital banking services powered by Maya Bank and other new services such as crypto, to be seamlessly integrated and offered across Maya's consumer and enterprise platforms.

On August 12, 2022, a new investor signed a subscription agreement with VIH resulting to further dilution of PCEV's equity interest from 36.82% to 36.63%.

#### ***Smart Broadband, Inc. ("SBI") Secures 25-year Franchise Extension***

On April 8, 2022, the Philippine President approved Republic Act No. 11678, an act renewing for another 25 years the franchise granted to SBI. This allows SBI to continue constructing, installing, establishing, maintaining, leasing and operating wire and/or wireless telecommunication systems throughout the Philippines. SBI's original franchise under Republic Act No. 8337 expired on November 11, 2022, and the renewal for another 25 years will expire on November 11, 2047.

#### ***Prescription of Redemption for Series A to FF Preferred Shares***

On September 23, 2011, the Board of Directors approved the redemption of all outstanding shares of PLDT's Series A to FF 10% Cumulative Convertible Preferred Stock, or the Series A to FF Shares, from holders of record as of October 10, 2011, and all such shares were redeemed and retired effective on January 19, 2012. In accordance with the terms and conditions of the Series A to FF Shares, the holders of Series A to FF Shares as at January 19, 2012 are entitled to payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to January 19, 2012, or the Redemption Price of Series A to FF Shares.

PLDT set aside Php4,029 million (the amount required to fund the redemption price for the Series A to FF Shares) in addition to Php4,143 million for unclaimed dividends on Series A to FF Shares, or a total amount of Php8,172 million, to fund the redemption of the Series A to FF Shares, or the Redemption Trust Fund, in a trust account, or the Trust Account, in the name of RCBC, as Trustee. The Trustee would continue to hold the Redemption Trust Fund or any balance thereof, in trust, for the benefit of holders of Series A to FF Shares, for a period of ten years from January 19, 2012 until January 19, 2022. After the said date, any and all remaining balance in the Trust Account should be returned to PLDT and revert to its general funds, and PLDT's corresponding obligations to pay the trust amounts would prescribe.

On January 20, 2022, the Trustee returned to PLDT the remaining unclaimed balance of the Trust Account for the Series A to FF, amounting to Php7,839 million. As PLDT's obligations to pay the trust amounts had also prescribed, the

amount of unclaimed Trust Account that RCBC returned to PLDT was recognized as income in 2022. We reported this transaction as part of non-telco core income in our 2022 first quarter financial results.

### ***Impact of Super Typhoon Odette***

On December 16, 2021, parts of the Visayas and Mindanao were hit by Super Typhoon Rai (known as “Odette” in the Philippines), rendering many of the affected areas inaccessible and causing extensive electricity and communication outages. We deployed teams to the Visayas and Mindanao to restore communication services in the affected areas. To date, we have restored most of the network services.

The cumulative impact of the typhoon was determined at Php2.3 billion (Php1.7 billion after tax), before insurance claims, as at June 30, 2022, from the combined effect of rebates and lost revenues due to service unavailability, free load provided to our subscribers, repairs and replacement of damaged facilities, as well as loss of properties. We have also worked with the LGUs of the affected areas and provided donations to the communities. Our employees also participated in the relief efforts through their own donations. We have filed insurance claims and secured a settlement of Php242 million, for which an initial payment of Php150 million was received in June 2022 and the balance of Php96 million was received in November 2022.

### ***Amendments to the By-Laws of PLDT***

On March 25, 2021, the Board of Directors approved the amendments to the By-Laws of PLDT to conform with the provisions of R.A. 11232, known as the Revised Corporation Code of the Philippines. On September 9, 2022, the Amended By-Laws of PLDT was approved by the Philippine SEC.

### ***Loss of Control of PLDT over PLDT Global One Aviation Company, Inc. (“PGI”)***

On February 28, 2022, PLDT signed a Deed of Assignment, under which investors led by Philex Mining Corporation, Metro Pacific Corporation (“MPIC”), and Roxas Holdings, Inc. separately acquired a total of Php44.7 million worth of equity interest of PGI from PLDT. In addition, PGI appointed a new director bringing the total number of directors to nine. As a result, PLDT’s ownership was diluted from 65.3% to 47.6% and retained four out of nine total board seats which resulted to a loss of control. Consequently, PLDT accounted for its remaining interest in PGI as an investment in associate.

### ***Impact of COVID-19 Outbreak on our Operations***

While work-from-home arrangements for businesses and their employees boosted demand for corporate fixed broadband and fixed wireless data services, corporate revenue growth in this period was constrained by the slump in commercial activities resulting from the imposition of various community quarantines. During the imposition of community quarantines, network traffic grew significantly, with traffic shifting from the commercial business districts to residential areas. To further ensure that we could handle the increased volume of data traffic, Smart reallocated its assigned 1,800 MHz frequencies from 2G to 4G/LTE.

The various community quarantines highlighted a distinct advantage of PLDT’s fully integrated fixed and wireless network architecture which allowed the seamless and efficient delivery of quality services to fixed and wireless customers. In general, we were not significantly impacted by COVID-19 and have benefited from an increase in demand for our broadband and mobile data services. We cannot predict whether this increase in business activity will continue during and after the pandemic, especially with the emergence of new variants of the COVID-19. Furthermore, the government shifted its system in imposing restrictions from the community quarantine classifications to the alert level system.

Amidst this uncertainty, new opportunities for future growth have arisen. Life under the community quarantine has pushed the rapid adoption of online and digital services as people forced to stay at home have turned to web-based collaboration tools, distance learning, online shopping and payment and e-health services, among others. We believe our superior network and digital infrastructure has driven more data usage to both our mobile and fixed networks. As demand for broadband services surged during the pandemic, PLDT Home ramped up its installation and repair levels and rolled out fixed wireless in areas with no fixed line or fiber connections. Telecommunications is one of the businesses given exemption by the Inter-Agency Task Force (“IATF”) on COVID-19, allowing our installation and repair teams mobility despite the quarantine lockdowns. Smart has capitalized on e-payments and further leveraged its online distribution channels and our Enterprise vertical is driving opportunities in e-health, e-learning, telemedicine and other collaboration solutions while seeing renewed demand for data center services. PLDT Enterprise has partnered with the national and LGUs in the vaccination program by providing connectivity in vaccination centers.

### ***Attys. Baquiran and Tecson vs. NTC, et al.***

This is a Petition for Mandamus filed on October 23, 2018 by Attys. Joseph Lemuel Baligod Baquiran and Ferdinand C. Tecson against the Respondents NTC, the PCC, Liberty, BellTel, Globe, PLDT and Smart. Briefly, the case involves the

700 MHz frequency, among others, or Subject Frequencies, that was originally assigned to Liberty and which eventually became subject of the Co-Use Agreement between Globe, on the one hand, and PLDT and Smart, on the other.

For updates relating to the above discussion, please see *Note 27 – Provisions and Contingencies* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”.

For updates on matters relating to the (1) Department of Labor and Employment, or DOLE, Compliance Order to PLDT, see *Note 27 – Provisions and Contingencies*; and (2) Petition against the PCC, see *Note 11 – Investment in Associates and Joint Ventures*, see *Note 27 – Provisions and Contingencies*, to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”.

## Strategy

The key elements of our business strategy are:

- *Build on Our Strong Positions in the Fixed Line and Wireless Businesses.* We plan to continue investing in our strong integrated fixed and wireless networks in the Philippines as we believe this is key to our ability to continue providing a differentiated experience and value proposition to our customers. We will primarily focus on improving our capacity, latency, coverage and reliability, areas in which we are market leaders, based on third party surveys. We intend to further enhance our leading position through strategic and synergetic investments in the network and IT platforms.
- *Focus on Digital Transformation.* PLDT is undergoing a digital transformation, with the core objective of becoming more customer-centric through the delivery of superior customer experience. It aims to leverage and fully utilize advanced technologies offered through its world class networks, in order to give Filipinos greater ease of use and encourage them to take advantage of such technologies. To advance our digital transformation, we have also invested in and made use of data analytics to better understand our customers and design products and plans that are tailored to their specific preferences. These will be enabled through our ongoing investments on cloud computing, which facilitates a more efficient and highly scalable IT infrastructure for our services.
- *Capitalize on Our Strength as a Fully Integrated Telecommunications Service Provider.* We believe we offer the broadest range of telecommunications services among all operators in the Philippines. We plan to capitalize on this position to maximize revenue opportunities by cross-selling our products and services, and by developing convergent products that feature the combined benefits of voice and data, broadband, wireless and other products and services, such as our content portfolio which includes videos, streaming services, entertainment, music, shopping channels and games.
- *Maintain a Strong Financial Position.* We are focused on growing profitably and continually seek to complement our revenue growth with more effective cost management and enhanced productivity where possible. Our management strives to achieve an optimal capital structure by maintaining healthy capital ratios and strong credit ratings. We have a well spread out debt maturity profile, with 68% of debt maturing after 2026. We also have in place a dividend payout policy of 60% of core telecommunications income to ensure we maintain sufficient reserve funds to invest in the continued growth of our data traffic and in adjacent businesses. We intend to maintain healthy liquidity on our balance sheet, with our cash, short-term investments and debt instruments at amortized cost generally being maintained at a minimum of US\$400 million.

## Subsidiaries

As part of our competitive and overall development strategy, we have made strategic acquisitions and investments to further enhance our ability to provide not only basic telephony but also a wide range of value-added and enhanced services, as well as advanced and bundled services.

### Wireless

#### Smart

Smart was incorporated in the Philippines in 1991 and was granted a legislative franchise under R.A. No. 7294, which took effect on April 15, 1992 to establish, install, maintain, lease and operate integrated telecommunications, computer, electronic services, and stations throughout the Philippines for public domestic and international telecommunications, and for other purposes. On April 21, 2017, R.A. 10926, which effectively extends Smart’s franchise until 2042, took effect on May 19, 2017.

In March 2000, PLDT acquired Smart in an all-stock transaction to further strengthen the PLDT Group’s market leadership in the telecommunications sector. Combined with PLDT’s existing fixed line business, the investment resulted to revenue-generating enhancements as well as cost efficiencies for the PLDT Group.

The following are the major subsidiaries of Smart:

*Smart Broadband, Inc. or SBI*

SBI was incorporated and registered with the Philippine SEC on July 11, 1996 and was granted a 25-year legislative franchise under R.A. No. 8337 to construct, install, establish, maintain, lease and operate wire and/or wireless telecommunications systems throughout the Philippines.

*PLDT Communications and Energy Ventures, Inc., or PCEV (formerly Pilipino Telephone Corporation)*

PCEV was incorporated on July 18, 1968. Until 1991, PCEV's sole business was providing fixed line telecommunications services in eight cities and municipalities in the Philippines. In April 2000, PCEV launched a digital prepaid mobile service, under the TNT brand, using the GSM platform of Smart. PCEV transferred its fixed line business to PLDT in June 2008 and its GSM business to Smart in August 2009. Subsequently, PCEV acquired Meralco shares, which it transferred to Beacon in 2010 and 2011. In May 2016 and June 2017, PCEV entered into Share Purchase Agreements with MPIC to sell its equity interest in Beacon. After the final divestment of Beacon shares to MPIC, PCEV ceased to have any direct interest in Beacon and any indirect interest in Meralco and Global Power. In April 2018, PCEV acquired 100% of Voyager Innovations Holdings, Pte. Ltd. (VIH) but subsequently lost control in November 2018. PCEV owns 36.63% of VIH as at December 31, 2022.

**DMPI**

On September 18, 2001, Digitel established its wholly-owned subsidiary, DMPI, to provide wireless telecommunications services in the country. It offered GSM technology, provisioning voice services (local, national, international calling), messaging services (short text or multi-messaging), outbound and inbound international roaming, and VAS. DMPI has operated its wireless services under the *Sun* mobile brand since March 29, 2003.

*Fixed Line*

**PLDT Clark Telecom, Inc., or ClarkTel**

ClarkTel was incorporated on January 28, 1997. It was previously a joint venture between PLDT, owning 60%, and Clark Development Corporation, or CDC, holding the remaining 40%. In August 1999, CDC ceded its 40% ownership interest in ClarkTel to PLDT, thus, making ClarkTel a wholly-owned subsidiary of PLDT. ClarkTel provides basic and enhanced telecommunications services within the Clark Special Economic Zone, or CSEZ, in Clark Field, Pampanga, and between the CSEZ and other cities and municipalities in the country as well as other countries and territories worldwide.

**Bonifacio Communications Corporation, or BCC**

In 2002 and 2003, PLDT entered into a separate Deed of Assignment of Subscription with Smart and Fort Bonifacio Development Corporation, or FBDC, respectively, where Smart and FBDC assigned, transferred and conveyed in favor of PLDT their total subscription to 750,000 common shares and 750,000 preferred shares of BCC and all their interest and rights therein for a total consideration of Php93 million. The assignment included a subscription payable of Php68 million. The shares represent 75% of the subscribed capital stock of BCC.

BCC was incorporated primarily to own, construct, establish, maintain, lease and otherwise operate, to the extent allowed by law, communication infrastructure and to provide related services, including but not limited to, VAS, within the Fort Bonifacio Global City and Villamor Air Base.

**PLDT-Maratel, Inc., or Maratel**

In June 2001, PLDT acquired 2,439,060 common shares of Maratel representing 92.3% of Maratel's issued and outstanding common stock, for a total consideration of Php451.3 million. In 2003, PLDT acquired an additional 134,237 common shares of Maratel for a consideration of Php1.3 million, thereby increasing PLDT's ownership interest in Maratel to 97.5%. Additional shares acquisition in 2006, 2007 and 2013 further increased PLDT's ownership in Maratel to 98.02%. Maratel, incorporated on August 10, 1951, is a franchised operator of telecommunications services in the province of Lanao del Norte and the cities of Iligan and Marawi. The acquisition of a controlling interest in Maratel has improved PLDT's existing coverage in Mindanao and strengthened its competitive position in the southern part of the country. Effective April 27, 2020, Maratel ceased to operate as a telecommunications service provider, following the expiration of its legislative franchise, R.A. 7970.

**Digitel**

Digitel was established on August 31, 1987 and is engaged to provide wireline services in the country.

On March 29, 2011, the Board of Directors of PLDT and JG Summit Holdings, Inc., or JGSHI, approved the acquisition by PLDT of JGSHI's and certain other seller-parties' ownership interest in Digitel. Digitel operates a fixed line business in certain parts of the country and is the 100% owner of DMPI, which is engaged in the mobile telecommunications business. On February 17, 2019, Digitel's legislative franchise, R.A. 7678, expired and was not renewed.



## PLDT Global Corporation, or PLDT Global

PLDT Global, a wholly-owned subsidiary, was incorporated on December 15, 2000 in the British Virgin Islands to position PLDT as a full service global telecommunications player through a strategy of establishing presence in key countries with substantial Overseas Filipino Professionals or Workers. The following are the subsidiaries of PLDT Global:

- *PLDT (HK) Limited* is a Unified Carrier License and Service-Based Operator License holder that offers wholesale termination, enterprise solutions and retail business. PLDT (HK) Limited has eight (8) wholly-owned subsidiaries, *PLDT 1528 Limited*, *PLDT Japan GK*, *PLDT Global (HK)Limited*, *PLDT Macau Limited*, *PLDT (UK) Investment Company Limited*, *London-Manila Express Limited*, *London Manila Express Cargo Limited* and *PLDT Global Middle East FZ LLC*. *PLDT 1528 Limited* conducts various mobile telecommunications and other related services in Hong Kong. *PLDT Japan GK* offers mobile data services and other telecommunication-related businesses in Japan. *PLDT Global (HK)Limited* is targeted in offering telecommunications and Ecommerce related products & services in Hong Kong, while *PLDT Macau Limited* was set up for expansion of its Branded Partnership business in Macau. *PLDT (UK) Investment Company Limited* is a holding company which acquired *London-Manila Express Limited* (a licensed remittance business company in UK) and *London Manila Express Cargo Limited* in 2017. Lastly, *PLDT Global Middle East FZ LLC* was set up offering management services and marketing of telecommunication and related products in the United Arab Emirates;
- *PLDT (SG) Pte Ltd.* is a holding company and provides enterprise solutions and general wholesale trade of telecommunication products & services in Singapore. Its wholly-owned subsidiary, *PLDT (SG) Retail Service Pte Ltd.*, conducts telecommunication and other related services in Singapore;
- *PLDT (US) LTD* is a licensed international common carrier that provides a range of Private Line solutions and related services to its enterprise customers. Its wholly-owned subsidiary, *PLDT (US) Mobility, LLC* previously conducted marketing and distribution of international telecom and related products in the USA and was dissolved in March 2020;
- *PLDT Online, Inc.* is incorporated in the British Virgin Islands which conducts wholesale and retail of telecommunication products and services through an online portal;
- *PLDT (UK) Limited* is a company incorporated under the laws of the United Kingdom which conducts telecommunication and other related activities;
- *PLDT Malaysia* was in process of dissolving the partnership with Celcom Axiata Berhad (which owns 49% shareholding of the company) since 2019. This members' voluntary liquidation was completed in November 2020;
- *PLDT Global Malaysia Sdn. Bhd.* was set up with the objective to provide retail services on card distribution, VOIP service, online shopping and the like; to engage in enterprise business on international leased lines, data centers and cloud solutions, as well as bills payment services (e-wallet). This company effectively replaced PLDT Malaysia Sdn. Bhd. when it was incorporated in 2018; and
- *PLDT Global Investments Corporation* was incorporated in the British Virgin Islands and specializes as an investment holding company.

## ePLDT Inc., or ePLDT

ePLDT is the ICT subsidiary of PLDT solely focused on developing outcome based multi-cloud and data center solutions with cybersecurity tools to help enterprises achieve their digital transformation goals.

Its cloud portfolio includes managed, hybrid and end-to-end cloud solutions that offer virtual compute and storage resources—all backed by service-level agreements (SLAs). It has forged strong strategic partnerships with the world's leading cloud brands such as Microsoft, AWS, Google, Salesforce and Palo Alto which enables ePLDT to offer multi-cloud offerings to small and large companies designed to sustain their growth.

ePLDT's *VITRO* is the Philippines' premiere data center service provider operating the largest network of data centers in the country. *VITRO* boasts 10 state-of-the-art facilities located in key locations nationwide, with another one soon to rise in Sta. Rosa, Laguna. The *VITRO* network of data centers offers 8,930 racks and an ultimate facility capacity of 48MW which has been pivotal in serving mission-critical operations of industry-leading operations. With the initial activation of *VITRO* Sta. Rosa scheduled in early 2024, ePLDT will soon grow its total facility capacity to 62MW equivalent to 29% increase, further strengthening its leadership in the local data center market.

ePLDT also currently holds equity interests in the following entities:

- a 100% interest in IP Converge Data Services, Inc., or IPCDSI, which owns and operates three internet data centers in the country and provides enterprises with managed data services and cloud-based business solutions across a wide range of industries including IT solutions providers, gaming companies, e-learning and healthcare. IPC is also the country's first DDoS Mitigation service provider ensuring web security

across e-commerce enterprises, as well as the first infrastructure-as-a-service provider with a locally hosted cloud infrastructure; and

- a 100% equity interest in ABM Global Solutions, Inc., or AGS, an e-procurement joint venture established together with six of the Philippines' leading conglomerates. AGS is also engaged in license sale, licenses maintenance, consulting service, application support, BPO agent revenue, eProcurement services, eSourcing services and training.

On August 24, 2011, ePLDT acquired an additional 17% of the equity interest of ePDS from Quantum Solutions International Pte. Ltd., resulting in the increase of ePLDT's equity interest in ePDS from 50% to 67%.

In April 2012, the Board of Directors of mySecureSign, Inc., or MSSSI, and ePLDT approved the plan of merger between MSSSI and ePLDT, with ePLDT as the surviving company, in order to realize economies in operation and achieve greater efficiency in the management of their business.

On October 12, 2012, ePLDT, IP Ventures, Inc. and IPVG Employees, Inc., entered into a Sale and Purchase Agreement, or SPA, whereby ePLDT acquired 100% of the issued and outstanding capital stock of IPCDSI and advances to IPCDSI for a total adjusted purchase price of Php693 million.

On October 30, 2013, Curo Teknika was incorporated to take-on the Outsourced IT Services as a result of the spin-off of iPlus.

On April 8, 2014, ePLDT sold its 100% stake in iPlus through management buyout for a total consideration of Php42 million.

On March 5, 2018 and August 7, 2018, ePLDT made additional cash infusion to ePDS amounting to Php134 million and Php66 million, respectively, thereby increasing ePLDT's equity interest in ePDS to 95%.

On November 7, 2019, ePLDT acquired the 5% minority interest in ePDS for a consideration of Php20 million, thereby, making ePDS a fully-owned subsidiary of ePLDT.

On February 2, 2022, VITRO was incorporated

#### *Others*

Our other business consisted primarily of investments in digital platforms and other technologies, made through our investment companies, PCEV, PGIH and PLDT Digital and its subsidiaries.

See *Note 2 – Summary of Significant Accounting Policies, Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions, Note 11 – Investments in Associates and Joint Ventures, Note 12 – Financial Assets at FVPL, Note 25 – Related Party Transactions and Note 28 – Financial Assets and Liabilities* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements" for further discussion of our subsidiaries.

## **Products and Services, Rates and Revenues**

### ***Wireless***

We provide mobile, fixed wireless broadband, and MVNO and other services, through our Wireless business segment.

The following table summarizes key measures of our wireless business as at and for the years ended December 31, 2022, 2021 and 2020:

	December 31,		
	2022	2021	2020
Systemwide mobile subscriber base	66,304,761	71,221,952	72,933,839
Prepaid	64,287,019	69,205,731	70,779,021
Postpaid	2,017,742	2,016,221	2,154,818
Fixed Wireless Broadband subscriber base <sup>(1)</sup>	742,110	955,633	52,415
Growth rate of mobile subscribers			
Prepaid	(7%)	(2%)	–
Postpaid	–	(6%)	(10%)
Growth rate of Fixed Wireless Broadband subscribers	(22%)	1,723%	760%
Wireless service revenues (in millions)	Php95,852	Php99,639	Php98,170
Mobile	93,724	96,538	97,566
Fixed Wireless Broadband <sup>(1)</sup>	2,028	2,889	40
MVNO and others	100	212	564
Percentage to wireless service revenues			
Mobile	98%	97%	99%
Fixed Wireless Broadband	2%	3%	–
MVNO and others	–	–	1%
Percentage of wireless service revenues to total service revenues	49%	54%	57%

<sup>(1)</sup> Includes PHW beginning 2021.

## *Mobile Services*

We offer prepaid and postpaid mobile communications services all over the country under the brand names Smart, TNT and Sun, each of which focuses on the needs of specific market segments. With a continuous and in-depth consumer understanding program, each of our brands commits to providing relevant products that will cater to the communications, entertainment and services requirements of their respective target market segments.

- *Prepaid*

Smart continued its brand campaigns to boost data usage, anchored on third party awards for Best Network, Fastest Network and widest LTE coverage in 2022. In line with this, Smart introduced *Free TikTok for All promos, Giga Power* and *Power All* data-packed promos for its Smart mobile prepaid services during the year. Smart's mass-based brand TNT, on the other hand, launched its low-cash outlay *Affordaloads* and *Double Giga* offers to tackle the increasing impact of inflation amongst the Filipino masses.

- *Postpaid*

Smart Postpaid offers Signature plans with data priority powered by Smart LTE. Smart Signature subscribers receive real-time billing and usage alerts on Giga Life app and has access to exclusive rewards and events and the latest smartphones.

Smart Signature Data Plans are set of Signature Plans specifically tailored for pure data usage fit for online productivity needs. The plans come with bigger data allocation and are bundled with Smart's broadband devices.

In April 2021 Smart launched its enhanced postpaid *Signature Plans+*, a postpaid line that features unlimited 5G access for 12 months.

## *Fixed Wireless Broadband Services*

### *Prepaid Home WiFi*

PHW is a wireless internet service introduced to address the growing demand for affordable home broadband in the Philippines. It is a plug-and-play device powered by Smart's network that can simultaneously connect multiple WiFi-capable devices. Smart recently launched its first prepaid 5G Home Router, the Smart Bro Home WiFi 5G that can connect up to 10 WiFi-enabled devices with a fiber-like speed of Smart 5G.

Our wireless business held steady in 2022 despite limited mobility brought about by pandemic restrictions and increased competition. Wireless revenues are driven and influenced by the following key metrics: (i) growing data users and usages; (ii) mobile network quality and continuous roll-outs and (iii) strategic brand building campaigns and product innovations.

- (i) *Growing data users and usages*

Our active data users reached 41.5 million as of December 31, 2022, while mobile data traffic as of December 31, 2022 increased to 4,393 petabytes, higher by 32% from 2021. Data traffic on Smart's 5G network grew significantly in the fourth quarter of 2022, increasing by over 300% as compared to the fourth quarter of 2021. This growth was driven by aggressive 5G network roll-outs and 5G product offerings.

- (ii) *Mobile network quality and continuous roll-outs*

Smart has around 7,200 5G sites and 38,800 4G/LTE sites to sustain the growing data usages of our subscribers nationwide. Smart won Ookla's Best Mobile Network award in the first half of 2022 and was named the Philippine's Fastest Mobile Network and Best Mobile Coverage on Ookla in 2022.

- (iii) *Strategic brand building campaigns and product innovations*

- a. *Aggressive 5G handset and usage offers for Postpaid*

To further stimulate and maximize the customer experience on 5G network, Smart offers various plans bundled with 5G capable handsets. Furthermore, unlimited 5G offers for prepaid brands were also introduced in 2021, which enable subscribers' non-stop data access with no data capping or speed-throttling at selected Smart 5G-covered areas.

b. GigaLife app

Brand building and customer engagement hit new strides with GigaLife, Smart's mobile app which enables Smart subscribers to manage their accounts and enjoy exclusive offers and special promotions such as GigaDays. Other features and integrations also enhance further the customers' digital lifestyle. GigaPay enables digital payments by allowing users to link their PayMaya wallet for in-app transactions such as buying load, subscribing to promos, and paying bills.

The GigaLife App has acquired over 10 million users in less than two years from its launch. According to App Annie, a leading global provider of mobile data and analytics, the GigaLife App was the most downloaded network management app in 2021.

c. Live Epic Experiences

In the fourth quarter of 2022, Smart rebranded its Gigaplay App to Smart Live to focus on its live content and anchor its offerings to deliver epic live experiences. The Smart Live App provides live streams of NBA TV, the PBA, the UAAP and provided a pay-per-view experience for the Eraserheads reunion concert. Aside from the Eraserheads concert, Smart also sponsored the live events of popular K-Pop band Seventeen, Ben & Ben, as well as various festivals in the Philippines.

d. mWell Partnership

In December 2022, Smart, through its Postpaid brands, launched its partnership with mWell to provide a mobile healthcare app offering virtual consultations with medical professionals, e-prescriptions and access to health-related content. Smart plans to expand its mWell offers to its prepaid brands in 2023.

*Rates for wireless services*

Smart prepaid data, call and text cards are sold in denominations of Php100, Php300 and Php500, while TNT prepaid cards are sold in denominations of Php50, Php100 and Php300. Our eLoad's over-the-air reloads, which ranges from Php5 to Php1,000 are available through the Giga Life app, Smart and PLDT online stores, e-wallet providers such as Maya, e-commerce platforms such as Lazada and Shopee and via Smart eLoad retailers nationwide. The stored value of a prepaid card and eLoads remain valid for 365 days regardless of the denomination, pursuant to the MC No. 05-12-2017 issued by the NTC and the DICT.

The Giga suite of products, such as Giga Video, Giga Games and Giga Stories, offer a selection of specially customized packages that are easily accessible and identifiable, designed with the help of extensive data analysis. Giga offers are priced from Php50 to Php999.

Smart also provides open-access data offers with its Giga Power and Power All services. These data packages provide access to any app or website and are priced from Php80 to Php999.

Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card. We consider a prepaid mobile subscriber inactive if the subscriber does not reload within 90 days after the full usage or expiry of the last reload, revised from the previous 120 days.

Smart postpaid "Signature" plans were further enhanced to provide higher data allocations with Unli 5G promo for 6 months, unlimited texts and calls to all networks including landline in the form of small, medium, large and extra-large plans, ranging from Php599 to Php2,499. These fixed monthly plans alleviate concerns of unwanted charges.

"Smart Infinity" is our premium mobile postpaid brand with plans ranging from Php3,500 to Php8,000. With "Smart Infinity", customers can enjoy local non-stop surf and uninterrupted local mobile services with the "Smart Infinity Limitless Plan" or experience full flexibility both locally and internationally with the "Infinity Traveler" plans. These plans come with a premium mobile device bundled with exclusive lifestyle perks and privileges accessible through a dedicated concierge.

Smart Enterprise Postpaid is a mobile plan comprised of data, voice, and short message services, with a built-in data bill-cap feature that automatically protects the subscriber from unwanted excess charges up to Php2,500. Postpaid plans may be availed with or without a device bundle at a fixed monthly subscription, defined by a standard contract period.

For international roaming, we offer various data roaming packages such as GigaRoam with up to 100GB for 10 days on popular travel destinations like Japan, South Korea, Thailand, Saudi Arabia, USA and many more. Data roaming plans ranges from Php150 to Php9,999, and are open to both prepaid and postpaid subscribers.

In compliance with NTC Memorandum Circular No. 03-06-2019, or the Rules and Regulations Implementing Republic Act No. 11202, otherwise known as the "Mobile Number Portability Act", starting on January 2, 2020, the interconnection rate for mobile was reduced from Php0.50 per minute to Php0.00 per minute for domestic calls and from Php0.05 per message to Php0.00 per message for SMS.

Our Prepaid Home WiFi bundles start at Php795 with free 10GB open access data valid for seven days, while the introductory price of the latest Smart Bro Home WiFi 5G is at Php15,995 with 20GB open access data valid for seven days and connectivity of up to 10 devices.

### **Fixed Line**

We provide data, voice services, including LEC, international and domestic services, and miscellaneous services under our fixed line business.

The following table summarizes key measures of our fixed line services as at and for the years ended December 31, 2022, 2021 and 2020:

	December 31,		
	2022	2021	2020
Systemwide fixed line subscriber base	3,825,424	3,619,372	3,042,815
Postpaid	3,803,234	3,596,019	3,017,565
Prepaid	22,190	23,353	25,250
Growth rate of fixed line subscribers			
Postpaid	6%	19%	10%
Prepaid	(5%)	(8%)	(2%)
Number of fixed line employees	10,658	11,522	11,427
Number of local exchange line subscribers per employee	359	314	266
Systemwide broadband subscriber base	3,250,193	2,996,211	3,037,703
Fixed Line broadband	3,247,979	2,966,886	2,273,602
Fixed Wireless broadband <sup>(1)</sup>	2,214	29,325	764,101
Growth rate of broadband subscribers			
Fixed Line broadband	8%	(1%)	41%
Fixed Wireless broadband	(92%)	(96%)	241%
Fixed line service revenues (in millions)	Php128,116	Php116,529	Php97,410
Data	90,881	78,721	67,183
Voice	36,727	37,232	29,541
Miscellaneous	508	576	686
Percentage to fixed line service revenues			
Data	71%	67%	69%
Voice	29%	32%	30%
Miscellaneous	-	1%	1%
Percentage of fixed line revenues to total service revenues	65%	63%	56%

<sup>(1)</sup> PHW subscribers were transferred to Smart in 2021.

### **Data Services**

Our data services revenues include charges for broadband, leased lines, Ethernet-based and IP-based services. These services are used for broadband internet and domestic and international private data networking communications.

Recognizing the growth potential of data services, and in light of their importance to our business strategy, we have placed considerable emphasis on these service segments. Our data services segments registered the highest percentage growth in revenues among our fixed line services from 2020 to 2022.

### **Home Broadband Services**

We believe that PLDT Home is the country's leading and fastest home broadband service provider, serving 3.1 million subscribers nationwide as at December 31, 2022 from 2.8 million subscribers as at December 31, 2021.

We believe that PLDT Home is the Philippines' fastest fixed network with broadband data services including fixed wired (PLDT Home Fiber and PLDT Home Fiber Plus). PLDT's FTTH fixed line network has the most extensive transmission and distribution network infrastructure of over 866,000 kilometers of fiber footprint that provide broadband availability to 17.2 million homes passed, as at December 31, 2022. The number of homes passed refers to the approximate potential number of residences that could avail of broadband connectivity services provided through PLDT facilities.

PLDT's superior FTTH network enables customersto enjoy up to 10 Gbps of symmetrical internet speeds or equal upload and download speeds. Ookla®, the company behind Speedtest® and the global leader in fixed broadband and mobile network testing applications and data analysis, consistently recognized PLDT as the Philippines' fastest broadband for the 5th consecutive year.

With the consistent wins at the Ookla® Speedtest Awards, PLDT Home also clocked the top speeds in 15 major areas in the Philippines and bested all other major telco providers in Quezon City, Pasig City, Davao City, Cagayan de Oro, Bulacan, Bacolod, Cainta, Baguio City, Pasay City, Iloilo City, Lucena, Malabon City, Valenzuela City, Marikina City and Batangas.

To showcase the power of the country's fastest broadband, PLDT Home introduced its FAST (Fiber Accelerated Speed Tech) Hub, a visual representation of PLDT Home's 10 Gbps fiber network. A month-long exhibit exclusively shown to the media, the FAST Hub demonstrated what it is like to have a hyper-fast internet connection at home.

PLDT Home boosted its efforts to give customers the best digital experience at home by increasing the speeds of all its Fiber plans up to two times faster than previous speeds. PLDT Home also introduced the Easy Speedboost promo where customers get to enjoy up to 600 Mbps speed upgrade with a minimal add-on fee of Php50 or Php100 monthly. In December 2022, PLDT Home also gave away smart home packages such as entertainment projectors, smart speakers, smart appliances, and home security devices.

PLDT Home also pioneered the MyOwnWiFi, a first-of-its-kind add-on service that allows existing Fiber customers to have a secondary internet connection with the same speeds as their Fiber base plan, at half the price. MyOwnWiFi allows solo heavy bandwidth users at home to enjoy priority connection without worrying about hogging the connection for the rest of the family members. This service also comes with WiFi Mesh as part of the offer.

With PLDT's aggressive network expansion and migration initiatives, the company continues to deliver reliable and superior connectivity solutions for the customers' ever-evolving online needs. As at December 2022, PLDT migrated over 150,000 subscribers from legacy copper lines to fiber-to-the-home technology.

As part of its migration program, PLDT completed its initiatives to transform its legacy fixed wireless service, Home Ultra, into a faster fixed wired and wireless service. The decommissioning of about 185 telecom towers that provide Time-Division Duplex Long-Term Evolution or TD-LTE coverage to Home Ultra was completed by end-July 2022, covering 3,000 subscribers who were provided with higher speed fixed fiber or postpaid wireless services at no additional cost.

Beyond just delivering the fastest internet speeds, PLDT Home continuously improves its overall customer experience. PLDT Home boosted installation capabilities in 33 areas in the country including Metro Manila, Cebu, Baguio, Davao, San Fernando, Pampanga, and General Santos. Dubbed as "Bilis Kabit" program, PLDT Home rolled out its initiatives to fast-track installation of internet services for subscribers within 24 hours upon application. Call-to-apply services were also deployed to provide customers the convenience of talking to a PLDT representative in their preferred PLDT sales and service centers.

#### *PLDT SmartHome*

PLDT Home is strongly committed to fulfilling its customers' digital home lifestyle needs by giving them access to a complete Smart Home ecosystem. This ecosystem consists of relevant digital solutions and devices built on the following pillars that let them do things better at home: connectivity, entertainment, and security.

One such solution PLDT Home offers under its connectivity portfolio is the WiFi Mesh System. This powerful system blankets the entire home with Fiber-fast speeds, eliminating the problem of WiFi dead spots many households encounter.

Leading its roster of mesh systems are top-of-the-line WiFi 6 solutions, Asus ZenWiFi XT8 and TP Link Deco X20. These high-performance systems can cover more than 300 square meters with ultra-fast speed internet and can deliver more than two times the speed of ordinary routers. Apart from this, WiFi 6 Mesh Systems can also power more than 100 users and devices simultaneously and significantly improve network efficiency, providing a seamless online experience even for the most bandwidth-heavy activities.

To provide an enhanced gaming experience, PLDT Home offers the Asus ROG Rapture GT AX11000. Running on WiFi 6 technology as well, the Asus Rapture eliminates lag, latency, unstable ping and screen freezes, enabling users to level up gameplay performance offers.

Strengthening its suite of connectivity services, PLDT Home also offers WiFi 5 Mesh systems, including the TP Link Deco M4 and M5. Apart from ensuring strong WiFi connectivity anywhere within the home, these systems power every connected device with equal internet speeds, regardless of the distance to the main modem. The Deco M4 and M5 also come with Parental Controls, enabling parents to block harmful sites and limit online time, helping keep their kids safer online.

For entertainment, PLDT Home has been providing customers with a diverse range of bundled content through its partnerships with global content providers including award-winning streaming service, Netflix; PCCW's leading pan-regional OTT video streaming service, Viu; HBO's video-on-demand service, HBO Go; Philippines' pay TV service provider, Cignal TV; as well as NBA's premium live game subscription series, NBA League Pass.

Promising Filipino homes a bigger, bolder, and more powerful entertainment viewing experience, PLDT Home has also partnered exclusively with premium streaming service Lionsgate Play. Existing and new PLDT Home Fiber plans customers can access Lionsgate Play's massive library of award-winning and blockbuster movies for free until June 1, 2023.

PLDT Home customers can conveniently subscribe to any of these entertainment services and have the fees charged directly and conveniently to their PLDT bill.

#### *Home Biz*

PLDT Home, through its Home Biz program, helped the development of the country's digital economy by equipping Filipino home-based entrepreneurs to thrive in the new normal powered by technology, resources, and master classes.

In its commitment to help build a stronger nation by powering home-based entrepreneurs, PLDT Home beefed up its Home Biz Fiber Plans with speeds of up to 100 Mbps for as low as Php 1,599 per month, which comes with free e-commerce partner solutions, free backup internet, and unlimited landline and all net mobile calls. E-commerce partners include UnionBank Global Linker which allows entrepreneurs to open their online storefronts; Grab Madiskarteng Boss Club and So Shop which provides door-to-door logistics in addition to discounts and promotions; and Maya for secure digital payment solutions.

On the celebration of the United Nations MSME Day, PLDT Home Biz launched a special promo where customers can avail of the Asenso Fiber Plan 1499 with 50% discount on the first three months of their subscription.

These end-to-end services provide all-out support for start-ups and pandemic-hit home businesses, helping them rebuild amidst the ongoing pandemic, further establishing PLDT Home Biz' stance as the true and dependable partner of home-based entrepreneurs.

#### *Home Rewards*

PLDT Home Rewards continue to give back to valued and loyal customers with exciting perks and prizes. In May 2022, PLDT Home Rewards improved its program mechanics for better member engagement. Member earning was enhanced by lowering the threshold for earning Crystals from Php 250 to Php 50 of every bills payment. At the same time, redemption value was brought down from 330 to 220 Crystals to increase the redemption rate. Most redeemable items in the Rewards marketplace were discounts and deals from partner merchants including The SM Store, Lazada and GrabFood.

Powered by the fastest and strongest connections, customers get to enjoy better digital experiences at home with more exciting promos and treats through the PLDT Home Rewards loyalty program.

#### *Rates for home broadband services*

Monthly charges for our home fixed broadband services vary depending on the amount of bandwidth, speed, market demand and the competitive landscape.

#### *Corporate Data and ICT*

PLDT Enterprise is the preferred digital services partner of the B2B market. As the corporate business unit of the PLDT Group, PLDT Enterprise's vision is to make a positive impact on every single business by simplifying the complex for various industries. With its wide range of fixed line, wireless, and ICT services, which run on the Philippines' most extensive fiber optic backbone, cellular network, and data center footprint, PLDT Enterprise delivers solutions that create real value for customer.

Our Fixed Line corporate data solutions cater to the internet, networking and managed services requirements across various enterprise customers small, medium and large. These include (i) domestic data solutions, comprising managed SD-WAN, the latest wide area networking solution; metro Ethernet, a reliable and high bandwidth wide area network solution; IP-virtual private network, an end-to-end managed IP-based data network solution; Shops.Work, a managed connectivity solution designed for retailers, franchisers and SMEs; Shops.Work Unplugged, a wireless VPN service that powers mobile point-of-sale terminals and off-site bank ATMs, as well as other retail outlets located in remote areas; and Beyond Fiber, our new all-in-one digital solution positioned as the ideal business internet service for enterprise customers; and (ii) international data solutions, comprising iGate, our dedicated internet access solution; international ethernet private line services, a resilient international private networking connectivity solution; and international IP VPN, a fully-managed IP solution for data, voice, video and multimedia applications supported over a single IP-based platform.

Meanwhile, our ICT services include data center services, cyber security services, cloud services, managed IT services and various other IT solutions.

In July 2016, ePLDT opened VITRO Makati 2, ePLDT's first data center to be certified by the Telecommunications Industry Association as a rated 3 facility, and a facility that has been recognized by the global solutions company, NTT Communications, as a Nexcenter-certified data center. VITRO Makati 2 is the Philippines' biggest data center with 3,600 racks capacity and 20MW of total power capacity, located in one of Philippines' premiere business districts. In February 2017, ePLDT opened the first data center in Mindanao to address the growing enterprise demand in that region. Over the course of five years, ePLDT has expanded its data center footprint across the country, building data centers in Clark, Davao and a new building in Cebu. In the first quarter of 2022, ePLDT broke ground for its 11th and biggest data center yet in Sta. Rosa, Laguna. With its 50MW ultimate power capacity, VITRO Sta. Rosa will cater to the rapidly increasing hyperscaler colocation demand in the country. Once fully activated, the new hyperscale facility will generate an additional 4,500 racks and increase VITRO's rack footprint to 13,400 further cementing ePLDT's leadership in the local data center market.

ePLDT's Cyber Security strategy involves four critical elements to provide customers with a holistic, multi-layer protection. It covers the frameworks, intelligence, technology and expertise needed to protect IT infrastructure from evolving threats, malicious software attacks, possible data loss and reputational risks. These components allow us to not only detect and prevent threats with the help of technology and best practices, but even predict and respond to cyber attacks. Through our Security Operations Center, we are able to gather cyber intelligence on potential attacks through in-house threat hunting and global threat feeds of our trusted partners. In 2020, ePLDT was recognized as the first and only Philippine organizational member of global leader in incident response Forum of Incident Response and Security Teams.

We have consistently built partnerships with global cloud brands and invested in expertise for professional services. For instance, the ePLDT Group has partnered with Microsoft, Google, AWS, Enghouse, HPE, Palo Alto, Salesforce, and SAP, among others, through which ePLDT offers professional services beyond infrastructure and license-selling. We offer a full-suite of cloud solutions to clients such as infrastructure-as-a-service ("IaaS"), software-as-a-service ("SaaS"), unified communications-as-a-service ("UCaaS"), contact-center-as-a-service ("CCaaS") and disaster recovery-as-a-service ("DRaaS").

#### *Rates for Corporate Data and ICT Services*

Charges for our corporate data service vary by customer.

#### *Voice Services*

Our voice services are delivered through our (i) local exchange service; (ii) international service; and (iii) domestic service.

#### *Local Exchange Service*

Our local exchange service, which consists of our basic voice telephony business, is provided primarily through PLDT. We also provide local exchange services through our subsidiaries.

#### *Rates for local exchange service*

Basic monthly charges for our local exchange service vary according to the type of customer (business or residential) and location, with charges for urban customers generally being higher than those for rural/provincial customers.

#### *International Service*

We have been pursuing a number of initiatives to sustain our international service business, including: (i) rationalizing our inbound voice termination rates; (ii) managing unauthorized voice traffic terminating to our network; (iii) partnering with Orange S.A. for inbound international long distance ("ILD") traffic management; and (iv) growing international data sales by leveraging PLDT's sub-sea cable ownership and PLDT Global's reach.

In addition, PLDT Global is enhancing the presence of PLDT in other international markets by providing high quality communications infrastructure and innovative platforms to its global network of carriers, corporate customers and distribution partners, enabling it to achieve its desired connectivity, reach and business relevance. With offices in key markets abroad, PLDT Global also delivers a full range of digital consumer and enterprise solutions that serve the evolving needs of Filipinos overseas and global enterprises.

The table below sets forth the net settlement amounts for international calls handled by PLDT, by country, for the years ended December 31, 2022, 2021 and 2020:

	Net Settlement		
	2022	2021	2020
	(in millions)		
France	US\$20	US\$37	US\$41
Saudi Arabia	2	3	6
Canada	1	2	3
Belgium	1	1	1
Hong Kong	0.4	0.4	1
United Kingdom	0.3	0.4	1
United States of America	0.3	1	1
Ireland	0.3	0.2	0.1
Qatar	0.2	0.1	0.1
Others	(0.5)	(1.1)	0.8
<b>Total</b>	<b>US\$25</b>	<b>US\$44</b>	<b>US\$55</b>



#### *Rates for international service*

Rates for outbound international calls are based on the type of service provided, whether operator-assisted or direct-dialed. Our rates are quoted in U.S. dollars and are billed in Philippine pesos. The Philippine peso amounts are determined at the time of billing. We charge a flat rate of US\$0.40 per minute to retail customers for direct-dialed calls, applicable to most destinations at any time on any day of the week.

#### *Domestic Service*

Our domestic services are provided primarily through PLDT. This service consists of voice services for calls made by our fixed line customers outside of their local service areas within the Philippines and access charges paid to us by other telecommunications carriers for wireless and fixed line calls carried through our backbone network and/or terminating to our fixed line customers.

Mobile substitution, OTT voice call alternatives and the widespread availability and growing popularity of alternative, more economical to free non-voice means of communications, such as e-mails, SMS, video conferencing applications and social networking sites, have negatively affected our domestic call volumes.

#### *Rates for domestic service*

Rates for domestic calls traditionally were based on the type of service provided, such as whether the call is operator-assisted or direct-dialed. However, PLDT simplified these rates in recent years for calls originating from and terminating to the PLDT fixed line network and for calls terminating to fixed line networks of other local exchange carriers. PLDT also simplified its rates for calls terminating to mobile subscribers.

In addition, PLDT bundles the free PLDT-to-PLDT calls in some promotions and product/service launchings in order to stimulate fixed line usage.

#### *Miscellaneous*

Miscellaneous services include the provision of facilities management, rental fees and other services.

We sell and distribute our products and services through the following channels:

#### *Distributors and Dealers*

We sell our fixed line and mobile services primarily through our regional and key account partners who generally have their own direct sales forces and retail networks. As at December 31, 2022, we had 50 field sales distribution partners and 133 key account partners for fixed line services, 18 exclusive regional and 107 exclusive provincial distributors for wireless, and 92 key account partners for wireless, 18 of whom are exclusive to us. A number of our trade partners are likewise major distributors of smartphones and devices that are retailed in their owned telecommunications outlets. Account managers from our sales force manage the distribution network and regularly update these business partners on upcoming marketing strategies, promotional campaigns and new products. Our distribution network encompasses approximately over one million retailers. These retailers must be affiliated with one of Smart's authorized regional and provincial distributors. With the prepaid reloading distribution network extended to corner store and individual retailer levels and minimum reloading denominations as low as Php5, Smart's prepaid service has become even more affordable and accessible to subscribers.

#### *Retail Stores*

Retail stores are the company-owned PLDT Sales and Service Centers with 95 branches and Smart Stores with 128 branches as at December 31, 2022 that showcase our Company's products and services to customers nationwide. Our frontlines enable unique digital experiences through daily customer interaction. We offer enticing products and services based on the customer needs. We also cater to customers' after-sales requests and inquiries. Our stores also accept payment for bills, postpaid and prepaid sales.

Satellite branches, with a total of 23 stores nationwide as at December 31, 2022, are partner-owned Smart branded stores operating as auxiliary touchpoints for converged wired and wireless sales, aftersales and bills payment.

#### *Enterprise Business*

Our Enterprise Business Group is responsible for the sales and marketing of Smart products, corporate data and ICT products, solutions and services to corporate clients. This includes Smart and Sun postpaid GSM and broadband services that may be bundled with mobile phones, tablets and other relevant devices. Our enterprise solutions portfolio includes Machine to Machine, IoT and platform solutions, such as Bizload and Messaging Suite, an application-to-person ("A2P") messaging platform. Wireless Enterprise also partners with various software, platform and application vendors that cater to a wide array of industry-specific requirements.

### Telesales

As part of our telesales, we reach out to our subscribers to offer the latest services, solutions and promotions. Our telesales agents, in partnership with different contact center providers, enable new connect application and existing subscribers to avail value-added solutions, upgrade and migrate their fixed line and wireless accounts, as well as recontract their expiring accounts over the phone. All orders are delivered directly to customer's address for devices and handsets.

### Online sales

Customers can conveniently access our services through our PLDT Home website and Smart Online Store, an end-to-end portal, where they can conduct various online transactions, including selecting fiber broadband or mobile subscription plans, avail of a wide array of the latest 5G and 4G mobile handsets, renewing or upgrading an existing plan, purchasing prepaid SIM and devices, or subscribing for e-load and various add-on promotions. All orders are delivered directly to the customers' addresses.

Smart's GigaLife app is a mobile application which allows users to link and manage multiple prepaid and postpaid accounts. With the GigaLife app, users can buy load, pay bills, subscribe to promotions, and earn Gigapoints. By offering various marketing promotions and events within the app, the GigaLife app has gained a lot of traction. Other online channels include My Smart website, Smart Chatbot, and Paywall which allow our mobile subscribers to avail of add-on promotions.

For e-Commerce, the PLDT and Smart flagship stores are now available in Lazada and Shopee. Our presence on these e-commerce platforms will further enhance the accessibility of our products to customers.

### Postpaid Field Sales ("PFS")

PFS was established to address postpaid markets belonging to corporate individual and capable communities. The channel intends to strategically regain the wireless postpaid stronghold by identifying and approaching customer segments that do not frequent the store outlets, those upgrading from prepaid, and most importantly, those who would be using postpaid for the first time. With 58 active partners, PFS is expected to continue growing and fortifying our nationwide operations.

### ***Others***

Our other business in 2022 consisted primarily of investments in digital platforms and other technologies, made through our investment companies, PCEV, PGIH, PGIC, and PLDT Digital and its subsidiaries.

### ***Voyager Innovations, Maya Philippines, and Maya Bank***

Voyager Innovations Holdings Pte. Ltd. ("**VIH**") is the parent holding company of Maya Philippines, Inc. (formerly PayMaya Philippines, Inc.) and Maya Bank. Maya Philippines is registered with the Bangko Sentral ng Pilipinas ("**BSP**") as an electronic money issuer, remittance and transfer company, operator of payment system, and virtual asset services provider. Maya Bank is one of only six digital banks in the Philippines licensed by the BSP. Together, Maya Philippines and Maya Bank power the platforms under the Maya brand, providing the next generation of integrated financial products to both consumers and enterprises in the Philippines.

In April 2022, VIH raised US\$210 million in new funds propelling VIH's valuation to nearly US\$1.4 billion. Leading the round was SIG Venture Capital, alongside other new investors EDBI and First Pacific Company Ltd. Also participating in the round were existing shareholders PLDT, KKR, Tencent, International Finance Corporation (IFC), and IFC Emerging Asia Fund and IFC Financial Institutions Growth Fund.

In March 2022, Maya Bank received regulatory approval to commence operations and launch its services, six months after being granted a digital bank license by the BSP in September 2021.

In April 2022, the brand PayMaya transformed into Maya, becoming the only all-in-one digital finance platform in the Philippines that enables its users to spend, save, invest, and borrow in one app. The Maya App combines the power of a top-rated e-wallet with best-in-class savings, instant credit, and seamless cryptocurrency services.

In June 2022, Maya fully launched its consumer savings, and in six months, it had 1.5 million bank customers and Php14.7 billion in deposit balance as of December 31, 2022.

In July 2022, PayMaya Business, the leading enterprise payment processor in the Philippines, transformed into Maya Business offering integrated merchant solutions and embedded banking. It serves the Philippines' largest e-commerce platforms and everyday merchants, including food, retail, transportation, and government. It enables micro, small, and medium enterprises ("**MSMEs**") with payment acceptance and credit.

Maya continues to double down on its digital banking advantage to accelerate financial service adoption by encouraging more Filipinos to embrace new financial services such as credit, savings, and investments.

## **Infrastructure**

### **Wireless Network Infrastructure**

#### *Mobile*

Our mobile network supports 5G, 4G, 3G and 2G technologies. We continue to expand our LTE capacity, increase our 5G coverage, and roll out more physical sites to widen our coverage in order to sustain the growing demand for our services. As at December 31, 2022, Smart had a total number of 38,758 4G/LTE base stations and 17,064 3G base stations throughout the Philippines. We believe our mobile broadband covers over 97% of the population and is present in over 97% of the country's cities and municipalities, as at December 31, 2022.

Fixed wireless services are also offered to residential and corporate clients through our high capacity mobile network. This complements our fibered fixed network as our fixed wireless services are able to reach areas that are not currently serviced through wired connections. To support the delivery of this huge amount of traffic, the backhaul of our cell sites are being migrated to fiber. To date, more than two-thirds of our cell sites are connected through fiber.

Moreover, in tangent with its ongoing LTE-Advanced roll-out, Smart is deploying 5G-capable equipment. Smart started rolling out 5G and upgrading the core and transport elements of its network, including upgrading the backhaul to support 5G speed. Smart has completed 5G pilots and has pioneered 5G cities in Makati and Pampanga in 2018, and a 5G lifestyle hub with the Araneta Group, a 5G Campus with Ateneo de Manila University, and the first 5G Stadium at New Clark City during the 30th Southeast Asian Games in 2019. Smart ramped up its 5G leadership in 2020 when they fired up its commercial 5G SA sites in Makati City where they powered up one of the first 5G SA networks in the world. In 2021, Smart made its first successful voice over new radio ("VoNR") call and rolled out thousands of 5G sites to become the 5G Leader in the Philippines. Smart continues to lead 5G innovations in 2022, being the first in the Philippines to test end-to-end network slicing and low earth orbit ("LEO") broadband connectivity.

To support our 5G capabilities, our data core network is being transformed into a virtualized network to instill it with new capabilities, such as automation, network slicing and improved resiliency, while supporting massive data traffic growth. As at December 31, 2022, we had a total of 7,236 5G base stations.

Furthermore, we continue to evolve our voice core network through our ongoing transformation activities. Additional capabilities, such as "Voice over WiFi", allow users to make and receive voice calls in WiFi environments, and Voice over LTE, provided high quality voice calls and faster call setup times.

### **Fixed Line Network Infrastructure**

#### *Domestic*

PLDT's fixed line infrastructure is comprised of the latest technologies, delivering voice, broadband and ICT services to home and corporate customers. We deliver voice and high-speed broadband to each home through our all-fiber network, FTTH, an IP-based platform. At present, FTTH is capable of delivering 2.5 Gbps and up to 10 Gbps, and we have deployed FTTH in all cities and in the majority of municipalities in the Philippines. We have already started retiring the legacy copper network, replacing it with FTTH to provide high speed broadband and improve customer experience. This network provides broadband availability to approximately 17.2 million homes passed, as at December 31, 2022.

PLDT provides enterprise and ICT services through its carrier Ethernet network ("CEN"). Carrier ethernet service is a global standard for secure, scalable, resilient, cost effective, and high bandwidth point-to-point or multi-point connectivity using the simple and ubiquitous Ethernet technology delivered through PLDT's MEF-certified CEN. PLDT's CEN is based on Metro Ethernet Forum ("MEF") 3.0, the latest standardized, carrier-class service and network. This highly reliable and resilient system provides high capacity and high-speed VPN services for all corporate customers. It supports enterprise requirements such as data storage, headquarter to branch connectivity, headquarter to disaster recovery site connectivity, cloud services and backhaul for mobile/LTE services. PLDT also uses the "Software Defined Wide Area Network" to deliver such enterprise services across different service providers and over the internet in a secured manner.

We likewise have an IP backbone network ("IPBB"), composed of high-capacity, high-performance core and edge routers, with capacities of up to 100Gbps per port in key exchanges that provide IP connectivity to the different network elements built for PLDT, Smart and other subsidiaries and affiliates. It serves as a common and highly resilient IP transport platform for all of our IP-based services. In 2020, the IPBB underwent a transformation project called the "Transport Network Transformation Project" ("TNT Project"), which significantly increased the network's capacity and upgraded its routing technology to the latest technology, including segment routing and software defined network ("SDN") technology.

All our networks are connected nationwide through PLDT's nationwide fiber backbone, the "Domestic Fiber Optic Network" ("DFON"). DFON is comprised of transport nodes connected by terrestrial and submarine cable links configured in 11 loops and two appendages extending to Palawan and Iligan. The DFON loops provide self-healing and alternative segment route protection for added resiliency against single and multiple fiber breaks along the different segments. The DFON utilizes dense wavelength division multiplexing technology, which has a 200/300 Gbps capacity per channel, giving it greater flexibility for capacity and expansion. The DFON has a capacity of 19.2 Tbps per fiber pair. The DFON network also connects three of PLDT's international cable landing stations. Following the implementation of the TNT Project, the DFON network gained added resiliency and network reliability as we implemented an automatic fail capability into the DFON network to automatically transfer traffic to other redundancy links in the event the DFON experiences downtime. The DFON is complemented by a terrestrial microwave backbone network to deliver services to remote areas unreachable by the fixed terrestrial transport network.

Both the DFON and IPBB serve as the common high bandwidth fiber optic cable-based backbone for the PLDT Group. DFON is part of the 866,188 total fiber kilometers of the PLDT Group, as at December 31, 2022. These networks are supported by SDN technology, which simplifies and automates network provisioning and operations.

### *International*

PLDT's international network was designed and built to support IP-based international services, including voice, messaging, international enterprise solutions, and the biggest use of international network resources today, the Internet services of the PLDT Group. The international network also supports in part requirements of the international retail business run by PLDT Global in various locations in Asia, Europe and the United States.

For voice services, PLDT operates two IP voice gateways. As at December 31, 2022, PLDT's facilities allow the exchange of traffic with 62 foreign carriers from 29 countries and can reach almost a thousand foreign destinations (including fixed and wireless network destination "breakouts", or specific areas within a country) worldwide.

As at December 31, 2022, the Company has five international internet gateways to fortify PLDT Group's infrastructure for internet and IP-based services, as well as connections of our fixed and wireless networks to content and internet services available from, and businesses connected to, the global internet. All these gateways employ high capacity, high performance routers, and together with ancillary facilities (such as security against network/service attacks), they provide premium and differentiated internet and/or IP services to all types of customers ranging from ordinary broadband to high bandwidth internet requirements of corporate customers, knowledge processing solution providers, internet service providers ("ISPs") and even other service providers. As at December 31, 2022, PLDT also operates six offshore/forward gateway routers in Hong Kong, Singapore, United States and Japan to support optimized and direct access to content providers and businesses connected to the internet in Asia as well as the continental U.S which we expect to result in faster internet speed. Latest offshore gateway routers were established in Japan in 2020 and Singapore in 2021 with 100 Gbps high capacity interface bandwidth.

To localize international internet content, PLDT employs local transparent caching network, and additionally, a network of content provider/distributor-supplied local caching servers at key locations. With these facilities, high demand contents from popular content and content delivery network providers are available locally and are delivered to PLDT customers.

PLDT operates the Philippines' most extensive international submarine cable network. As at December 31, 2022, PLDT maintains and operates three international cable landing stations in La Union and Batangas for international cables coming from the West Philippine Sea, and in Daet in the east for international cables coming from the Pacific Ocean. These international cable stations are connected to our three international transmission maintenance centers, including direct cable station to cable station interconnection, through an advance terrestrial fiber mesh network (north, south and east Luzon systems).

Connecting the country to the rest of the world via PLDT’s international cable stations are submarine cable systems in which PLDT had invested in and/or acquired capacities. The table below shows the submarine cable systems in which PLDT has interests, which terminate in the Philippines or connect with other submarine cable systems from the Philippines or other countries or territories:

Cable System	Countries Being Linked
JUPITER Asia-Pacific Cable Network 2, or APCN2 Southeast Asia-Middle East-Western Europe No. 3 Cable, or SEA-ME-WE-3	Japan, U.S. and the Philippines Philippines, Hong Kong, Japan, South Korea, Malaysia, Singapore, China and Taiwan Japan, South Korea, China, Taiwan, Hong Kong, Macau, Philippines, Vietnam, Brunei, Malaysia, Singapore, Indonesia, Australia, Thailand, Myanmar, Sri Lanka, India, Pakistan, United Arab Emirates, Oman, Djibouti, Saudi Arabia, Egypt, Cyprus, Turkey, Greece, Italy, Morocco, Portugal, France, UK, Belgium and Germany
Fiber-optic Loop Around the Globe, or FLAG, Cable	Japan, South Korea, China, Hong Kong, Malaysia, Thailand, India, United Arab Emirates, Saudi Arabia, Egypt, Italy, Spain and UK
Southern Cross Cable Network, or SCCN East Asia Crossing, or EAC Cable, City-to-City Cable System or C2C	U.S. Mainland, Hawaii, Fiji, Australia and New Zealand Japan, Hong Kong, China, South Korea, Taiwan, Singapore and the Philippines
Pacific Crossing-1, or PC1, Japan-U.S. Cable Network (JUCN), TGN-Pacific, Unity, FASTER Asia-America Gateway, or AAG, Cable Network	Japan and the U.S. Malaysia, Singapore, Thailand, Vietnam, Brunei, Hong Kong, Philippines, Guam, Hawaii and the U.S. Mainland
Asia Submarine-cable Express, or ASE TGN-Intra Asia Asia Africa Europe-1, or AAE-1 Cable	Philippines, Japan, Singapore, Malaysia and Hong Kong Hong Kong and Japan Hong Kong, Vietnam, Cambodia, Thailand, Malaysia, Singapore, Myanmar, India, Pakistan, Oman, UAE, Qatar, Yemen, Djibouti, Saudi Arabia, Egypt, Greece, Italy and France
TEA2 (Terrestrial)	Hong Kong and Sweden

The Asia Direct Cable (“**ADC**”) cable installation is in progress. PLDT will own fiber pairs in ADC, which is expected to be ready for service by the first quarter of 2024.

On August 11, 2021, PLDT signed the APRICOT Construction & Maintenance Agreement with four other parties that have formed a consortium. PLDT is investing US\$80 million in the APRICOT cable system with acquisition on fiber pair basis. This 12,000-kilometer long cable system will have a design capacity of more than 190Tbps connecting the Philippines to Japan, Singapore, Indonesia, Taiwan and Guam. New cable landing stations in Luzon and Mindanao will be built as part of this submarine cable system to enhance network resiliency. With the cable to be routed via the eastern coast of the Philippines, it will also increase the submarine cable route diversity in the Asia-Pacific region.

The APRICOT cable continues to manufacture its dry and submersible plants. New cable landing stations in Luzon and Mindanao will be built as part of this submarine cable system to enhance network resiliency. The cable will be routed via the eastern coast of the Philippines and will also increase the submarine cable route diversity in the Asia-Pacific region.

PLDT’s international automatic optical transport switching system and carrier ethernet network continues to provide effective redundancy and continuity of service to Hong Kong, Japan, Singapore and the U.S. Mainland for premium enterprise clients. Additional dedicated submarine cable circuits were provisioned, and capacity of nodes upgraded, to support growing business requirements.

### **Cyber Security**

The PLDT Group continues to make investments in cyber security measures. Aside from focusing its efforts and resources in protecting our most critical infrastructure and information assets, the PLDT Group’s cyber security investments were also directed to acquire technology, boost capability, and expand partnerships to increase the security of the Philippine cyberspace, combat online child abuse and sexual exploitation, and other worthwhile endeavors. The following are our accomplishments from our continued efforts to optimize our cyber security operation capability framework:

- We continuously deploy an endpoint advance security agent to all corporate workstations to detect and prevent attacks. This capability detects thousands of high-risk endpoint activities and enables the operations team to quickly respond to and clean-up endpoints by blocking, remotely deleting and/or putting into quarantine malicious file detections. Additional efforts related to server and workstation security include, centralized authentication, simplified account management while trying to achieve an endpoint “Zero Trust” approach to complement our NAC implementation. These clean-up efforts are executed as part of our response and remediation process;
- Our fully operational 24x7 Cyber Security Incident and Response Team (“**CSIRT**”) enables the detection of and response to security incidents within less than one minute, on average. Our membership in the Forum of Incident Response and Security Teams (“**FIRST**”), a globally recognized leader in cyber security incident response, provides us with access to best practices and tools, and trusted communication with other member incident response teams;

- We continue to prevent attacks on our corporate websites through the use of our web application firewall that has protected our corporate websites from more than 53 million malicious attacks in 2022;
- We adopted an automated periodic user access management review as a cyber security protection practice for PLDT Group critical applications, databases and operating systems. This capability supports compliance for both internal and external SOX financial audit activities;
- More than 17 billion attempts to access phishing, smishing, scamming and malware-distribution sites have been blocked, as of December 31, 2022, using our secure DNS solution which benefits both our corporate employees as well as our customers;
- To continuously enhance our predictive capability, we regularly conduct threat hunting activities to update our threat intelligence database with the latest threats. We have included more than 123.9 million indicators of compromise in our threat intelligent database, which is used for real-time threat correlation;
- We continue to improve our anti-distributed denial of service (“**Anti-DDoS**”) strategy to cover all layers of defenses (e.g. external, edge, internal, and people/process) in response to a significant increase in the number and frequency of DDoS attacks. The largest mitigated DDoS attack in 2022 comprised a throughput of more than 307K mbps;
- We continued our efforts to expand our security visibility by enrolling active IP-based assets to our Security Operations Center that detected and prevented approximately 17 billion incidents in 2022;
- We have established corporate governance processes around the procurement and deployment of Internet of Things (“**IoT**”) and hardening of customer-premises equipment through vulnerability assessment and penetration testing;
- For application and data security, we have an automated data visibility across the organization and across platforms and operationalized monitoring of sensitive data assets, alert threats and remediation, which are in compliance with local and global data protection laws and regulations;
- In terms of database security, we have full visibility of activities in all critical and sensitive databases to define the details of each transaction while being able to identify and/or block malicious activities/queries;
- For cloud and web security, we continue to boost our efforts to achieve full visibility of cloud assets and activities, secure shadow IT, obtain the ability to discover malicious activities through UEBA, and secure critical and sensitive data in the cloud;
- To further improve our investigation and response capabilities, we have a real time dashboard and improved reporting and visualization, consolidated and standardized event logs from managed systems and devices across the network, sufficient data retention enabling backtracking and pattern visualization, while enhancing event processing capabilities for security incident investigations;
- To ensure continuous validation of our security controls, a cyber attack and breach simulation tool has been deployed to enable us to identify successful attack techniques and exploits and better prevent such attacks.
- In terms of security infrastructure and application monitoring system, we utilize real-time visibility and alerting of security solutions’ performance and utilization, automated pro-active monitoring to prevent unplanned disruptions, and ensuring higher availability/uptime of all CSOG security solutions;
- A cyber war crisis simulation is held quarterly with participation from all stakeholders, such as our IT team, network team, legal team and privacy office. This simulation exercise allows us to measure the whole organization’s performance, existing policies and protocols and effectiveness of coordination within the company as well as with third parties, including their respective accountabilities;
- To further strengthen our thought leadership, CSOG offered the Cyber Warrior Course through an internship program, in partnership with the Asia Pacific College. Through the Cyber Warrior Course, qualified students are given specialized cyber security training that allows them to receive practical knowledge and skills related to cyber security while also giving them an overview of the end-to-end operations of CSOG while integrating the CSOG mindset and values; and
- In line with the Company’s Child Safeguarding Policy to ensure the online protection of children and in compliance with regulatory requirements, our Child Protection Platform (“**CPP**”) has blocked more than 586,000 URLs that involve online sexual abuse and exploitation of children (“**OSAEC**”) and child sexual abuse and exploitation materials (“**CSAEM**”), and 3.1 million attempts to access illegal OSAEC and CSAEM. Embedded into our 24/7 cyber security operations, this solution allows the continued detection and prevention of access to OSAEC and CSAEM within our network, both on the domain and content level. This solution also utilizes strategic alliances with intelligence units and dedicated organizations, such as the integration of the Internet Watch Foundation Automation Tool and the application of information from the Canadian Centre for Child Protection for the blocking of OSAEC and CSAEM.

We recognize that the bottom-up engagement of our employees is one of our key success factors for an effective cyber security program execution. We continue to vigorously conduct weekly cyber security awareness campaigns for our employees and mandatory annual e-learning course to all employees. While we continue to see persistent phishing campaigns targeting our employees (the majority of which are attempts to gain Microsoft Office 365 credential), we perform periodic phishing simulations to assess the awareness of our employees on social engineering schemes. Employees who fall victim to the phishing test were given cyber security awareness training. These periodic exercises resulted in heightened awareness among employees of phishing and scamming tactics which resulted in a decline in phishing bait rate in 2022.

### Interconnection Agreements

Since the issuance of Executive Order, or E.O., No. 59 in 1993, which requires the non-discriminatory interconnection of Philippine carriers' networks, we have entered into bilateral interconnection arrangements with other Philippine fixed line and mobile carriers. See Item 1. "Description of Business – Licenses and Regulations – Regulatory Tariffs" for further discussion.

As at December 31, 2022, PLDT has direct interconnection agreements with 59 foreign carriers from 32 countries. The average international termination rate for calls to PLDT fixed line was approximately US\$0.1150 per minute in 2022. PLDT also carries international calls terminating to Smart and Sun networks where they have no direct interconnections.

In compliance with NTC Memorandum Circular No. 03-06-2019, or the Rules and Regulations Implementing Republic Act No. 11202, otherwise known as the "Mobile Number Portability Act", effective January 2, 2020, the interconnection rate for mobile was reduced from Php0.50 per minute to Php0.00 per minute for domestic calls and from Php0.05 per message to Php0.00 per message for SMS.

### Licenses and Regulations

#### Licenses

The table below provides the expiry dates of franchises for each company indicated:

Company	Expiry Dates of Franchises
PLDT	November 28, 2028
Clarktel	June 30, 2024
Smart	May 19, 2042
SBI	November 11, 2047
DMPI	April 1, 2028
CURE <sup>(1)</sup>	May 26, 2026

<sup>(1)</sup> In the case of CURE, PLDT has agreed to divest the CURE spectrum as a part of the NTC decision with respect to PLDT's acquisition of a controlling interest in Digitel.

A franchise holder is required to obtain operating authority from the NTC to provide specific telecommunications services authorized under its franchise. These approvals may take the form of a CPCN, or, while an application for a CPCN is pending, a provisional authority to operate. Provisional authorities are typically granted for a period of 18 months. The Philippine Revised Administrative Code of 1987 provides that if the grantee of a license or permit, such as a CPCN or provisional authority, has made timely and sufficient application for the extension thereof, the existing CPCN or provisional authority will not expire until the application is finally decided upon by the administrative agency concerned.

The following table sets forth the frequency bands of our LTE, broadband wireless access, code-division multiple access, GSM, 3G, HSPA and 5G networks held and used by our wireless service subsidiaries:

Assignees	Service/Technology	Bands (in MHz)	Bandwidth Assignment
Smart	3G-WCDMA	850	10MHz x 2
	GSM 900	900	7.5MHz x 2
	GSM 1800	1800	20MHz x 2
	3G-WCDMA	2100	15MHz x 2
DMPI	CDMA 2000	1900	2 channels of 1.25 MHz of bandwidth
	3G-WCDMA	2100	10MHz x 2
	TD-LTE	2500	15MHz
	TD-LTE	3400	30MHz
	GSM 1800	1800	17.5MHz x 2
SBI	TD-LTE	2500	20MHz
	TD-LTE	3400	30MHz
PDSI	TD-LTE	2300	30MHz

On May 27, 2016, the NTC approved the frequency co-use arrangement between Smart and Globe of various frequencies under LTE 700, GSM/3G 900, GSM/LTE 1800, BWA/LTE 2300, and LTE 2500 assigned to Bell Telecommunications Philippines, Inc.

As a condition of our acquisition of a controlling interest in Digitel, we have agreed with the NTC to divest the congressional franchise, spectrum and related permits held by CURE following the migration of CURE's *Red Mobile*

subscriber base to Smart.

### **Material Effects of Regulation on our Business**

Pursuant to E.O. No. 109, operators of IGFs and mobile telephone operators are required to install a minimum number of local exchange lines. Of these new lines, operators are required to install at least one rural exchange line for every ten urban exchange lines installed. Smart and PCEV were required to install 700,000 and 400,000 rural lines, respectively, and each received a certificate of compliance from the NTC in 1999.

PLDT, ClarkTel, Smart, DMPI and SBI are required to pay various permit, license, regulatory and supervision fees to the NTC. PLDT was previously engaged in disputes with the NTC over certain assessed fees.

The Philippine Congress has passed laws and the Philippine Government and certain Government agencies have issued a number of directives that regulate the manner in which we conduct our business, including:

- R.A. No. 11930, or the Anti-OSAEC and Anti-CSAEM Act, which repealed R.A. No. 9775 or the Anti-Child Pornography Act. RA No. 11930 now provides for the obligations and responsibilities of other Internet Intermediaries apart from Internet Service Providers. internet intermediaries are required to develop, establish and install mechanisms or measures designed to prevent, detect, respond or report violations of this Act within their websites, platforms, applications, servers or facilities, compatible with the products and services they offer that may be in accordance with the global best practices and guidelines to counter violations of this Act which may include the installation of available technology, program, or software to ensure that access to or streaming of violations of this Act will be removed, blocked or filtered. In addition, ISPs are obligated to develop and adopt a set of systems and procedures for preventing, blocking, detecting, and reporting of OSAEC and CSAEM committed within their platforms, which are compatible with the services and products they offer, including the maintenance and management of an updated list of URLs containing CSAEM by partnering with organizations that maintain the most comprehensive list of URLs with CSAEM, and those with hashes of the same.
- On July 23, 2009, the NTC issued Memorandum Circular No. 5-07-2009 which amended the mode of billing from per minute to per pulse such that the maximum units of billing shall be 6 seconds per pulse. The NTC ruled that Smart violated the Memo Circular by not implementing pulse billing as its default billing scheme. On appeal, the CA partially ruled in favor of SMART but ruled that the NTC has the power to regulate rates under all circumstances. This has been questioned by Smart on the basis that the NTC's residual power to regulate rates may be exercised only when ruinous competition results, when monopoly, cartel, or combination in restraint of free competition exists, or when rates are distorted or unable to function freely and the public is adversely affected. The case is currently pending in the Supreme Court, following a partial appeal by SMART.
- On July 15, 2011, the NTC issued Memorandum Order No. 07-07-2011 requiring broadband service providers to specify the minimum broadband/internet connection speed and service reliability and service rates in their offers to customers in their advertisements, flyers, brochures, service agreements and service level agreements. The memorandum order prescribed a formula for computing service reliability and set the minimum service reliability at 80%. On August 13, 2015, the NTC issued Memorandum Circular No. 07-08-2015, which set out the rules for measuring fixed broadband and internet access service, including guidelines for testing broadband and internet speed. The memorandum circular also sets the minimum broadband speed at 256 kbps and provides additional guidelines on information required to be disclosed to customers of broadband providers or ISPs. On December 13, 2016, the NTC issued Memorandum Order No. 10-12-2016, which set out the rules for measuring mobile broadband and internet access service, including guidelines for testing mobile broadband and internet speed.
- On October 27, 2017, the NTC issued Memorandum Order No. 10-10-2017, which relates to the migration of all existing seven-digit telephone numbers to eight-digit telephone numbers for local telephone service within the "02" local exchange area. Under the memorandum order, PTEs were required to conduct a media campaign three months prior to the start of migration and, for a period of three months after the migration, to advise their customers through recorded announcements on the use of the new exchange codes and PTE identifiers. On October 6, 2019, the migration was fully implemented.
- On December 20, 2017, NTC, DICT and Department of Trade and Industry, ("DTI"), issued the Joint Memorandum Circular No. 05-12-2017, extending the validity of all prepaid load to one year from the date of the latest top-up. Prepaid loads purchased for promotions and bucket of services with a specific period of use duly approved by the DTI and/or NTC are excluded from the mandatory one-year validity period.
- On May 25, 2018, President Rodrigo Duterte issued Executive Order No. 56, which institutionalized the Emergency 911 Hotline as the nationwide emergency answering point and replaced Patrol 117. The executive order provides, among others, that all calls made to the Emergency 911 Hotline shall



be free of any charges. PLDT and Smart have complied with the executive order and, accordingly, PLDT and Smart subscribers can now call the Emergency 911 Hotline for free.

- On August 15, 2018, the National Electrification Administration (“**NEA**”), through Memorandum No. 2018-055, set the standard pole rental rate of electric cooperatives at Php420 per cable position per pole per annum. The memorandum also prescribes a standard joint pole agreement, whereby any change or addition thereto are required to be fair to both parties and should eventually benefit the member-consumer-owners of the relevant electric cooperative.
- On December 14, 2018, the DICT issued Memorandum Order No. 04, series of 2018, which directed (a) PTEs and/or wireless service providers who offer customers mobile phones and devices, free of charge or at a subsidized cost, in exchange for an agreed fixed lock-in period to provide their customers convenient sites, facilities and processes to unlock the mobile phones and devices of customers who wish to change between compatible wireless service providers, provided that such customers must have completed the applicable lock-in periods and have no outstanding obligations under their subscription agreement and (b) the NTC having issued rules and regulations to implement the provisions of the order. Pursuant to such authority, on May 31, 2019, the NTC issued Memorandum Circular No 01-05-2019, which set out the rules and regulations for the unlocking of mobile phones and devices of users after the applicable lock-in period and provided that (i) in the case of a postpaid customer, such customer must have complied with the terms and conditions of the subscription agreement and (ii) in the case of a prepaid customer, such customer must have complied with usage requirements or the agreed terms and conditions.
- On February 8, 2019, RA No. 11202 or the MNP Act was enacted into law. The Implementing Rules and Regulations (“**IRR**”) of the MNP Act or NTC MC No. 03-06-2019 was issued on June 11, 2019. Through the MNP Act and its IRR, qualified customers can retain their mobile numbers when they move from one mobile service provider (“**MSP**”) to another, or change the type of subscription from postpaid to prepaid or vice versa. MNP is completely free of charge.

The MNP IRR mandates the creation of a Mobile Number Portability Service Provider (“**MNPSP**”) that will provide mobile number porting services for the MSPs. The MSPs shall equally share in the capital expenditures for the software, hardware and other facilities required by the MNPSP. Operating and maintenance costs of the MNPSP shall be agreed upon by the MSPs and the MNPSP. In compliance with the IRR, Smart, Globe and Dito established in 2019 a joint venture company, TCI, to provide number porting services and facilitate the expeditious porting of mobile numbers.

Since the commercial launch of MNP on September 30, 2021, subscribers can now avail of MNP services.

- On July 17, 2019, the Civil Service Commission, (“**CSC**”), Anti-Red Tap Authority (“**ARTA**”), and DTI issued Joint Memorandum Circular No. 2019-001, series of 2019, or the implementing rules and regulations of Republic Act No. 11032, otherwise known as the “Ease of Doing Business and Efficient Government Service Delivery Act of 2018”. Pursuant to the law, the memorandum circular directed all agencies which provide Government service to undertake regulatory impact assessment, compliance cost analysis, conduct time and motion studies, undergo evaluation and improvement of all their Government services, and reengineer the same, if deemed necessary, to reduce bureaucratic red tape and processing time, and to promote efficiency and simplicity of process. In particular, Section 15 of the Ease of Doing Business provides that the processing and approval or licenses, clearances, permits, certifications or authorizations for the installation and operation of telecommunication, broadcast towers, facilities, equipment and service shall be a total of seven (7) working days for those issued by the Local Government Agencies. Further, Section 10 of the same Act provides that if the granting authority fails to approve or disapprove an application for a license, clearance, permit, certification or authorization within the prescribed processing time, said application shall be deemed approved provided that all documents are complete, and all fees or charges have been paid.
- On May 24, 2019, the DICT issued the rules on the accelerated roll-out of common towers to ensure more access to cost-efficient information and communications technology infrastructure and enable the building or converting of at least 2,500 common towers in (a) identified DICT-owned properties; (b) other Government agencies’ properties; and (c) hard-to-access areas identified by telecommunication operators. The rules provide, among others, that: (i) MNOs which voluntarily offer to share its existing towers shall be permitted to build passive infrastructure in Government properties under such terms as may be permitted by law and, for such purpose, each existing tower to be voluntarily shared by an MNO shall entitle such MNO to select an available Government property where it would place a common tower built by them or by its selected independent tower company, or ITC, which must not be a related party of an MNO; (ii) an ITC shall be required to lease its telecommunications towers, including its associate maintenance services, to all access seekers for a specified lease term to be mutually agreed between the ITC and the telecommunications operator; and (iii) telecommunications towers built after the issuance of the rules shall be subject to the following terms: (1) no new telecommunication tower shall be built or constructed within a proximity radius of 150 meters from an existing/planned telecommunication

common tower in an urban area, except in high-density areas like Makati, Ortigas and Bonifacio Global City, or 1,000 meters of an existing/planner telecommunication common tower in a rural area, (2) when presently existing towers built by MNOs and those built by the ITC can no longer accommodate additional equipment and there is demand for additional capacity, (3) new technologies, such as 5G, require telecommunications structures to be within a proximity radius of less than 150 meters or 1,000 meters of each other, and (4) the proximity rule shall not be applied to special telecommunication structures such as street lamps, electric poles, small cell sites, cell sites on wheels and camouflaged towers.

On May 29, 2020, the DICT issued Department Circular No. 008, which provides for the policy guidelines on the co-location and sharing of passive telecommunication tower infrastructure (“PTTIs”) for macro cell sites. The establishment of the policy is intended to, among others, ensure universal access to quality, affordable, reliable and secure ICT services; promote the development and widespread use of emerging ICT; foster and accelerate the convergence of ICT facilities; establish a domestic internet exchange system to facilitate strategic access for the Government and the general public; allow the shared use of passive ICT infrastructure as a component of the Philippine Government’s Free Public Internet Access Program, or FPIAP, in order to provide free internet access in public places throughout the country; and establish, operate and maintain ICT infrastructures in unserved and underserved areas. The department circular expressly declares that no ITC or MNO shall, directly or indirectly, engage in any predatory or anti-competitive act, practice or transaction in relation to the construction, management, operation or maintenance of PTTIs. Further, the department circular provides, among others, that: (a) except for MNOs with legislative franchises and CPCNs, no entity shall own, construct, manage or operate PTTIs in the Philippines unless otherwise granted an ITC Certificate of Registration; (b) all PTTIs built, improved, renovated, retrofitted, upgraded or updated after the effectivity of the department circular shall provide ample access slots for all MNOs and the DICT to co-locate, mount or install their respective antennas, transmitters, receivers, radio frequency modules, radio-communication systems, and other similar active ICT equipment, units and implements, for the rendition of their respective telecommunications and ICT services; (c) all private sector agreements for co-locating in shared PTTIs shall comply with the requirements under the department circular and all private sector MNOs shall be offered the same or reasonably equivalent terms, conditions, fees and charges for co-locating or sharing in the same PTTI; (d) charges and fees imposed by the PTTI owners or operators shall be periodically monitored by DICT; (e) all installations made after the effectivity of the department circular, of private sector antennas, transmitted, receivers, radio frequency modules, radio-communications systems and other ICT equipment, units and implements for macro cell sites, as well as all improvements, renovations, upgrades or updates thereof, shall be co-located in shared PTTIs, except as may be allowed by the DICT upon clear showing of meritorious grounds which are not contrary to departmental policies; (f) all telecommunications electronic equipment shall be covered by the appropriate type-approval or other permit documents as may be required by the NTC, and duly registered with the DICT, prior to being mounted or installed on PTTIs; (g) in order to meet the existing and future demands for connectivity and quality of service in the Philippines, co-location of PTTIs in the same or nearby sites, locations or areas may be permitted by the DICT if in line with the directives of the department circular; (h) the establishment and maintenance by the DICT of a registry of all PTTIs owned, constructed, managed or operated by MNOs and ITCs; and (i) all PTTI owners or operators shall utilize and confirm to a uniform financial reporting system in accordance with PFRS, the PAS, and other applicable accounting laws, and rules and regulations. Shared PTTIs have also been declared as critical components for establishing connectivity, resilience and reliability in the implementation of the FPIAP across the Philippines and, accordingly, in utilizing shared PTTIs, the DICT may (i) partner with NTC-registered private sector service providers for the delivery of internet connectivity for a reasonable fee, which connectivity, as a value-added service, may be acquired and utilized by the latter directly from satellites and other emerging technologies, (ii) undertake the creation, establishment, installation, maintenance and operation of infrastructure, equipment, systems, platforms, applications and such other FPIAP requirements necessary to effectively provide free internet access in public places throughout the country. Further, whenever deemed necessary and desirable in the public interest, the DICT may participate in the use of shared PTTIs for the effective implementation of its mandate. Accordingly, each shared PTTI shall, in addition to the slots for the MNOs, have an access slot with ample capacity and availability upon which the DICT may install its antennas, transmitters, receivers, radio frequency modules, radio-communications systems and other similar active ICT equipment, units and implements for the ICT backbone and other communications network of the Government.

- On July 23, 2020, the DICT, in coordination with the ARTA, Department of the Interior and Local Government (“**DILG**”), Department of Public Works and Highways (“**DPWH**”), Department of Human Settlements and Urban Development (“**DHSUD**”), Department of Transportation (“**DOTr**”), Civil Aviation Authority of the Philippines (“**CAAP**”), Department of Health (“**DOH**”), and the Food and Drug Administration (“**FDA**”) electronically signed Joint Memorandum Circular (“**JMC**”) No. 01 or the “Streamlined Guidelines for the Issuance of Permits, Licenses, and Certificates for the Construction of Shared Passive Telecommunications Tower Infrastructure.” The circular provides the streamlined processes for the issuance of permits, licenses and clearances particularly with respect to shared PTTIs. Pursuant to Section 6.5 of the JMC guidelines, (a) Sangguniang Panlungsod/Bayan Resolution; (b)

Sangguniang Barangay Resolution/ Barangay Council Resolution; (c) Environmental Compliance Certificate or Certificate of Non-Coverage, if the proposed site of construction is outside an environmentally critical area; (d) Radiation Safety Evaluation Report from the FDA; and (e) Certified True Copy of NTC Provisional Authority or CPCN or Certificate of Registration to Provide Telecommunication Services; are no longer required as pre-requisites for the construction of PTTIs.

The periods for the processing, approval and issuance of permits are required to be done within seven days to reflect the mandate under Section 15 of R.A. No. 11032 or the “the Ease of Doing Business and Efficient Government Service Delivery Act of 2018” and Section 6.5 of the JMC. Permits and clearances not approved within the prescribed periods shall be deemed automatically approved, as required by Section 10 of R.A. 11032.

- On September 11, 2020, President Rodrigo Duterte signed into law R.A. No. 11494 or the “*Bayanihan to Recover as One Act*,” otherwise known as “*Bayanihan 2*,” which provides measures to accelerate the deployment of critical ICT infrastructure, including:
  - (1) Temporary suspension of requirements to secure permits for the construction of telecommunications infrastructure for three years. Permits for the construction, installation, repair, operation and maintenance of telecommunications and internet infrastructure have been limited to (a) building permits and (b) height clearance permits.
  - (2) Streamlining of regulatory processes and procedures for the development and improvement of digital, internet and satellite technology infrastructure where all pending and new applications shall be approved/ disapproved within a non-extendible period of seven working days.
- On December 23, 2020, President Rodrigo Duterte signed into law R.A. No. 11517 or “An Act Authorizing the President to Expedite the Processing and Issuance of National and Local Permits, Licenses and Certifications in Times of National Emergency.” Under said law, the President, in times of national emergency shall have the authority to:
  - (a) accelerate and streamline regulatory processes and procedures for new and pending applications and renewals of permits, licenses, clearances, certifications or authorizations, including fixing or shortening the periods provided for under existing laws, regulations, issuances, and ordinances;
  - (b) suspend or waive the requirements in securing such permits, licenses, clearances, certifications or authorizations; and
  - (c) in consultation with or upon the recommendation of the affected government agencies, may prescribe to be permanent the streamlined regulatory processes and procedures, and the suspension or waiver of the requirements in securing permits, licenses, clearances, and certifications and authorizations.
- On July 1, 2021, the ARTA, together with various key agencies, signed the revised and expanded JMC No. 01, series of 2021, entitled, “Revising and Expanding Joint Memorandum Circular No. 01, S. 2020 or the Streamlined Guidelines for the Issuance of Permits, Licenses, and Certificates for the Construction of Shared PTTIs.” This expanded JMC harmonized the provisions of the original JMC No. 1 issued in 2020 and RA No. 11494 or the Bayanihan to Recover as One Act.

The JMC provided an exclusive list of documentary requirements for building permit. It weeded out the documentary requirements for building permit that are not applicable to PTTIs and removed the Fire Safety Evaluation Clearance requirement for the construction of towers only. PTTIs that will be constructed outside the CAAP Critical Areas and below 50 meters in height above the elevation of the ground will no longer be required to secure a Height Clearance Permit from CAAP.

If the proposed PTTI is to be constructed in a residential area without a duly registered Homeowner’s Association (“**HOA**”), the applicant will no longer be required to secure Homeowner’s Association Consent but shall only be required to submit a certification that there is no existing duly registered HOA in the proposed project site and undertake that they will conduct social preparation or endeavor to educate the affected homeowners.

The involved government agencies will also set up various coordination mechanisms, including a planning database, public-private consultation and coordination, and a complaints mechanism for seamless and efficient delivery of services.

- On October 25, 2021, the ARTA, in coordination with the DICT, DILG, DPHW, DHSUD, CAAP, NTC, Energy Regulatory Commission (“**ERC**”), NEA and the Philippine Competition Commission (“**PCC**”) issued JMC No. 01 or the “Summary of the Streamlined Guidelines for the Issuance of Permits and Clearances for the Erection of Poles, Construction of Underground Fiber Ducts and Installation of Aerial and Underground Cables and Facilities to Accelerate the Roll out of Telecommunications and Internet Infrastructure.

Some salient points of the JMC are as follows:

- a) The JMC prescribes for a single excavation clearance for the erection of poles or construction of underground fiber ducts across all poles or ducts in a series. This means that only a single excavation clearance shall be required from an applicant for a series of projects, regardless of location, within a local government unit. Thus, the circular provides streamlined processes for the issuance of permits, licenses and clearances particularly with respect to for the erection of poles, construction of underground fiber ducts and installation of aerial and underground cables and facilities.
  - b) Fees will be streamlined as the JMC mandates that the amount of local fees and charges of a local government unit in connection with the erection of poles and construction of underground fiber ducts shall be reasonably commensurate to the cost of regulation or provision of the service.
- On March 23, 2021, the DPWH issued Department Order No. 29 series of 2021 or the DPWH Policy on Telecommunications and Internet Infrastructures Pursuant to Republic Act (RA) No. 11494 or the “Bayanihan to Recover as One Act”. Through this issuance, ICT Service Providers and their respective contractors are temporarily allowed to conduct excavation and/or digging or related construction works within government right-of-way.

While the above issuances and the Bayanihan 2 Law are positive developments for PLDT and Smart’s business, some LGUs, including the barangays, still require outdated, redundant, and unnecessary licenses, clearances, permits, and continue to impose tower fees and other regulatory fees without legal basis. Some LGUs are requiring the telcos to seek the approvals of the municipal or city councils prior to securing a building permit. Likewise, some of the Homeowners’ Associations are still refusing to give consent, notwithstanding the JMC No. 01 and the Department Order No. 2020-009 issued by the DHSUD revising the Locational Guidelines that dispenses with the neighbors’ or HOAs consent in securing locational clearance. Outdated, redundant, and unnecessary permits issued by LGUs and the HOAs refusal to give consent, continue to negatively impact on PLDT and Smart’s rollout of telecommunications infrastructure.

- On April 12, 2022, RA No. 11659 or “An Act Amending Commonwealth Act No. 146 otherwise known as the Public Service Act,” took effect limiting public utilities to the distribution and transmission of electricity, petroleum and petroleum products pipeline transmission systems, water pipeline distribution and wastewater pipeline systems, seaports and public utility vehicles. This law excludes telecommunications from the definition of public utility thereby allowing full foreign ownership in companies engaged in telecommunications. Under the 1987 Constitution, no franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least 60% of whose capital is owned by such citizens. Nonetheless, under the law, telecommunications is classified as a critical infrastructure, where foreign state-owned enterprises are prohibited from owning capital, and foreign nationals are not allowed to own more than 50% of capital unless the country of such foreign national accords reciprocity to Philippine nationals.
- On October 28, 2022, RA No. 11934 or the SIM Registration Act took effect. Under this law, all end-users are required to register their SIMs with PTEs as a pre-requisite to the activation thereof. All existing SIM subscribers shall register the same with their respective PTEs within 180 days from the effectivity date of the Act. The DICT may extend the registration for a period not exceeding 120 days. Failure to register the existing SIM within the periods prescribed herein shall result in the automatic deactivation of the SIM. After the Implementing Rules and Regulations (IRR) came into effect on December 12, 2022, Smart officially launched its registration portal on December 27, 2022. Subscribers can now register their SIMs in accordance with applicable laws.
- On December 12, 2022, the House of Representatives approved HB No. 6 or the Open Access in Data Transmission Bill. The same was transmitted to the Senate on December 14, 2022. The bill seeks to remove the requirement of a franchise, CPCN or PA in majority of the segments of the data transmission network. This bill likewise seeks to allow non-enfranchised entities to use spectrum and put a 15% spectrum cap on assignable spectrum in a given band.
- On January 25, 2023, DILG issued Memorandum Circular No. 2023-017 reiterating previous DILG issuance/policy enjoining local officials to exercise their powers to reclaim and clear public roads which are being used for private purposes. As a consequence, many PLDT poles, including cables and cabinets, were required to be removed or relocated and are currently being removed or relocated.

In order to diversify the ownership base of public utilities, Republic Act No. 7925, otherwise known as the “Public Telecommunications Policy of the Philippines”, requires a telecommunications entity with regulated types of services

to make a *bona fide* public offering through the stock exchange of its shares representing at least 30% of its aggregate common shares within five years from: (a) the date the law became effective; or (b) the entity's commencement of commercial operations, whichever date is later.

PLDT and PCEV have complied with this requirement. On May 19, 2017, Republic Act No. 10926 took effect which extended the legislative franchise of Smart. The law contains a provision that exempts a grantee that is wholly-owned by a publicly listed company with at least 30% of its authorized capital stock publicly listed from the public offering requirement, thereby also exempting Smart.

Meanwhile, DMPI takes the position that the public offering requirement under Republic Act No. 7925 and Republic Act No. 9180 is merely directory and the policy underlying the requirement of telecommunications entities to conduct a public offering should be deemed to have been achieved when in 2011, PLDT, a publicly listed company, acquired its parent company, DTPI, which in turn holds a 100% equity interest in DMPI. This can further be asserted with the inclusion of the aforementioned provision in Republic Act No. 10926 or the extension of the Smart franchise, applying the equality of treatment provision in Republic Act No. 7925. However, there can be no assurance that the Philippine Congress will agree with such position. If DMPI is found to be in violation of the public offering requirement under Republic Act No. 7925 and Republic Act No. 9180, DMPI's franchise could be revoked and a *quo warranto* case may be filed against it by the Office of the Solicitor General of the Philippines.

See Item 6. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk and Uncertainties – Risks Relating to Us – Our business is significantly affected by governmental laws and regulations, including regulations in respect of our franchises, rates and taxes, and laws relating to anti-competitive practices and monopoly" for further discussion.

### **Regulatory Tariffs**

Interconnect access charges are paid by one carrier to another for calls originating from a carrier's network and terminating to another carrier's network. Commencing in January 2009, the access charge for domestic calls from one fixed line to a fixed line in another network was Php3.00 per minute while the access charge for calls from fixed line to CMTS was updated to Php4.00 per minute.

On the other hand, interconnect transit charges are paid to PLDT for connecting calls from one carrier to another or other carriers, most of which have no direct interconnection agreement between and/or with each other. As an inter-exchange carrier, PLDT provides transit service among CMTS and local exchange carrier operators, including PAPTELCO and non-PAPTELCO members. From January 2009 to August 2018, PLDT's transit fee was Php0.50 per minute for short haul (intra-island), Php1.25 per minute for long-haul (inter-island) and Php1.14 per minute for CMTS calls. However, pursuant to NTC Memorandum Circular No. 05-07-2018, effective on September 1, 2018, PLDT's interconnection charges for all calls is uniformly set at Php0.50 per minute.

PLDT has continually and actively negotiated with other legitimate Philippine fixed and CMTS carriers for interconnection based on the guidelines issued by the NTC or any authorized government agency. These carriers include the major fixed and mobile players in the industry with nationwide operations, PAPTELCO and other non-PAPTELCO players, both of which usually operate in selected towns in the countryside.

On October 24, 2011, the NTC issued Memorandum Circular No. 02-10-2011, entitled Interconnection Charge for SMS, mandating that interconnection charges for SMS between two separate networks shall not be higher than Php0.15 per SMS, among others. The NTC required the implementation of the new interconnection charge for SMS not later than 20 days from the effective date of the memorandum circular. The implementation of this memorandum circular has resulted in the NTC filing an administrative case against the CMTS providers, including Smart and DMPI, asserting that the CMTS operators failed to reduce retail rates and as such, should refund subscribers for the difference. The CA ruled in favor of Smart and other CMTS providers. The case is pending before the Supreme Court based on appeals filed by the NTC and Bayan Muna, a political party in the Philippines.

On November 24, 2016, the NTC issued Memorandum Circular No. 09-11-2016, entitled Interconnection Charge for Voice Services, mandating that interconnection charge for voice calls between two separate networks shall not be higher than Php2.50 per minute, among others. The NTC directed relevant parties to amend their existing interconnection agreements to comply with this memorandum circular within 10 days from the effective date of the memorandum circular and directed the implementation of the reduced interconnection charges for voice calls not later than January 1, 2017, to give sufficient time for the necessary adjustment in the operators' respective billing systems.

On July 19, 2018, the NTC issued Memorandum Circular No. 05-07-2018, entitled Interconnection Charge for Short Messaging Services ("SMS") and Voice Service, mandating that interconnection access charge for voice service and SMS be fixed at Php0.50 per minute and P0.05 per SMS, respectively, among others. The NTC required the implementation of the new interconnection charge not later than 20 days from the effective date of the memorandum circular. Consequently, the NTC issued a Memorandum dated August 6, 2018 directing all PTEs to amend their interconnection agreements by August 14, 2018 and impose the new interconnection charges not later than August 24, 2018. The PTEs have agreed to implement the new interconnection access charge for SMS services and voice services effective September 1, 2018, to align with the PTEs' existing billing and settlement systems' cut-off date cycle. However, by virtue of RA No. 11202 or the MNP Act, interconnection fees or charges are no longer imposed by MSPs for domestic calls and SMS made by subscribers. This provision does not cover interconnection fees charged by fixed-



line operators. Thus, as of January 2, 2020, no interconnect fees are charged for mobile domestic calls and SMS.

## **Competition**

Including us, there are four major local exchange carriers, six major international gateway facility providers and three major mobile operators in the Philippines. Some new entrants into the Philippine telecommunications market have entered into strategic alliances with foreign telecommunications companies, which provide them with access to technological and funding support, as well as service innovations and marketing strategies.

### *Mobile Services*

Currently, there are three major mobile operators, namely us, Globe and Dito. As at December 31, 2022, mobile market penetration in the Philippines was approximately 153%, based on the number of SIM cards issued.

Competition in the mobile telecommunications industry has intensified with greater availability of unlimited offers from the telecommunications operators resulting in increased volumes of data usage, calls and texts but declining yields. Globe continues to compete aggressively to gain revenue market share, with particular focus on the regional and local levels. Competition has also increased in the postpaid space with more aggressive promotions involving greater handset subsidies. The principal bases of competition are price, including handset prices in the case of postpaid plans, quality of service, network reliability, geographic coverage and attractiveness of packaged services, including video content.

In recent years, the prevalence of OTT services, such as social media, instant messaging and internet telephone, also known as VoIP services, has greatly affected our legacy revenue from voice and SMS services. We are also facing growing competition from providers offering services using alternative wireless technologies and IP-based networks, including efforts by the Philippine Government to roll-out its free WiFi services to various municipalities in the country.

In November 2018, the Philippine government, through the DICT, declared the NMP Consortium as the third telecom player. The NMP Consortium indicated that they had reached an agreement with Dito (previously called Mislattel) for the use of Dito's telecommunications franchise. On July 8, 2019, Dito was granted its permit to operate after President Rodrigo Duterte awarded them their CPCN. In October 2019, Dito entered into agreements with Sky Cable and LCS Group. Under the agreement with LCS Group, Dito will lease the telecommunications towers that the LCS Group is building across different regions in the Philippines.

### *Data Services*

The market for data services is the fastest growing segment in the Philippine telecommunications industry. This development has been spurred by the significant growth in consumer and retail broadband internet access, enterprise resource planning applications, customer relationship management, knowledge processing solutions, online gaming and other e-services that drive the need for broadband and internet-protocol based solutions both in the Philippines and abroad. Our major competitors in this area are Globe, Converge ICT Solutions, Inc. and Sky Cable. The principal bases of competition in the data services market are coverage, price, content, value for money, bundles or free gifts, customer service and quality of service. PLDT intends to compete in this segment, consistent with its overall strategy to maintain network leadership, broaden its distribution platform and increase its ability to deliver multimedia content.

### *Voice Services*

#### *Local Exchange*

Although the growth of the fixed line voice market has been impacted by higher demand for mobile services, we have sustained our leading position in the fixed line market on account of PLDT's extensive network in key cities nationwide. In most areas, we face one or two competitors. Our principal competitor in the local exchange market, Globe, provides local exchange service through both fixed and fixed wireless landline services.

Fixed wireless landline services resemble a mobile phone service but provide the same tariff structure as a fixed line service such as the charging of monthly service fees. Our major competitor, Globe, offers services in limited areas of Metropolitan Manila such as Makati, Las Piñas, the Visayas region and selected areas of Southern Luzon, such as Cavite and Batangas.

#### *International*

While we believe we have maintained a leadership position in this highly competitive service segment of the industry, our market share in recent years has declined as a result of: (i) competition from other IGF operators; (ii) the popularity of alternative and cheaper modes of communication such as e-mail, instant messaging, social-networking (such as Facebook, Twitter and Instagram), including "free services" over the internet (such as Skype, Viber, Line, Facebook Messenger, GoogleTalk, Zoom and WhatsApp, and similar services); and (iii) the establishment of VPNs for several corporate entities, which have further heightened competition.

With respect to outbound calls from the Philippines, we compete for market share through our local exchange and mobile businesses, which are the origination points of outbound international calls. We also have introduced a number of marketing initiatives to stimulate growth of outbound call volumes, including tariff reductions and volume discounts for large corporate subscribers.

As in recent years, the number of inbound international voice calls into the Philippines has been negatively impacted by the popularity of OTT services due to improved internet access and increased smartphone adoption. However, with PLDT's strategic partnership with Orange (formerly France Telecom), the decline of inbound international long distance (ILD) traffic has slowed down. Joint efforts on traffic sales management and anti-fraud programs have resulted in sustained business value for the ILD business.

#### *Domestic*

Our domestic service business has been negatively affected by the growing number of mobile subscribers in the Philippines, and the widespread availability and growing popularity of alternative economical to free non-voice methods of communication, particularly OTT services, e-mail and social media, coupled with the mandate of the Government regulatory body. In addition, various ISPs have launched voice services via the internet to their subscribers nationwide.

While domestic call volumes have been declining, we have remained the leading provider of domestic service in the Philippines due to our significant subscriber base and ownership of the Philippines' most extensive transmission network.

#### *Principal Competitor*

The table below sets out our principal competitor's market share and other relevant information for 2022:

	Asset Base	Service Revenues (in millions)	Core Income	Market Share Service Revenues	
				Fixed Line <sup>(1)</sup>	Mobile
Globe <sup>(2)</sup>	555,677	157,979	19,168	18%	52%

<sup>(1)</sup> Includes Fixed Line broadband.

<sup>(2)</sup> Based on Globe's 2022 audited consolidated financial statements filed with the Philippine SEC on February 28, 2023.

#### **Competitive Strengths**

We believe our business is characterized by the following competitive strengths:

- **Exposure to Large and Attractive Markets.** Our mobile data services and home broadband services provide exposure to significant growth potential. As data adoption continues to grow with greater smartphone ownership, with around 62% of our mobile subscribers being active data users, as at December 31, 2022, we believe that demand for mobile data will continue to grow significantly. Meanwhile, home broadband market is still underpenetrated at approximately 24%. This is significantly lower than the average in other Asian countries with similar income levels, indicating significant growth potential. As the world emerges from the global pandemic, we continue to supply the substantial demand for connectivity and home broadband services to aid consumers and institutions restore, evolve and adapt, or transform their ways of life.
- **Superior Integrated Networks.** With our extensive telecommunications networks in the Philippines, we are able to offer a wide array of communications services. As part of our capital expenditure program, we continuously invest in upgrading our fixed network to an all IP-based next-generation network, expanding the reach and resiliency of our transmission and FTTH network and increasing our international bandwidth capacity. To further prepare our network for the future and provide our customers with faster, more reliable services and a superior experience, we have continued to invest in our wireless transport network and have conducted 5G use case pilot tests in various sectors, including local governments, academic institutions, manufacturing entities and lifestyle hubs.
- **Recognized Brands.** We have maintained our position as a market leader in the consumer and enterprise fixed line and broadband markets in the Philippines in terms of both subscribers and revenues. Our success in the fixed line and broadband markets is linked to our strong and diverse portfolio of brands, including PLDT Home, Smart and TNT, which are widely recognized brand names in the Philippines.
- **Diversified Revenue Sources.** We have a diverse portfolio of business lines across our wireless and fixed line business segments, serving a wide spectrum of customer segments, including individuals, households and enterprises. Revenue sources of our wireless business include mobile (mobile data, voice, SMS, and inbound roaming and other mobile services), home broadband, MVNO and other services. The revenues from data services, particularly mobile data services, have increased steadily over the past several years. Our fixed line business derives service revenues from data/broadband, voice (local exchange, international and domestic services) and miscellaneous services. The revenue contributions from our home broadband,

corporate data, leased lines and information and communication technology services account for the bulk of the fixed line revenues, as at December 31, 2022.

- *Innovative Products and Services.* We launched consumer products that answer the needs for Connectivity, Entertainment, and E-Games such as the Giga Life App, our customer management app, Smart Live Stream, our video player app which houses the PBA, FIBA, NBA TV, UAAP and PVL, and Giga Arena, the online, e-sports tournament platform. Giga Videos, Giga Games, Giga Stories and Giga Work offers under the “Giga Life” brand platform were also introduced to enable customers to select offers and a mobile plan that suits their passions and priorities. To allow subscribers easy access to healthcare products and services, Smart has partnered with mWell for convenient access to online doctor consultations and other services via the mWell app, the Philippines’ first fully integrated health app. Smart also partnered with Metro Pacific Tollways Corporation to introduce a simpler and easier way of reloading the Easytrip RFID using the country’s first toll top-up via mobile load service.

PLDT has continued to innovate in the enterprise business and corporate data services segment, providing business continuity and connectivity solutions through its data center, cloud, and cybersecurity services. Recognizing the potential of the hyperscaler market, the PLDT Group, through its fully-owned subsidiary ePLDT, is set to activate its 11th and biggest data center in early 2024 — VITRO Sta.Rosa. This soon-to-rise hyperscale facility will have a power capacity big enough to exceed that of its 10 existing data centers combined. We also create and launch platforms, services and solutions for emerging markets in the area of digital financial services through our associated companies VIH, Maya Philippines, Inc. and Maya Bank, which was awarded the sixth and last digital banking license in 2021.

- *Strong and Experienced Management Team and Key Strategic Relationships.* Our senior management combines decades of deep expertise in the telecommunications industry with diverse backgrounds in different industries, including banking, utilities, infrastructure and venture capital. We continue to refresh our talent pool with new hires from the OTT space, among others. In addition, we have important strategic relationships with First Pacific, NTT DOCOMO and NTT Communications. We believe the technological support, international experience and management expertise made available to us through these strategic relationships will enable us to enhance our market leadership and provide/cross-sell a wider range of products and services.

### **Intellectual Property Rights**

We do not own any material intellectual property rights apart from our brand names and logos. We are not dependent on patents, licenses or other intellectual property which are material to our business or results of operations, other than licenses to use the software that accompany most of our equipment purchases and licenses for certain contents used in VAS of our wireless business. See *Note 15 – Goodwill and Intangible Assets* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”.

### **Major Suppliers**

Substantially all the telecommunications equipment thus far obtained in connection with our development programs have been purchased outside the Philippines, and we expect that a large portion of the equipment requirements of our future development programs will also be purchased from foreign sources.

The major suppliers for Smart for its 5G Deployments and LTE Expansion Program are Huawei Technologies, Co. Ltd., and Ericsson Telecommunications, Inc. Core network is also being expanded and replaced with Next Generation Cloud-based Core Network obtained from Nokia, Huawei Technologies, Co. Ltd., and Ericsson Telecommunications, Inc. For mobile devices, Smart’s principal suppliers are Apple South Asia and Samsung Electronics Co., Ltd.

For PLDT’s continued expansion of optical transmission backbone and core equipment, Huawei Technologies, Co., Ltd. and CISCO Systems, Inc. are the principal suppliers of the hardware equipment and software component.

For FTTH, principal suppliers for equipment and passive components are Huawei Technologies, Co. Ltd. and Fiberhome International Technology Co., Ltd. The engagement with these partners are on a full turnkey basis.

For Information Technology, PLDT engaged the services of Amdocs, Salesforce, SAP and other global technology leaders to transform IT platforms, modernize IT infrastructure, including Cloud, and introduce digital technologies for consumer and employee engagements.

### **Governmental Regulations**

We are subject to governmental regulations with respect to our operations, services, rates and ownership. We believe that we are in compliance with all applicable governmental regulations and that our relations with government regulators are satisfactory. For further discussion on governmental laws and regulations affecting our business, see Item 6. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Risks and Uncertainties – Risks Relating to Us – Our business is significantly affected by governmental laws and regulations, including regulations in respect of rates and taxes and laws relating to anti-competitive practices and monopoly.”



## **Compliance with Environmental Laws**

Sustainability is one of the key drivers of PLDT's business strategy. This underscores our commitment towards the responsible conduct of business and management of our environmental and social operational impacts.

As part of this thrust, we integrate environmental protection and sustainable development into our business decision-making and operations. Among our policies and institutionalized practices is our Occupational Safety, Health, and Environmental Policy which upholds the highest standards in occupational safety, health, and environmental performance, as well as ensures the protection of workers in communities where we operate. This Policy aligns with our compliance with the legal requirements of various regulatory bodies, including but not limited to, RA 11058 or An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations thereof (OSH Law) and its Implementing Rules and Regulations (IRR) or Department Order 198-18, Department of Labor and Employment (DOLE), Department of Environment and Natural Resources (DENR), and the Department of Energy (DOE).

We also continue to develop, implement, and enhance our Environmental Management Systems. We have designated Pollution Control Officers that review performance, ensure company compliance with the relevant Philippine environmental laws, and report on operational progress on a quarterly basis to the DENR. As part of our supplier accreditation and onboarding processes, we have also enacted Sustainability Guidelines that mandate suppliers to comply with and adhere to applicable national and local environmental regulations.

## **Resource management**

Our Network Operations' Energy Environment Safety and Health ("EESH") and Property and Facilities Management ("PFM") groups monitor the consumption of electricity, fuel, and water across company facilities and operations. These dedicated units continue to identify and implement energy efficiency and conservation programs that include the actual replacement of old air conditioning units and chillers, strategic planning for installation of building automation systems and solar panels on rooftops, among others. For our network facilities, we have formed energy management teams to lead energy efficiency initiatives such as the installation of direct current generator sets. We have also put in place a company-wide cascade of fuel requests and electricity validation tools which are aimed at improving resource consumption efficiency. To conserve water, we have also set up rainwater catchment systems in selected areas of our operations and will continue to expand in other facilities across the country.

Along with the identification of significant environmental impacts, we also set periodic review of environmental objectives and targets. As energy savings translate to parallel cost-saving opportunities, we deem it important to continuously understand and pursue energy efficiency initiatives. We also regularly monitor the consequent reduction of Greenhouse Gas Emissions ("GHG") from the implementation of our energy efficiency initiatives.

## **Environmental impact management**

Apart from regularly monitoring the status and performance of all our facilities, equipment, and generator sets, our PFM and EESH teams continuously implement improvements in environmental management processes and mechanisms to mitigate any negative impact to the environment. These include the creation of management plans that cover environmental management strategies for facilities in ecologically protected areas. We also work with various contractors and service providers to regularly assess and manage the environmental impacts of our new facilities. For our hazardous waste, we maintain partnerships with DENR-accredited suppliers to ensure proper treatment of used lead-acid batteries. Recycling proceeds of our electronic waste also help fund our shared value programs on education, livelihood, and environmental stewardship.

Leveraging on our digital technology and robust network, we also continue to work with relevant stakeholders and subject matter experts to develop and pursue eco-efficiency initiatives, enable efforts towards addressing climate change, protect biodiversity, and unlock nature-based climate solutions.

## **Employees and Labor Relations**

As at December 31, 2022, we had 17,155 employees, with 12,431 and 4,724 employees in our fixed line and wireless businesses, respectively. PLDT had 10,481 employees as at December 31, 2022, of which 42% were rank and file employees, 50% were management/supervisory staff and 8% were executives.

PLDT has three employee unions, representing in the aggregate 8,436, or 49% of the employees of the PLDT Group. PLDT considers its relationship with our rank-and-file employees' union, our supervisors' union and our sales supervisors' union to be good.

We and our business units had the following employees as at December 31 of each of the following years:

	December 31,		
	2022	2021	2020
PLDT Group	17,155	18,822	18,848
Wireless	4,724	5,433	5,783
Fixed Line	12,431	13,389	13,065
LEC	10,658	11,522	11,427
Others	1,773	1,867	1,638
PLDT Only	10,481	11,336	11,266

*Department of Labor and Employment, or DOLE, Compliance Order, or Order, to PLDT*

In a series of orders, including a compliance order issued by the DOLE in 2018, PLDT was ordered to regularize 7,344 workers from 38 of PLDT's third party service contractors. PLDT questioned these regularization orders before the CA. The CA partially ruled in favor of PLDT by holding that the following services can be validly outsourced: (i) janitorial, messengerial, clerical; (ii) IT support and application development; (iii) back office support and BPOs; and (iv) sales, and other professional services. This ruling considerably reduced by at least half, the number of workers of service contractors required to be regularized. PLDT filed a petition for review with the Supreme Court because the CA ordered the regularization of individuals performing installation, repair, and maintenance functions on the basis that they are usually necessary and desirable to the usual course of PLDT's business. The consolidated petition by PLDT, DOLE, and MKP before the Supreme Court remains pending.

*Pension and Retirement Benefits*

*Defined benefit pension plans*

PLDT has defined benefit pension plans, operating under the legal name "The Board of Trustees for the account of the Beneficial Trust Fund created pursuant to the Benefit Plan of PLDT Co." and covering all of our permanent and regular employees. Certain subsidiaries of PLDT have not yet drawn up a specific retirement plan for its permanent or regular employees. For the purpose of complying with Revised PAS 19, *Employee Benefits*, pension benefit expense has been actuarially computed based on defined benefit plan.

*Defined contribution plans*

Smart's and certain of its subsidiaries' contributions to the plan are made based on the employees' years of tenure and range from 5% to 10% of the employee's monthly salary. Additionally, an employee has an option to make a personal contribution to the fund, at an amount not exceeding 10% of his monthly salary. The employer then provides an additional contribution to the fund ranging from 10% to 50% of the employee's contribution based on the employee's years of tenure. Although the plan has a defined contribution format, Smart and certain of its subsidiaries regularly monitor their compliance with R.A. 7641. As at December 31, 2022 and 2021, Smart and certain of its subsidiaries were in compliance with the requirements of R.A. 7641.

See *Note 2 – Summary of Significant Accounting Policies – Retirement Benefits* and *Note 26 – Pension and Other Employee Benefits* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements" for a discussion of our defined benefit pension plans and defined contribution plans.

**Item 2. Description of Property**

As at December 31, 2022, PLDT owns three office buildings located in Makati City and owns and operates 289 fixed line exchanges nationwide, of which 48 are located in Metro Manila. The remaining 241 exchanges are located in cities and small municipalities outside the Metro Manila.

As at December 31, our principal properties, excluding property under construction, consisted of the following, based on net book values:

- 44% consisted of central office equipment and network facilities, including IGFs, pure national toll exchanges and combined local and toll exchanges;
- 30% consisted of cable, wire and mobile facilities, including our DFON, subscriber cable facilities, inter-office trunking and toll cable facilities and mobile facilities;
- 15% consisted of information origination and termination equipment, including radio equipment installed for customers use, and cables and wires installed within customers' premises;
- 5% consisted of land and improvements and buildings and improvements, which we acquired to house our telecommunications equipment, personnel, inventory and/or fleet; and
- 6% consisted of other work equipment.

For more information on these properties, see *Note 9 – Property and Equipment* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”.

These properties are located in areas where our subscribers are being served. In our opinion, these properties are in good condition, except for ordinary wear and tear, and are adequately insured.

The majority of our connecting lines are above or under public streets and properties owned by others. For example, for many years, the PLDT Group has been using the power pole network of Meralco in Metropolitan Manila for PLDT's fixed line aerial cables in this area pursuant to short-term lease agreements with Meralco with typically five-year and more recently one-year terms.

The PLDT Group has various lease contracts for periods ranging from one to thirty years covering certain offices, warehouses, cell sites, telecommunications equipment locations and various office equipment. For more information on the obligations relating to these properties and long-term obligations, see *Note 10 – Leases*, *Note 21 – Interest-bearing Financial Liabilities* and *Note 28 – Financial Assets and Liabilities* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”.

We expect that in 2023, cash from operating activities should enable us to increase the level of our capital expenditures for the continued expansion and upgrading of our network infrastructure. We expect to make additional investments in our core facilities to leverage existing technologies and increase capacity. Our current estimate for consolidated capital expenditures in 2023 is approximately Php79 billion. See Item 6. “Management's Discussion and Analysis of Financial Condition and Results of Operations – Plans” for further discussion on our capital expenditures.

### **Item 3. Legal Proceedings**

Except as disclosed in the following paragraphs, neither PLDT nor any of its subsidiaries is a party to, and none of their respective properties is subject to, any pending legal proceedings that PLDT considers to be potentially material to its and its subsidiaries' business.

#### *Class Action Suit Against PLDT*

On February 6, 2023, plaintiff Sophia Olsson filed a putative class action suit in the United States District Court for the Central District of California alleging that PLDT, Inc. and nine of its current and former directors and officers (collectively, the “Defendants”) made materially false and misleading statements regarding capital expenditures during the period 2019 to 2022. Plaintiff asserts claims under Sections 10(b) and 20(a) of the United States Securities and Exchange Act of 1934 (and related rules), but does not specify purported damages. While a complaint was filed, no Defendant has been served and there has been no other activity in the matter. Due to the early stage of this matter and uncertainties related to class certification and potential amounts to be claimed by the class, PLDT is unable to determine if any liability will arise or estimate the range of any potential liability. The Company plans to vigorously defend against the allegations.

#### *DOLE Compliance Order Issued Against PLDT*

In a series of orders, including a compliance order issued by the DOLE in 2018, PLDT was ordered to regularize 7,344 workers from 38 of PLDT's third party service contractors. PLDT questioned these regularization orders before the CA. The CA partially ruled in favor of PLDT by holding that the following services can be validly outsourced: (i) janitorial, messengerial, clerical; (ii) IT support and application development; (iii) back office support and BPOs; and (iv) sales, and other professional services. This ruling considerably reduced by at least half, the number of workers of service contractors required to be regularized. PLDT filed a petition for review with the Supreme Court because the CA ordered the regularization of individuals performing installation, repair, and maintenance functions on the basis that they are usually necessary and desirable to the usual course of PLDT's business. The consolidated filed by PLDT, DOLE, and MKP before the Supreme Court remains pending.

See *Note 27 – Provisions and Contingencies – DOLE Compliance Order to PLDT*, to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for further discussion.

#### *Petition against the PCC*

In July 2016, PLDT filed before the CA a petition for certiorari and prohibition (with urgent application for a temporary restraining order and/or writ of preliminary injunction) against the PCC. The Petition seeks to enjoin the PCC from proceeding with the review of the acquisition by PLDT and Globe of equity interest, including outstanding advances and assumed liabilities, in the telecommunications business of SMC, and performing any act which challenges or assails the “deemed approved” status of the said transactions. In August 2016, the CA issued a writ of preliminary injunction enjoining the PCC to cease and desist from conducting further proceedings for the pre-acquisition review and/or investigation of the SMC Transactions. In April 2017, the PCC filed before the Supreme Court a petition to annul the writ of preliminary injunction issued by the CA. The petition remains pending with the Supreme Court.

See *Note 11 – Investments in Associates and Joint Ventures – In the Matter of the Petition against the PCC* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for further discussion.

#### *Attys. Baquiran and Tecson vs. NTC, et al.*

In October 2018, a petition for mandamus was filed against the NTC, the PCC, Liberty Telecoms Holdings, Inc. (also known as Tori Spectrum Telecom, Inc.), Bell Telecommunication, Inc., Globe, PLDT and Smart. This involves the 700 MHz frequency, among others, that was originally assigned to Liberty and which eventually became subject of a co-use agreement between Globe, PLDT and Smart. The petition remains pending with the Supreme Court.

See *Note 27 – Provisions and Contingencies – Attys. Baquiran and Tecson vs. NTC, et al.* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for further discussion.

#### *Arbitration with Eastern Telecommunications Philippines, Inc., or ETPI*

Since 1990 up to the present, PLDT and ETPI have been engaged in legal proceedings involving a number of issues in connection with their business relationship. To avoid protracted litigation and to preserve their business relationship, PLDT and ETPI agreed to submit their differences and issues to voluntary arbitration. In April 2008, PLDT and ETPI signed an Arbitration Settlement Agreement. Subsequent to such submissions, PLDT and ETPI agreed to suspend the arbitration proceedings.

See *Note 27 – Provisions and Contingencies – Arbitration with Eastern Telecommunications Philippines, Inc.* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for further discussion.

#### *Local Business and Franchise Taxes*

As at December 31, 2022, PLDT has no contested LGU assessments for franchise taxes based on gross receipts received or collected for services within their respective territorial jurisdiction.

Smart and DMPI currently face various local business and franchise tax assessments by different LGUs, while Digitel is discussing with various LGUs as to the settlement of its franchise tax and real property tax liabilities.

On February 19, 2021, ACeS Philippines entered into an amicable settlement with the Bureau of Internal Revenue for compromise of tax liabilities.

See *Note 27 – Provisions and Contingencies* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for further discussion.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this annual report.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Registrant’s Common Equity and Related Stockholder Matters

#### Market Information

##### *Common Capital Stock and ADSs*

The shares of common stock of PLDT are listed and traded on the PSE under the symbol of “TEL”. On October 19, 1994, an ADR facility was established, pursuant to which Citibank, N.A., as the depository, issued ADRs evidencing ADSs with each ADS representing one PLDT common share with a par value of Php5.00 per share. Effective February 10, 2003, PLDT appointed JP Morgan Chase Bank as successor depository of PLDT’s ADR facility. The ADSs are listed on the NYSE and are traded on the NYSE under the symbol of “PHI”.

The public ownership level of PLDT common shares listed on the PSE as at February 28, 2023 is 42.01%.

As at February 28, 2023, 9,923 stockholders were Philippine persons and held approximately 63.9% of PLDT’s common capital stock. In addition, as at February 28, 2023, there were a total of approximately 15.8 million ADSs outstanding, substantially all of which PLDT believes were held in the United States by 223 holders.

For the period from February 1 to February 28, 2023, a total of 2.80 million shares of PLDT’s common capital stock were traded on the PSE. During the same period, the volume of trading was 1.36 million ADSs on the NYSE.

High and low sales prices for PLDT’s common shares on the PSE and ADSs on the NYSE for each of the full quarterly period during 2022 and 2021 and for the first three months of 2023 were as follows:

	Philippine Stock Exchange		New York Stock Exchange	
	High	Low	High	Low
2023				
First Quarter	1,547.00	1,240.00	27.36	22.63
January	1,547.00	1,321.00	27.36	23.13
February	1,472.00	1,240.00	26.97	23.28
Through March 22	1,385.00	1,272.00	25.17	22.63
2022				
First Quarter	1,950.00	1,585.00	38.69	32.18
Second Quarter	1,984.00	1,670.00	39.00	30.18
Third Quarter	1,838.00	1,481.00	32.27	24.66
Fourth Quarter	1,752.00	1,130.00	30.64	20.20
2021				
First Quarter	1,463.00	1,195.00	35.49	24.81
Second Quarter	1,333.00	1,216.00	28.14	25.40
Third Quarter	1,729.00	1,223.00	33.59	23.71
Fourth Quarter	1,944.00	1,602.00	37.71	31.21

## Holders

As at February 28, 2023, there were 11,423 holders of record of PLDT's common shares. Listed below were the top 20 common shareholders, including their nationalities, the number of shares held, the amount of their holdings, and the approximate percentages of their respective shareholdings to PLDT's total outstanding common stocks:

Name of Holder of Record	Nationality	Number of Shares Held	Amount of Holding	Approximate % to Total Outstanding Common Stock
1. PCD Nominee Corporation	Various – Foreign	28,961,336	} Php144,806,680 }	} 37.50
	Various – Filipino	52,057,950		
2. Philippine Telecommunications Investment Corporation	Filipino	26,034,263	130,171,315	12.05
3. JG Summit Holdings, Inc.	Filipino	24,255,732	121,278,660	11.23
4. NTT DOCOMO, INC.	Japanese	22,796,902	113,984,510	10.55
5. Metro Pacific Resources, Inc.	Filipino	21,556,676	107,783,380	9.98
6. J. P. Morgan Hong Kong Nominees Limited	Chinese	14,514,602	72,573,010	6.72
7. NTT Communications Corporation	Japanese	12,633,487	63,167,435	5.85
8. Social Security System, or SSS	Filipino	9,613,281	48,066,405	4.45
9. James L. Go	Filipino	885,724	4,428,620	0.41
10. Pan-Malayan Management & Inv Corp.	Filipino	781,124	3,905,620	0.36
11. Malayan Insurance Co., Inc.	Filipino	288,000	1,440,000	0.13
12. Manuel V. Pangilinan	Filipino	271,611	1,358,055	0.13
13. Employees Compensation Fund	Filipino	134,700	673,500	0.06
14. Alfonso T. Yuchengco	Filipino	118,458	592,290	0.05
15. Albert F. &/or Margaret Gretchen V. del Rosario	Filipino	106,780	533,900	0.05
16. JG Digital Equity Ventures, Inc.	Filipino	86,723	433,615	0.04
17. Enrique T. Yuchengco, Inc.	Filipino	59,868	299,340	0.03
18. Social Security System Assigned to Mandatory Provident Fund	Filipino	50,100	250,500	0.02
19. JDC Investment Realty Enterprises, Inc.	Filipino	47,708	238,540	0.02
20. Hare & Company	American	34,511	172,555	0.02
		<u>215,289,536</u>	<u>Php1,706,447,680</u>	

## Dividends

The following table shows the dividends declared to common shareholders from the earnings for the years ended December 31, 2020, 2021 and 2022:

Earnings	Date			Amount	
	Approved	Record	Payable	Per share	Total Declared (in millions)
2020	August 6, 2020	August 20, 2020	September 4, 2020	38	Php8,210
2020	March 4, 2021	March 18, 2021	April 6, 2021	40	8,642
				78	16,852
2021	August 5, 2021	August 19, 2021	September 3, 2021	42	9,075
2021	March 3, 2022	March 17, 2022	April 4, 2022	42	9,075
				84	18,150
2022	August 4, 2022	August 18, 2022	September 5, 2022	47	10,155
2022	August 4, 2022	August 18, 2022	September 5, 2022	28	6,049
2022	March 23, 2023	April 11, 2023	April 21, 2023	45	9,722
2022	March 23, 2023	April 11, 2023	April 21, 2023	14	3,025
				Php134	Php28,951

## Item 6. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes as at December 31, 2022 and 2021 and for each of the three years ended December 31, 2022, 2021 and 2020 included elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements.

### Selected Financial Data and Key Performance Indicators

	Years ended December 31,		
	2022	2021	2020
Income Statement Data:			
Revenues	Php205,245	Php193,257	Php181,004
Service revenues	196,227	185,751	173,634
Non-service revenues	9,018	7,506	7,370
Expenses	210,746	152,496	144,822
Other income (expenses) - net	19,010	(6,607)	(3,161)
Income before income tax	13,509	34,154	33,021
Net income	10,735	26,676	24,580
Core income	30,567	29,937	27,129
Telco core income	33,116	30,233	28,087
EBITDA	93,945	95,900	86,158
EBITDA margin <sup>(1)</sup>	48%	52%	50%
Reported earnings per common share:			
Basic	48.26	121.76	112.12
Diluted	48.26	121.76	112.12
Core earnings per common share:			
Basic	141.20	138.29	125.29
Diluted	141.20	138.29	125.29
Other Data:			
Net cash provided by operating activities	76,200	91,970	85,076
Net cash used in investing activities	(33,006)	(103,640)	(68,669)
Payment for purchase of property and equipment	(95,551)	(103,977)	(78,100)
Net cash provided by (used in) financing activities	(42,304)	(4,904)	463
Operational Data			
Number of mobile subscribers	66,304,761	71,221,952	72,933,839
Prepaid	64,287,019	69,205,731	70,779,021
Postpaid	2,017,742	2,016,221	2,154,818
Number of fixed line subscribers	3,825,424	3,619,372	3,042,815
Number of broadband subscribers	3,992,303	3,951,844	3,090,118
Fixed Line broadband	3,247,979	2,966,886	2,273,602
Fixed Wireless broadband	744,324	984,958	816,516
Number of employees:	17,155	18,822	18,848
Fixed Line	12,431	13,389	13,065
LEC	10,658	11,522	11,427
Others	1,773	1,867	1,638
Wireless	4,724	5,433	5,783

<sup>(1)</sup> EBITDA margin for the year is measured as EBITDA from operations divided by service revenues.

### Overview

We are one of the leading telecommunications and digital services providers in the Philippines, in terms of both subscribers and revenues, serving the fixed line, wireless and broadband markets. Through our three principal business segments, Wireless, Fixed Line and Others, we offer a large and diverse range of telecommunications and digital services across our extensive fiber optic backbone and wireless and fixed line networks. See Note 4 – Operating Segment Information to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for further information on each of these segments.

Key performance indicators and drivers that our management uses to monitor and direct the operation of our businesses include, among others, the general economic conditions in the Philippines; market trends, such as customer demands, behavior and satisfaction parameters; technological developments; network performance (in terms of speed, coverage and capacity); market share; and profitability.

In addition, our results of operations and financial position are increasingly affected by fluctuations of the Philippine peso against the U.S. dollar.

## Performance Indicators

We use a number of non-GAAP performance indicators to monitor financial performance. These are summarized below and discussed later in this report.

### *EBITDA*

EBITDA for the year is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs – net, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expense) – net. EBITDA is monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented because our management believes that it is widely used by investors in their analysis of the performance of PLDT and can assist them in their comparison of PLDT's performance with those of other companies in the technology, media and telecommunications sector. We also present EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Companies in the technology, media and telecommunications sector have historically reported EBITDA as a supplement to financial measures in accordance with PFRS. EBITDA should not be considered as alternative to net income as an indicator of our performance, nor should EBITDA be considered as an alternative to cash flows from operating activities, as a measure of liquidity or as an alternative to any other measure determined in accordance with PFRS. Unlike net income, EBITDA does not include depreciation and amortization, or financing costs and, therefore, does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using EBITDA as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax, net income, and operating, investing and financing cash flows. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in EBITDA. Our calculation of EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited. A reconciliation of our consolidated net income to our consolidated EBITDA for the years ended December 31, 2022, 2021 and 2020 is presented in *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements".

### *Core Income and Telco Core Income*

Core income for the year is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. Core income results are monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment.

Meanwhile, telco core income for the year is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures, adjusted for the effect of the share in Voyager Innovations Holdings, Pte. Ltd., or VIH, losses, asset sales, and accelerated depreciation. Telco core income is used by the management as a basis for determining the level of dividend payouts to shareholders and one of the bases for granting incentives to employees.

Core income and telco core income should not be considered as alternatives to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike net income, core income and telco core income do not include certain items, among others, foreign exchange gains and losses, gains and losses on derivative financial instruments, impairment on non-current assets and non-recurring gains and losses. We compensate for these limitations by using core income and telco core income as a few of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax and net income. Our calculation of core income may be different from the calculation methods used by other companies and, therefore, comparability may be limited. A reconciliation of our consolidated net income to our consolidated core income for the years ended December 31, 2022, 2021 and 2020 is presented in *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements".

## Management's Financial Review

We use our EBITDA and our core income to assess our operating performance. Set forth below is a reconciliation of our consolidated net income to our consolidated EBITDA and a reconciliation of our consolidated net income to our consolidated core income and consolidated telco core income for the years ended December 31, 2022, 2021 and 2020.



The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Consolidated net income	Php10,735	(in millions) Php26,676	Php24,580
Add (deduct) adjustments:			
Depreciation and amortization	98,714	52,169	47,480
Financing costs – net	11,766	10,414	10,086
Foreign exchange losses (gains) – net	4,685	3,890	(1,488)
Equity share in net losses of associates and joint ventures	3,304	1,101	2,328
Provision for income tax	2,774	7,478	8,441
Other non-recurring expenses – net	504	148	—
Amortization of intangible assets	228	2,822	2,496
Interest income	(653)	(656)	(1,210)
Losses (gains) on derivative financial instruments – net	(2,322)	(1,400)	378
Other income – net	(35,790)	(6,742)	(6,933)
Net loss (gain) on debt modification	295	(1,372)	—
VIH gain on dilution of shares	(660)	(826)	(394)
Income from prescription of preferred shares redemption liability	(7,839)	—	—
Gain on sale and leaseback of telecom towers – gross of expenses	(25,234)	—	—
Others	(2,352)	(4,544)	(6,539)
Total adjustments	83,210	69,224	61,578
EBITDA	Php93,945	Php95,900	Php86,158

The following table shows the reconciliation of our consolidated net income to our consolidated core income and telco core income for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Consolidated net income	Php10,735	(in millions) Php26,676	Php24,580
Add (deduct) adjustments:			
Accelerated depreciation	51,204	1,110	—
Manpower rightsizing program	5,028	269	2,625
Foreign exchange losses (gains) – net	4,685	3,890	(1,488)
Other non-recurring expenses	810	—	—
Net loss (gain) on debt modification – net of amortization of debt discount	470	(1,339)	—
Impairment of investments	50	60	659
Sun Trademark amortization	—	2,628	1,877
Losses from changes in fair value of financial assets at FVPL	—	174	—
CREATE Act impact for prior year deferred taxes	—	(355)	—
Core income adjustment on equity share in net income of associates and joint ventures	(195)	(7)	(6)
Net income attributable to noncontrolling interests	(250)	(309)	(296)
Losses (gains) on derivative financial instruments – net, excluding hedge costs	(2,572)	(1,651)	284
Income from prescription of preferred shares redemption liability	(7,839)	—	—
Gain on sale and leaseback of telecom towers – net of expenses	(24,563)	—	—
Net tax effect of aforementioned adjustments	(6,996)	(1,209)	(1,106)
Total adjustments	19,832	3,261	2,549
Consolidated core income	30,567	29,937	27,129
Add (deduct) adjustments:			
Share in VIH losses	3,239	1,981	1,954
Accelerated depreciation – net of tax	—	—	1,496
Loss (gain) on sale of Rocket Internet shares	—	—	364
Gain from condonation of debt	—	—	(240)
Gain on sale and leaseback of Smart Headquarters, net of tax	—	—	(2,293)
Gain on asset sales, net of tax	(30)	(983)	—
VIH gain on dilution, net of tax	(660)	(702)	(323)
Total adjustments	2,549	296	958
Consolidated telco core income	Php33,116	Php30,233	Php28,087

The following table shows the reconciliation of our consolidated basic and diluted earnings per share, or EPS, attributable to common equity holders of PLDT to our consolidated basic and diluted core EPS for the years ended December 31, 2022, 2021 and 2020:

	2022		2021		2020	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Consolidated EPS attributable to common equity holders of PLDT	Php48.26	Php48.26	Php121.76	Php121.76	Php112.12	Php112.12
Add (deduct) adjustments:						
Accelerated depreciation	177.75	177.75	3.85	3.85	—	—
Manpower rightsizing program	17.46	17.46	1.02	1.02	8.51	8.51
Foreign exchange losses (gains) – net	16.26	16.26	13.50	13.50	(5.36)	(5.36)
Asset impairment – property and equipment	3.60	3.60	—	—	—	—
Gain on debt modification	1.63	1.63	(4.65)	(4.65)	—	—
Impairment/derecognition of investments	0.23	0.23	0.28	0.28	3.05	3.05
Sun Trademark amortization	—	—	9.12	9.12	6.08	6.08
Losses from changes in fair value of financial assets at FVPL	—	—	0.81	0.81	—	—
CREATE Act impact for prior year deferred taxes	—	—	(1.64)	(1.64)	—	—
Core income adjustment on equity share in net gains of associates and joint ventures	(0.90)	(0.90)	(0.03)	(0.03)	(0.03)	(0.03)
Losses (gains) on derivative financial instruments – net, excluding hedge costs	(8.93)	(8.93)	(5.73)	(5.73)	0.92	0.92
Income from prescription of preferred shares redemption liability	(27.21)	(27.21)	—	—	—	—
Gain on sale of leaseback of telecom towers	(86.95)	(86.95)	—	—	—	—
<b>Total adjustments</b>	<b>92.94</b>	<b>92.94</b>	<b>16.53</b>	<b>16.53</b>	<b>13.17</b>	<b>13.17</b>
Consolidated core EPS	Php141.20	Php141.20	Php138.29	Php138.29	Php125.29	Php125.29

## Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses), income (loss) before income tax, provision for (benefit from) income tax, net income (loss), segment profit (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2022, 2021 and 2020. In each of the years ended December 31, 2022, 2021 and 2020, the majority of our revenues was derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
	(in millions)				
<b>For the year ended December 31, 2022</b>					
Revenues	Php104,274	Php128,712	Php—	(Php27,741)	Php205,245
Expenses	104,058	134,467	13	(27,792)	210,746
Other income (expenses) - net	18,681	20,915	(2,790)	(17,796)	19,010
Income before income tax	18,897	15,160	(2,803)	(17,745)	13,509
Provision for (benefit from) income tax	3,793	(1,025)	(134)	140	2,774
Net income (loss)/Segment profit (loss)	15,104	16,185	(2,669)	(17,885)	10,735
EBITDA	53,260	50,382	(12)	(9,685)	93,945
EBITDA margin <sup>(1)</sup>	56%	39%	—	—	48%
Core income (loss)	13,034	38,448	(2,959)	(17,956)	30,567
Telco core income	13,034	37,970	68	(17,956)	33,116
<b>For the year ended December 31, 2021</b>					
Revenues	Php106,619	Php117,063	Php—	(Php30,425)	193,257
Expenses	89,172	93,370	7	(30,053)	152,496
Other income (expenses) - net	(4,647)	6,556	121	(8,637)	(6,607)
Income (loss) before income tax	12,800	30,249	114	(9,009)	34,154
Provision for (benefit from) income tax	3,366	4,103	(270)	279	7,478
Net income (loss)/Segment profit (loss)	9,434	26,146	384	(9,288)	26,676
EBITDA	60,876	45,832	(7)	(10,801)	95,900
EBITDA margin <sup>(1)</sup>	61%	39%	—	—	52%
Core income	13,645	26,298	(666)	(9,340)	29,937
Telco core income	13,645	25,736	192	(9,340)	30,233
<b>For the year ended December 31, 2020<sup>(2)</sup></b>					
Revenues	104,211	98,739	—	(21,946)	181,004
Expenses	81,569	84,717	12	(21,476)	144,822
Other income (expenses) - net	(2,940)	4,221	(923)	(3,519)	(3,161)
Income (loss) before income tax	19,702	18,243	(935)	(3,989)	33,021
Provision for (benefit from) income tax	4,536	3,734	(617)	788	8,441
Net income (loss)/Segment profit (loss)	15,166	14,509	(318)	(4,777)	24,580
EBITDA	60,272	33,405	(12)	(7,507)	86,158
EBITDA margin <sup>(1)</sup>	61%	34%	—	—	50%
Core income (loss)	16,440	15,463	193	(4,967)	27,129
Telco core income	17,217	13,649	2,188	(4,967)	28,087

<sup>(1)</sup> EBITDA margin for the year is measured as EBITDA from operations divided by service revenues.

<sup>(2)</sup> Certain amounts for the year ended December 31, 2020 were reclassified to conform with the current year presentation.

## Year ended December 31, 2022 and 2021

### On a Consolidated Basis

#### Revenues

We reported consolidated revenues of Php205,245 million in 2022, an increase of Php11,988 million, or 6%, as compared with Php193,257 million in 2021, primarily due to higher revenues from data services from our Fixed Line business segment, partially offset by lower revenues from mobile and fixed wireless broadband services in our Wireless business segment.

Our consolidated service revenues of Php196,227 million in 2022, increased by Php10,476 million, or 6%, from Php185,751 million in 2021. Our consolidated non-service revenues of Php9,018 million in 2022, increased by Php1,512 million, or 20%, from Php7,506 million in 2021.

Consolidated service revenues, net of interconnection costs, amounted to Php190,123 million in 2022, an increase of Php8,070 million, or 4%, from Php182,053 million in 2021.

The following table shows the breakdown of our consolidated revenues by service for the years ended December 31, 2022 and 2021:

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
(amounts in million Php)				
<b>For the year ended December 31, 2022</b>				
Service Revenues				
Wireless	95,852		(792)	95,060
Mobile	93,724		(695)	93,029
Fixed Wireless broadband	2,028		-	2,028
MVNO and others	100		(97)	3
Fixed Line		128,116	(26,949)	101,167
Voice		36,727	(14,478)	22,249
Data		90,881	(12,189)	78,692
Home broadband		48,975	(31)	48,944
Corporate data and ICT		41,906	(12,158)	29,748
Miscellaneous		508	(282)	226
<b>Total Service Revenues</b>	<b>95,852</b>	<b>128,116</b>	<b>(27,741)</b>	<b>196,227</b>
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	8,422	495	—	8,917
Point-product sales	—	101	—	101
<b>Total Non-Service Revenues</b>	<b>8,422</b>	<b>596</b>	<b>—</b>	<b>9,018</b>
<b>Total Revenues</b>	<b>104,274</b>	<b>128,712</b>	<b>(27,741)</b>	<b>205,245</b>
<b>For the year ended December 31, 2021<sup>(1)</sup></b>				
Service Revenues				
Wireless	99,639		(1,127)	98,512
Mobile	96,538		(919)	95,619
Fixed Wireless broadband	2,889		-	2,889
MVNO and others	212		(208)	4
Fixed Line		116,529	(29,290)	87,239
Voice		37,232	(17,010)	20,222
Data		78,721	(11,961)	66,760
Home broadband		40,181	(56)	40,125
Corporate data and ICT		38,540	(11,905)	26,635
Miscellaneous		576	(319)	257
<b>Total Service Revenues</b>	<b>99,639</b>	<b>116,529</b>	<b>(30,417)</b>	<b>185,751</b>
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	6,980	454	—	7,434
Point-product sales	—	80	(8)	72
<b>Total Non-Service Revenues</b>	<b>6,980</b>	<b>534</b>	<b>(8)</b>	<b>7,506</b>
<b>Total Revenues</b>	<b>106,619</b>	<b>117,063</b>	<b>(30,425)</b>	<b>193,257</b>

<sup>(1)</sup> Certain amounts for the year ended December 31, 2021 were reclassified to conform with the current year presentation.

The following table shows the breakdown of our consolidated revenues by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change	
	(amounts in million Php)				Amount	%
Wireless	104,274	51	106,619	55	(2,345)	(2)
Fixed Line	128,712	63	117,063	61	11,649	10
Inter-segment transactions	(27,741)	(14)	(30,425)	(16)	2,684	9
<b>Consolidated</b>	<b>205,245</b>	<b>100</b>	<b>193,257</b>	<b>100</b>	<b>11,988</b>	<b>6</b>

Our consolidated revenues are further segmented by market, based on the type of customers served. “Home” refers to household subscribers, “Individual” covers mobile wireless individual customers, “Enterprise” encompasses business-based customers, corporate or micro, small and medium enterprises, and “International” refers to international carrier customers.

The following table shows our consolidated revenues by market segment for each of our business segments for the years ended December 31, 2022 and 2021:

	2022	%	2021 <sup>(1)</sup>	%	Change	
					Amount	%
	(amounts in million Php)					
<b>Wireless</b>	95,060	47	98,512	51	(3,452)	(4)
Individual	81,912	40	85,547	44	(3,635)	(4)
Enterprise	10,819	6	10,152	5	667	7
International	2,329	1	2,813	2	(484)	(17)
<b>Fixed Line</b>	101,167	49	87,239	45	13,928	16
Individual	119	—	612	—	(493)	(81)
Home	57,415	28	47,800	25	9,615	20
Enterprise	37,214	18	34,217	18	2,997	9
International	6,337	3	4,519	2	1,818	40
Others	82	—	91	—	(9)	(10)
<b>Total Service Revenues</b>	<b>196,227</b>	<b>96</b>	<b>185,751</b>	<b>96</b>	<b>10,476</b>	<b>6</b>
<b>Wireless</b>	8,422	4	6,980	4	1,442	21
Individual	7,155	3	5,675	3	1,480	26
Enterprise	1,242	1	1,289	1	(47)	(4)
International	25	—	16	—	9	56
<b>Fixed Line</b>	596	—	526	—	70	13
Individual	11	—	66	—	(55)	(83)
Home	182	—	238	—	(56)	(24)
Enterprise	403	—	222	—	181	82
<b>Total Non-Service Revenues</b>	<b>9,018</b>	<b>4</b>	<b>7,506</b>	<b>4</b>	<b>1,512</b>	<b>20</b>
<b>Total Revenues</b>	<b>205,245</b>	<b>100</b>	<b>193,257</b>	<b>100</b>	<b>11,988</b>	<b>6</b>

<sup>(1)</sup> Certain amounts for the year ended December 31, 2021 were reclassified to conform with the current year presentation.

### Expenses

Consolidated expenses increased by Php58,250 million, or 38%, to Php210,746 million in 2022 from Php152,496 million in 2021, primarily due to higher depreciation and amortization, selling, general and administrative expenses, cost of sales and services, and provisions in our Fixed Line and Wireless business segments.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	104,058	49	89,172	59	14,886	17
Fixed Line	134,467	64	93,370	61	41,097	44
Others	13	—	7	—	6	86
Inter-segment transactions	(27,792)	(13)	(30,053)	(20)	2,261	8
Consolidated	210,746	100	152,496	100	58,250	38

### Other Income (Expenses) – Net

Consolidated other income – net amounted to Php19,010 million in 2022, a change of Php25,617 million as against consolidated other expenses – net of Php6,607 million in 2021, primarily due to the combined effects of the following: (i) higher other income – net from our Wireless and Fixed Line business segments, owing mostly to the gain on sale and leaseback of telecom towers and the income from prescription of preferred shares redemption liability, respectively; (ii) higher gains on derivative financial instruments from our Fixed Line business segment; (iii) higher equity share in net losses from our Fixed Line and Other business segments; (iv) higher financing costs from our Wireless and Fixed Line business segments; and (v) higher foreign exchange losses from our Fixed Line and Wireless business segments.

The following table shows the breakdown of our consolidated other income (expenses) – net by business segment for the years ended December 31, 2022 and 2021:

	2022	2021	Change	
			Amount	%
	(amounts in million Php)			
Wireless	18,681	(4,647)	23,328	502
Fixed Line	20,915	6,556	14,359	219
Others	(2,790)	121	(2,911)	(2,406)
Inter-segment transactions	(17,796)	(8,637)	(9,159)	(106)
Consolidated	19,010	(6,607)	25,617	388

### Net Income (Loss)

Consolidated net income decreased by Php15,941 million, or 60%, to Php10,735 million in 2022 from Php26,676 million in 2021, primarily due to lower net income from our Fixed Line business segment, and net loss from our Other business segment, partially offset by higher net income from our Wireless business segment. Our consolidated basic and diluted EPS decreased to Php48.26 in 2022 from Php121.76 in 2021. Our weighted average number of outstanding common shares was approximately 216.06 million for each of the years ended December 31, 2022 and 2021.

The following table shows the breakdown of our consolidated net income (loss) by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	15,104	141	9,434	35	5,670	60
Fixed Line	16,185	151	26,146	98	(9,961)	(38)
Others	(2,669)	(25)	384	2	(3,053)	(795)
Inter-segment transactions	(17,885)	(167)	(9,288)	(35)	(8,597)	(93)
Consolidated	10,735	100	26,676	100	(15,941)	(60)

### **EBITDA**

Our consolidated EBITDA amounted to Php93,945 million in 2022, a decrease of Php1,955 million, or 2%, as compared with Php95,900 million in 2021, primarily due to lower EBITDA from our Wireless business segment, partially offset by higher EBITDA from our Fixed Line business segment.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	53,260	56	60,876	63	(7,616)	(13)
Fixed Line	50,382	54	45,832	48	4,550	10
Others	(12)	—	(7)	—	(5)	(71)
Inter-segment transactions	(9,685)	(10)	(10,801)	(11)	1,116	10
Consolidated	93,945	100	95,900	100	(1,955)	(2)

Our consolidated EBITDA, excluding MRP and expenses related to the sale of our telecom assets, amounted to Php100,478 million in 2022, an increase of Php4,309 million, or 4%, as compared with Php96,169 million in 2021. Adjusted for the impact of Typhoon Odette, our consolidated EBITDA excluding MRP and expenses related to the sale of our telecom assets would have been Php101,563 million, an increase of Php5,394 million, or 6% from the same period in 2021.

### **Core Income**

Our consolidated core income amounted to Php30,567 million in 2022, an increase of Php630 million, or 2%, as compared with Php29,937 million in 2021, mainly on account of higher EBITDA excluding MRP, and lower depreciation and amortization, excluding depreciation of assets with reduced estimated useful life, partially offset by higher equity share in net losses of associates and joint ventures, and higher financing costs. Our consolidated basic and diluted core EPS increased to Php141.20 in 2022 from Php138.29 in 2021.

The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	13,034	43	13,645	46	(611)	(4)
Fixed Line	38,448	126	26,298	88	12,150	46
Others	(2,959)	(10)	(666)	(2)	(2,293)	(344)
Inter-segment transactions	(17,956)	(59)	(9,340)	(32)	(8,616)	(92)
Consolidated	30,567	100	29,937	100	630	2

### **Telco Core Income**

Our consolidated telco core income amounted to Php33,116 million in 2022, an increase of Php2,883 million, or 10%, as compared with Php30,233 million in 2021, mainly due to higher EBITDA excluding MRP, and lower depreciation and amortization, excluding depreciation of assets with reduced estimated useful life, partially offset by higher financing costs and higher equity share in net losses of associates and joint ventures. Adjusted for the impact of Typhoon Odette, our consolidated telco core income would have been Php34,063 million, an increase of Php3,830 million, or 13% from the same period in 2021.

The following table shows the breakdown of our consolidated telco core income by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	13,034	39	13,645	45	(611)	(4)
Fixed Line	37,970	115	25,736	85	12,234	48
Others	68	—	192	1	(124)	(65)
Inter-segment transactions	(17,956)	(54)	(9,340)	(31)	(8,616)	(92)
Consolidated	33,116	100	30,233	100	2,883	10

## On a Business Segment Basis

### Wireless

#### Revenues

We generated revenues of Php104,274 million from our Wireless business segment in 2022, a decrease of Php2,345 million, or 2%, from Php106,619 million in 2021.

The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
Service Revenues:						
Mobile	93,724	90	96,538	90	(2,814)	(3)
Fixed Wireless broadband	2,028	2	2,889	3	(861)	(30)
MVNO and others <sup>(1)</sup>	100	—	212	—	(112)	(53)
Total Wireless Service Revenues	95,852	92	99,639	93	(3,787)	(4)
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	8,422	8	6,980	7	1,442	21
Total Wireless Revenues	104,274	100	106,619	100	(2,345)	(2)

<sup>(1)</sup> Includes service revenues generated by MVNOs of PLDT Global subsidiaries and facility service fees.

#### Service Revenues

Our wireless service revenues decreased by Php3,787 million, or 4%, to Php95,852 million in 2022 as compared with Php99,639 million in 2021, primarily due to lower revenues from mobile, fixed wireless broadband, and MVNO and other services. As a percentage of our total wireless revenues, service revenues accounted for 92% and 93% in 2022 and 2021, respectively.

Wireless service revenues, net of interconnection costs, amounted to Php94,985 million in 2022, a decrease of Php3,971 million, or 4%, from Php98,956 million in 2021.

#### Mobile Services

Our mobile service revenues amounted to Php93,724 million in 2022, a decrease of Php2,814 million, or 3%, from Php96,538 million in 2021. Mobile service revenues accounted for 98% and 97% of our wireless service revenues in 2022 and 2021, respectively.

The following table shows the breakdown of our mobile service revenues for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
Mobile Services:						
Data	72,169	77	70,644	73	1,525	2
Voice	14,268	15	17,774	18	(3,506)	(20)
SMS	5,900	6	6,603	7	(703)	(11)
Inbound roaming and others <sup>(1)</sup>	1,387	2	1,517	2	(130)	(9)
Total	93,724	100	96,538	100	(2,814)	(3)

<sup>(1)</sup> Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees and facility service fees.

#### Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php1,525 million, or 2%, to Php72,169 million in 2022 from Php70,644 million in 2021 due to higher mobile internet revenues driven mainly by the launch of new mobile data offers which cater to the needs of prepaid subscribers looking for data flexibility as consumers shift from working and studying from home to a more hybrid work and school environment, as well as higher mobile broadband revenues, partially offset by lower VAS-related data revenues.

Data services accounted for 77% and 73% of our mobile service revenues for the years ended December 31, 2022 and 2021, respectively.

The following table shows the breakdown of our mobile data service revenues for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Increase (Decrease)	
					Amount	%
	(amounts in million Php)					
Data Services:						
Mobile internet <sup>(1)</sup>	67,695	94	66,320	94	1,375	2
Mobile broadband	3,387	5	2,797	4	590	21
Other data	1,087	1	1,527	2	(440)	(29)
<b>Total</b>	<b>72,169</b>	<b>100</b>	<b>70,644</b>	<b>100</b>	<b>1,525</b>	<b>2</b>

<sup>(1)</sup> Includes revenues from web-based services, net of discounts and content provider costs.

#### *Mobile Internet*

Mobile internet service revenues increased by Php1,375 million, or 2%, to Php67,695 million in 2022 from Php66,320 million in 2021, primarily due to the increase in mobility and new product offerings, such as Free Tiktok for All, Power All, Affordaloads, and the continued promotion of Smart Postpaid's Unli 5G plans.

Smart continues to drive GigaLife App, which now supports more payment solutions for top-up. Smart also has Smart Live App, which provides its subscribers exclusive video access to live sports streaming such as the UAAP, PBA, PVL and NBA TV Philippines channel, as well as pay-per-view ("PPV") concerts. In addition, Smart recently launched the *Giga Arena*, an online arcade and e-Sport tournament platform exclusively available to Smart subscribers to cater to subscribers' gaming demands.

Mobile internet services accounted for 72% and 69% of our mobile service revenues in 2022 and 2021, respectively.

#### *Mobile Broadband*

Mobile broadband revenues amounted to Php3,387 million in 2022, an increase of Php590 million, or 21%, from Php2,797 million in 2021, primarily due to higher mobile broadband subscriber base.

In 2021, Smart launched the Smart Bro Rocket SIM aimed at the heavy wireless broadband users. Smart Bro Rocket SIM provides unlimited data valid for 30 days at an introductory price of Php499. Smart increased the price of its Smart Bro UnliData from Php499 to Php599, which generated higher revenues from our mobile broadband service. Mobile broadband services accounted for 4% and 3% of our mobile service revenues in 2022 and 2021, respectively.

#### *Other Data*

Revenues from our other data services, which include value-added services ("VAS") and domestic leased lines, decreased by Php440 million, or 29%, to Php1,087 million in 2022 from Php1,527 million in 2021. The decrease was primarily due to lower revenues from VAS via direct carrier billing, driven by the game publishers' shift to digital payment solutions.

#### *Voice Services*

Mobile revenues from our voice services, which include all voice traffic, decreased by Php3,506 million, or 20%, to Php14,268 million in 2022 from Php17,774 million in 2021, due to subscribers' shift to alternative calling options, digital teleconferencing solutions, and other OTT services. In view of these new digital solutions and to improve its voice service, Smart has been provisioning its mobile users for Voice over LTE ("VoLTE") and Voice over Wifi ("VoWiFi") services which routes the voice calls through digital channels. VoLTE and VoWifi offer better voice quality. Mobile voice services accounted for 15% and 18% of our mobile service revenues in 2022 and 2021, respectively.

Domestic voice service revenues decreased by Php2,776 million, or 18%, to Php12,907 million in 2022 from Php15,683 million in 2021, mainly due to lower traffic from domestic outbound voice services.

International voice service revenues decreased by Php730 million, or 35%, to Php1,361 million in 2022 from Php2,091 million in 2021 resulting from the declining trend of international inbound voice traffic due to subscribers' shift to application-based form of communications and other OTT services.

#### *SMS Services*

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php703 million, or 11%, to Php5,900 million in 2022 from Php6,603 million in 2021, mainly due to the decline in SMS volumes arising from the increased adoption of alternative messaging solutions such as OTT services, social media, and messenger application, partially offset by the increase in A2P service revenues. Mobile SMS services accounted for 6% and 7% of our mobile service revenues in 2022 and 2021, respectively.

### *Inbound Roaming and Others*

Mobile revenues from inbound roaming and other services decreased by Php130 million, or 9%, to Php1,387 million in 2022 from Php1,517 million in 2021 mainly due to lower facility service fees related to fixed wireless business and lower revenues from other subscriber-related income, partially offset by higher revenues from inbound roaming services.

The following table shows the breakdown of our mobile service revenues by service type for the years ended December 31, 2022 and 2021:

	2022	2021 (amounts in million Php)	Increase (Decrease)	
			Amount	%
Mobile service revenues	93,724	96,538	(2,814)	(3)
<i>By service type</i>				
Prepaid	74,459	76,635	(2,176)	(3)
Postpaid	17,878	18,386	(508)	(3)
Inbound roaming and others	1,387	1,517	(130)	(9)

### *Prepaid Mobile Revenues*

Revenues generated from our mobile prepaid services amounted to Php74,459 million in 2022, a decrease of Php2,176 million, or 3%, as compared with Php76,635 million in 2021. Mobile prepaid service revenues accounted for 79% of mobile service revenues for each of the years ended December 31, 2022 and 2021. The decrease in revenues from our mobile prepaid services was attributed to higher multiple-SIM ownership, lower top-up frequency due to the economizing behavior of subscribers on account of higher inflation, and the increased penetration of home WiFi solutions.

### *Postpaid Mobile Revenues*

Revenues generated from our mobile postpaid services amounted to Php17,878 million in 2022, a decrease of Php508 million, or 3%, as compared with Php18,386 million in 2021 primarily due to a decline in the Individual postpaid subscriber base. Mobile postpaid service revenues accounted for 19% of mobile service revenues for each of the years ended December 31, 2022 and 2021.

In April 2022, we implemented the rebranding of Individual Sun Postpaid into Smart Postpaid. Sun subscribers retained their existing Sun numbers, SIM and plan inclusions while enjoying the services and perks of a Smart subscriber such as Smart 5G, access to GigaLife App, Smart notifications and billing, and other Smart add-ons and features. The subscribers may also avail of the Signature plan which provides the subscribers with a better experience, access to the fastest mobile network, better plan packages and latest devices.

### *Subscriber Base, ARPU and Churn Rates*

The following table shows our mobile subscriber base as at December 31, 2022 and 2021:

	2022	2021	Increase (Decrease)	
			Amount	%
Mobile subscriber base				
Smart <sup>(1)</sup>	26,359,250	28,153,047	(1,793,797)	(6)
Prepaid	24,394,379	26,665,974	(2,271,595)	(9)
Postpaid	1,964,871	1,487,073	477,798	32
TNT	39,892,640	42,539,757	(2,647,117)	(6)
Sun Postpaid <sup>(2)</sup>	52,871	529,148	(476,277)	(90)
Total mobile subscribers	66,304,761	71,221,952	(4,917,191)	(7)

<sup>(1)</sup> Includes mobile broadband subscribers.

<sup>(2)</sup> Beginning April 2022, Individual Sun Postpaid was rebranded as Smart Postpaid.

Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card. A prepaid mobile subscriber is considered inactive if the subscriber does not reload within 90 days after the full usage or expiry of the last reload.

The average monthly churn rates for Smart Prepaid subscribers were 4.6% and 4.8% in 2022 and 2021, respectively, while the average monthly churn rates for TNT subscribers were 4.6% and 4.2% in 2022 and 2021, respectively.

The average monthly churn rate for Smart Postpaid subscribers was 1.6% for each of the years ended December 31, 2022 and 2021. The average monthly churn rates for Sun Postpaid subscribers were 3.7% and 2.5% in 2022 and 2021, respectively.



The following table summarizes our average monthly ARPUs for the years ended December 31, 2022 and 2021:

	Gross <sup>(1)</sup>		Increase (Decrease)		Net <sup>(2)</sup>		Increase (Decrease)	
	2022	2021	Amount	%	2022	2021	Amount	%
	(amounts in Php)							
Prepaid								
Smart	123	123	—	—	105	104	1	1
TNT	97	98	(1)	(1)	85	84	1	1
Postpaid								
Smart	766	853	(87)	(10)	728	816	(88)	(11)
Sun	570	440	130	30	570	429	141	33

<sup>(1)</sup> Gross monthly ARPU is calculated by dividing gross mobile service revenues for the year, including interconnection income, but excluding inbound roaming revenues, gross of discounts, and content provider costs, by the average number of subscribers for the period.

<sup>(2)</sup> Net monthly ARPU is calculated by dividing gross mobile service revenues for the year, including interconnection income, but excluding inbound roaming revenues, net of discounts, and content provider costs, by the average number of subscribers for the period.

### Fixed Wireless Broadband

Revenues from our Fixed Wireless Broadband services amounted to Php2,028 million in 2022, a decrease of Php861 million, or 30%, from Php2,889 million in 2021 primarily due to the shift in customer demand from wireless broadband to home fiber.

In 2021, Smart launched the first prepaid 5G Home Router. Smart Bro Home WiFi 5G is a plug-and-play device that can connect up to 10 Wifi-enabled devices with a fiber-like speed of Smart 5G.

In February 2022, Smart launched *UnliFam 999* which provides unlimited data for family sharing and home WiFi users valid for 30 days.

### MVNO and Others

Revenues from our MVNO and other services amounted to Php100 million for the years ended December 31, 2022, a decrease of Php112 million, or 53%, from Php212 million in 2021.

### Non-Service Revenues

Our wireless non-service revenues consist of sale of mobile handsets, broadband data routers, tablets and accessories. Our wireless non-service revenues increased by Php1,442 million, or 21%, to Php8,422 million in 2022 from Php6,980 million in 2021, primarily due to a higher number of units issued for mobile handsets.

### Expenses

Expenses associated with our Wireless business segment amounted to Php104,058 million in 2022, an increase of Php14,886 million, or 17%, from Php89,172 million in 2021. The increase was attributable to higher expenses related to depreciation and amortization, cost of sales and services, selling, general and administrative, and interconnection costs, partially offset by lower asset impairment. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 100% and 84% in 2022 and 2021, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2022 and 2021 and the percentage of each expense item in relation to the total:

	2022	%	2021	%	Increase (Decrease)	
					Amount	%
	(amounts in million Php)					
Depreciation and amortization	52,660	50	40,459	45	12,201	30
Selling, general and administrative expenses	37,872	37	36,748	41	1,124	3
Cost of sales and services	11,486	11	10,041	11	1,445	14
Interconnection costs	867	1	683	1	184	27
Provisions	861	1	854	1	7	1
Asset impairment	312	—	387	1	(75)	(19)
Total	104,402	100	89,172	100	15,230	17

Depreciation and amortization charges increased by Php12,201 million, or 30%, to Php52,660 million, mainly on account of higher depreciation due to shortened life of 3G technology-related equipment resulting from the migration to faster speed LTE and 5G technologies, combined with higher depreciation of right-of-use asset on account of higher depreciable right-of-use asset, brought about by the telecom tower sale and leaseback agreements we entered in June 2022.

Selling, general and administrative expenses increased by Php1,124 million, or 3%, to Php37,872 million, primarily due to higher expenses related to repairs and maintenance, rent, professional and contracted services, compensation and employee benefits, and other expenses, partly offset by lower expenses related to amortization of intangibles, mainly on account of the amortization of the Sun trademark in 2021, as well as lower expenses related to selling and promotions and insurance and security services.

Cost of sales and services increased by Php1,445 million, or 14%, to Php11,486 million, primarily due to higher cost of content and services, and SIM printing cost.

Interconnection costs increased by Php184 million, or 27%, to Php867 million, primarily due to higher interconnection costs on A2P transactions and international voice services.

Provisions increased by Php7 million, or 1%, to Php861 million, primarily due to higher provision for inventory obsolescence, partly offset by lower provision for ECLs.

Asset impairment, decreased by Php75 million, or 19%, to Php312 million primarily due to lower impairment charges on certain network equipment damaged by Typhoon Odette and lower contract asset impairment.

### ***Other Income (Expenses) – Net***

The following table summarizes the breakdown of our total wireless-related other income (expenses) – net for the years ended December 31, 2022 and 2021:

	2022	2021	Change	
			Amount	%
	(amounts in million Php)			
Other Income (Expenses) – Net:				
Gains on derivative financial instruments – net	530	550	(20)	(4)
Interest income	451	355	96	27
Foreign exchange losses – net	(1,567)	(1,541)	(26)	(2)
Financing costs – net	(8,349)	(7,551)	(798)	(11)
Other income – net	27,616	3,540	24,076	680
<b>Total</b>	<b>18,681</b>	<b>(4,647)</b>	<b>23,328</b>	<b>502</b>

Our Wireless business segment's other income – net amounted to Php18,681 million in 2022, a change of Php23,328 million from other expenses – net of Php4,647 million in 2021, primarily due to the combined effects of the following: (i) higher other income – net by Php24,076 million mainly due to the Php25,234 million gain on sale and leaseback of 4,665 telecom towers, representing the first five closings of tower sale and leaseback agreements, and the Php671 million gain on derecognition of asset retirement obligation related to the telecom towers sale; (ii) higher interest income by Php96 million; (iii) lower net gains on derivative financial instruments by Php20 million; (iv) higher net foreign exchange losses by Php26 million; and (v) higher net financing costs by Php798 million mainly due to higher weighted average principal amounts and accretion on lease liabilities.

### ***Provision for Income Tax***

Provision for income tax amounted to Php3,793 million in 2022, an increase of Php427 million, or 13%, from Php3,366 million in 2021, mainly due to higher taxable income, partially offset by the net unfavorable impact of CREATE adjustments for prior year deferred tax assets booked in the first quarter of 2021.

### ***Net Income***

As a result of the foregoing, our Wireless business segment's net income increased by Php5,670 million, or 60%, to Php15,104 million in 2022 from Php9,434 million in 2021.

### ***EBITDA***

Our Wireless business segment's EBITDA decreased by Php7,616 million, or 13%, to Php53,260 million in 2022 from Php60,876 million in 2021. EBITDA margin decreased to 56% in 2022 from 61% in 2021.

### ***Core Income***

Our Wireless business segment's core income decreased by Php611 million, or 4%, to Php13,034 million in 2022 from Php13,645 million in 2021, mainly on account of lower EBITDA excluding MRP and higher financing costs, partially offset by lower depreciation and amortization, excluding depreciation of assets with reduced estimated useful life.

## **Fixed Line**

### ***Revenues***

Revenues generated from our Fixed Line business segment amounted to Php128,712 million in 2022, an increase of Php11,649 million, or 10%, from Php117,063 million in 2021.

The following table summarizes our total revenues by service from our Fixed Line business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Increase (Decrease)		
					Amount	%	
			(amounts in million Php)				
Service Revenues:							
Data	90,881	71	78,721	67	12,160	15	
Voice	36,727	29	37,232	32	(505)	(1)	
Miscellaneous	508	—	576	1	(68)	(12)	
	128,116	100	116,529	100	11,587	10	
Non-Service Revenues:							
Sale of computers, phone units and point-product sales	596	—	534	—	62	12	
Total Fixed Line Revenues	128,712	100	117,063	100	11,649	10	

### ***Service Revenues***

Our fixed line service revenues increased by Php11,587 million, or 10%, to Php128,116 million in 2022 from Php116,529 million in 2021, primarily due to higher revenues from our data services.

Fixed Line service revenues, net of interconnection costs, amounted to Php108,373 million in 2022, an increase of Php11,851 million, or 12%, from Php96,522 million in 2021.

#### *Data Services*

Our data services, which include Home broadband, corporate data, and ICT portfolio with data center, cloud, cyber security, and managed IT offerings, posted revenues of Php90,881 million in 2022, an increase of Php12,160 million, or 15%, from Php78,721 million in 2021, primarily due to higher revenues from home broadband, corporate data and leased lines, and ICT services. The percentage contribution of this service segment to our fixed line service revenues accounted for 71% and 68% in 2022 and 2021, respectively.

The following table shows information of our data service revenues for the years ended December 31, 2022 and 2021:

	2022	2021	Increase	
			Amount	%
			(amounts in million Php)	
Data service revenues	90,881	78,721	12,160	15
Home broadband	48,975	40,181	8,794	22
Corporate data and ICT	41,906	38,540	3,366	9

#### *Home Broadband*

Home broadband data revenues amounted to Php48,975 million in 2022, an increase of Php8,794 million, or 22%, from Php40,181 million in 2021. This growth is driven by increasing demand for broadband services, including fixed wired (PLDT Home Fibr), which the company is providing through the nationwide roll-out of its fiber-to-the-home (“FTTH”) network and its existing copper network, which is progressively being upgraded to fiber. Home broadband revenues accounted for 54% and 51% of fixed line data service revenues in 2022 and 2021, respectively. PLDT’s FTTH nationwide network roll-out has reached over 17.2 million homes passed as of December 31, 2022, while the number of ports, has grown to about 5.9 million.

#### *Corporate Data and ICT*

Corporate data services amounted to Php33,782 million in 2022, an increase of Php1,762 million, or 6%, as compared with Php32,020 million in 2021, mainly due to the sustained demand for broadband internet and data networking services. Corporate data revenues accounted for 37% and 41% of our total data service revenues in 2022 and 2021, respectively.

ICT revenues increased by Php1,604 million, or 25%, to Php8,124 million in 2022 from Php6,520 million in 2021, mainly due to higher revenues from data center and cloud services, partially offset by lower revenues from cyber security and managed IT services. The percentage contribution of this service segment to our total data service revenues accounted for 9% and 8% in 2022 and 2021, respectively.

### *Voice Services*

Revenues from our voice services decreased by Php505 million, or 1%, to Php36,727 million in 2022 from Php37,232 million in 2021, primarily due to lower revenues from our international services. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 29% and 32% in 2022 and 2021, respectively.

### *Miscellaneous Services*

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues decreased by Php68 million, or 12%, to Php508 million in 2022 from Php576 million in 2021.

### *Non-service Revenues*

Non-service revenues increased by Php62 million, or 12%, to Php596 million in 2022 from Php534 million in 2021, primarily due to higher sale of managed ICT equipment and point-product sales, partially offset by lower sale of PHW broadband routers and WiFi mesh.

### *Expenses*

Expenses related to our Fixed Line business segment totaled Php134,467 million in 2022, an increase of Php41,097 million, or 44%, as compared with Php93,370 million in 2021. The increase was primarily due to higher depreciation and amortization, selling, general and administrative expenses, provisions, cost of sales and services, and asset impairment, partially offset by lower interconnection costs. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 104% and 80% in 2022 and 2021, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2022 and 2021 and the percentage of each expense item in relation to the total:

	2022	%	2021	%	Increase (Decrease)	
					Amount	%
			(amounts in million Php)			
Depreciation and amortization	55,790	41	22,139	24	33,651	152
Selling, general and administrative expenses	50,057	37	44,051	47	6,006	14
Interconnection costs	19,743	15	20,007	21	(264)	(1)
Provisions	4,709	4	3,729	4	980	26
Cost of sales and services	3,944	3	3,430	4	514	15
Asset impairment	224	—	14	—	210	1,500
Total	134,467	100	93,370	100	41,097	44

Depreciation and amortization charges increased by Php33,651 million, or 152%, to Php55,790 million mainly on account of additional depreciation due to the shortened life of copper-based technology, resulting mainly from the migration to FTTH, as well as the additional depreciation recognized for the modernization of network equipment.

Selling, general and administrative expenses increased by Php6,006 million, or 14%, to Php50,057 million primarily due to higher expenses related to compensation and employee benefits on account of higher MRP, repairs and maintenance, communication, training and travel, selling and promotions, and other expenses, partly offset by lower expenses related to professional and other contracted services, taxes and licenses, and rent.

Interconnection costs decreased by Php264 million, or 1%, to Php19,743 million, primarily due to lower international interconnection costs of PLDT Global.

Provisions increased by Php980 million, or 26%, to Php4,709 million, primarily due to higher provision for ECLs, partly offset by lower provision for inventory obsolescence.

Cost of sales and services increased by Php514 million, or 15%, to Php3,944 million, primarily due to higher cost of services.

Asset impairment increased by Php210 million to Php224 million primarily due to impairment charges on certain network equipment damaged by Typhoon Odette, and impairment of property and equipment related to managed IT services and discontinued operations.

### ***Other Income (Expenses) – Net***

The following table summarizes the breakdown of our total fixed line-related other income (expenses) – net for the years ended December 31, 2022 and 2021:

	2022	2021	Change	
			Amount	%
	(amounts in million Php)			
Other Income (Expenses) – Net:				
Gains on derivative financial instruments – net	1,792	850	942	111
Interest income	202	275	(73)	(27)
Equity share in net earnings (losses) of associates	(253)	103	(356)	(346)
Foreign exchange losses – net	(3,228)	(2,433)	(795)	(33)
Financing costs – net	(6,107)	(6,029)	(78)	(1)
Other income – net	28,509	13,790	14,719	103
<b>Total</b>	<b>20,915</b>	<b>6,556</b>	<b>14,359</b>	<b>219</b>

Our Fixed Line business segment's other income amounted to Php20,915 million in 2022, an increase of Php14,359 million from Php6,556 million in 2021, primarily due to the combined effects of the following: (i) higher other income – net by Php14,719 million mainly due to higher dividend income from Smart and DMPI and PLDT's income from prescription of preferred shares redemption liability in 2022, partially offset by the gain on sale of PHW subscribers in 2021; (ii) higher net gains on derivative financial instruments by Php942 million mainly due to the higher level of depreciation of the Philippine peso relative to the U.S. dollar in 2022 as compared with the same period in 2021; (iii) lower interest income by Php73 million; (iv) higher net financing costs by Php78 million; (v) equity share in net losses of associates of Php253 million in 2022 as against equity share in net earnings of Php103 million in 2021; and (vi) higher net foreign exchange losses by Php795 million mainly on account of revaluation of net foreign currency-denominated liabilities due to the higher level of depreciation of the Philippine peso relative to the U.S. dollar in 2022 as compared with the same period in 2021.

### ***Provision for (Benefit from) Income Tax***

Benefit from income tax amounted to Php1,025 million in 2022, a change of Php5,128 million, or 125%, from provision for income tax of Php4,103 million in 2021, mainly due to lower taxable income and the net favorable impact of 2020 income tax retroactive adjustment, per Revenue Regulations No. 5-2021, recognized in the first quarter of 2021.

### ***Net Income***

As a result of the foregoing, our Fixed Line business segment registered a net income of Php16,185 million in 2022, a decrease of Php9,961 million, or 38%, as compared with Php26,146 million in 2021.

### ***EBITDA***

Our Fixed Line business segment's EBITDA increased by Php4,550 million, or 10%, to Php50,382 million in 2022 from Php45,832 million in 2021. EBITDA margin remained stable at 39% in 2022 and 2021.

### ***Core Income***

Our Fixed Line business segment's core income increased by Php12,150 million, or 46%, to Php38,448 million in 2022 from Php26,298 million in 2021, primarily due to, higher EBITDA excluding MRP, and other miscellaneous income, partially offset by higher depreciation and amortization, excluding depreciation of assets with reduced estimated useful life.

### **Others**

#### ***Revenues***

Revenues generated from our Other business segment amounted to nil for each of the years ended December 31, 2022 and 2021.

#### ***Expenses***

Expenses related to our Other business segment increased by Php6 million, or 86%, to Php13 million in 2022 from Php7 million in 2021.

### ***Other Income (Expenses) – Net***

The following table summarizes the breakdown of other income (expenses) – net for Other business segment for the years ended December 31, 2022 and 2021:

	2022	2021	Change	
			Amount	%
			(amounts in million Php)	
Other Income (Expenses) – Net:				
Interest income	14	26	(12)	(46)
Foreign exchange gains – net	1	49	(48)	(98)
Equity share in net losses of associates and joint ventures	(3,051)	(1,204)	(1,847)	(153)
Other income – net	246	1,250	(1,004)	(80)
<b>Total</b>	<b>(2,790)</b>	<b>121</b>	<b>(2,911)</b>	<b>2,406</b>

Our Other business segment's other expenses – net amounted to Php2,790 million in 2022, a change of Php2,911 million from other income – net of Php121 million in 2021, primarily due to the combined effects of the following: (i) higher equity share in net losses of associates and joint ventures by Php1,847 million mainly due to lower equity share in net earnings in Vega Telecom Inc. on account of the favorable impact of CREATE adjustment on the unamortized deferred tax liability component of the investment in 2021, as well as higher equity share in net losses in VIH; (ii) lower other income – net by Php1,004 million mainly due to loss on acquisition of Multisys in 2022 and lower VIH gain on dilution; and (iii) lower net foreign exchange gains by Php48 million; and (iv) lower interest income by Php12 million.

### ***Net Income (Loss)***

As a result of the foregoing, our Other business segment registered a net loss of Php2,669 million in 2022, a change of Php3,053 million from a net income of Php384 million in 2021.

### ***Core Loss***

Our Other business segment's core loss amounted to Php2,959 million in 2022, an increase of Php2,293 million from Php666 million in 2021.

## **Years ended December 31, 2021 and 2020**

### **On a Consolidated Basis**

#### ***Revenues***

We reported consolidated revenues of Php193,257 million in 2021, an increase of Php12,253 million, or 7%, as compared with Php181,004 million in 2020, primarily due to higher revenues from broadband and data services in our Wireless and Fixed Line business segments, and higher revenues from voice services in our Fixed Line business segment, partially offset by lower revenues from voice and SMS services in our Wireless business segment.

Our consolidated service revenues of Php185,751 million in 2021, increased by Php12,117 million, or 7%, from Php173,634 million in 2020. Our consolidated non-service revenues of Php7,506 million in 2021, increased by Php136 million, or 2%, from Php7,370 million in 2020.

Consolidated service revenues, net of interconnection costs, amounted to Php182,053 million in 2021, an increase of Php10,565 million, or 6%, from Php171,488 million in 2020.

In 2019, R.A. 11202, otherwise known as the Mobile Number Portability, or MNP, Act, was enacted, which provides that a customer can retain his mobile number when he moves from one mobile service provider to another or, changes the type of subscription from postpaid to prepaid or vice versa. The Act also provides that no interconnection fee or charge shall be imposed by any mobile service provider for domestic calls and SMS made by a subscriber. Thus, effective January 2, 2020, we removed the mobile interconnection fees for domestic calls and SMS, which were formerly priced at Php0.50 per minute for voice calls and Php0.05 per message for SMS.

Availment of MNP core services was made available to Smart, Globe and Dito subscribers starting September 30, 2021. The Smart MNP program allows internal porting wherein a subscriber moves from postpaid to a prepaid subscription, or vice versa, within the Smart network, while it also allows external porting wherein a Globe or Dito subscriber switches to Smart or vice versa.

MNP is free of charge to the subscriber but there are basic requirements for the subscriber to comply in order for the application to proceed. External porting requires a unique subscriber code, or USC, to be issued by the subscriber's existing network provider. The USC serves as a clearance that the account is free from unpaid fees and balances. There is no limit to the number of times that a subscriber may apply for the MNP. However, a subscriber may only be allowed to apply again after 60 days from the last successful porting activation.

On January 29, 2021, PLDT and Smart entered into a Sale/Purchase Agreement for the transfer of PLDT's Prepaid Home WiFi, or PHW, subscribers to Smart to consolidate fixed wireless services under Smart. The transfer of PHW subscribers took effect on March 1, 2021 after complying with the NTC's required 30-day notice to subscribers.

The following table shows the breakdown of our consolidated revenues by services for the years ended December 31, 2021 and 2020:

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
	(in millions)			
<b>For the year ended December 31, 2021</b>				
Service Revenues				
Wireless	Php99,639		(Php1,127)	Php98,512
Mobile	96,538		(919)	95,619
Fixed Wireless broadband	2,889		—	2,889
MVNO and others	212		(208)	4
Fixed Line		116,529	(29,290)	87,239
Voice		37,232	(17,010)	20,222
Data		78,721	(11,961)	66,760
Home broadband		40,181	(56)	40,125
Corporate data and ICT		38,540	(11,905)	26,635
Miscellaneous		576	(319)	257
Total Service Revenues	99,639	116,529	(30,417)	185,751
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	6,980	454	—	7,434
Point-product sales	—	80	(8)	72
Total Non-Service Revenues	6,980	534	(8)	7,506
Total Revenues	106,619	117,063	(30,425)	193,257
<b>For the year ended December 31, 2020</b>				
Service Revenues				
Wireless	98,170		(2,422)	95,748
Mobile	97,566		(1,977)	95,589
Fixed Wireless broadband	40		—	40
MVNO and others	564		(445)	119
Fixed Line		97,410	(19,524)	77,886
Voice		29,541	(10,057)	19,484
Data		67,183	(9,119)	58,064
Home broadband		33,045	(81)	32,964
Corporate data and ICT		34,138	(9,038)	25,100
Miscellaneous		686	(348)	338
Total Service Revenues	98,170	97,410	(21,946)	173,634
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	6,041	1,140	—	7,181
Point-product sales	—	189	—	189
Total Non-Service Revenues	6,041	1,329	—	7,370
Total Revenues	Php104,211	Php98,739	(Php21,946)	Php181,004

The following table shows the breakdown of our consolidated revenues by business segment for the years ended December 31, 2021 and 2020:

	2021		2020		Change	
	Amount	%	Amount	%	Amount	%
	(in millions)					
Wireless	Php106,619	55	Php104,211	58	Php2,408	2
Fixed Line	117,063	61	98,739	54	18,324	19
Inter-segment transactions	(30,425)	(16)	(21,946)	(12)	(8,479)	(39)
Consolidated	Php193,257	100	Php181,004	100	Php12,253	7

Our consolidated revenues are further segmented by market, based on the type of customers served. "Home" refers to household subscribers, "Individual" covers mobile wireless individual customers, "Enterprise" encompasses business-based customers, corporate or micro, small and medium enterprises, and "International" refers to international carrier customers.

The following table shows our consolidated revenues by market segment for each of our business segments for the years ended December 31, 2021 and 2020:

	2021	%	2020 <sup>(1)</sup>	%	Change	
					Amount	%
			(in millions)			
<b>Wireless</b>	Php98,512	51	Php95,748	53	Php2,764	3
Individual	85,547	44	83,251	46	2,296	3
Enterprise	10,152	5	7,844	4	2,308	29
International	2,813	2	4,653	3	(1,840)	(40)
<b>Fixed Line</b>	87,239	61	77,886	43	9,353	12
Individual	612	—	2,948	2	(2,336)	(79)
Home	47,800	25	38,477	21	9,323	24
Enterprise	34,217	24	32,892	18	1,325	4
International	4,519	12	3,464	2	1,055	30
Others	91	—	105	—	(14)	(13)
<b>Total Service Revenues</b>	<b>185,751</b>	<b>96</b>	<b>173,634</b>	<b>96</b>	<b>12,117</b>	<b>7</b>
<b>Wireless</b>	6,980	4	6,041	4	939	16
Individual	5,675	3	4,453	3	1,222	27
Enterprise	1,289	1	1,579	1	(290)	(18)
International	16	—	9	—	7	78
<b>Fixed Line</b>	526	—	1,329	—	(803)	(60)
Individual	66	—	572	—	(506)	(88)
Home	238	—	190	—	48	25
Enterprise	222	—	567	—	(345)	(61)
<b>Total Non-Service Revenues</b>	<b>7,506</b>	<b>4</b>	<b>7,370</b>	<b>4</b>	<b>136</b>	<b>2</b>
<b>Total Revenues</b>	<b>Php193,257</b>	<b>100</b>	<b>Php181,004</b>	<b>100</b>	<b>Php12,253</b>	<b>7</b>

<sup>(1)</sup> Certain amounts for the year ended December 31, 2021 were reclassified to conform with the current year presentation.

### Expenses

Consolidated expenses increased by Php7,674 million, or 5%, to Php152,496 million in 2021 from Php144,822 million in 2020, primarily due to higher interconnection costs, and depreciation and amortization expenses in our Fixed Line and Wireless business segments, as well as higher cost of sales and services in our Wireless business segment, partially offset by lower provisions in our Fixed Line and Wireless business segments.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
			(in millions)			
Wireless	Php89,172	59	Php81,569	56	Php7,603	9
Fixed Line	93,370	61	84,717	59	8,653	10
Others	7	—	12	—	(5)	(42)
Inter-segment transactions	(30,053)	(20)	(21,476)	(15)	(8,577)	(40)
Consolidated	Php152,496	100	Php144,822	100	Php7,674	5

### Other Income (Expenses) – Net

Consolidated other expenses – net amounted to Php6,607 million in 2021, an increase of Php3,446 million, or 109%, from Php3,161 million in 2020, primarily due to the combined effects of the following: (i) foreign exchange losses in 2021 as against foreign exchange gains in 2020 from our Fixed Line and Wireless business segments; (ii) lower equity share in net losses from our Other business segment; and (iii) gains on derivative financial instruments in 2021 as against losses on derivative financial instruments from our Fixed Line and Wireless business segments.

The following table shows the breakdown of our consolidated other income (expenses) – net by business segment for the years ended December 31, 2021 and 2020:

	2021	2020	Change	
			Amount	%
			(in millions)	
Wireless	(Php4,647)	(Php2,940)	(Php1,707)	(58)
Fixed Line	6,556	4,221	2,335	55
Others	121	(923)	1,044	113
Inter-segment transactions	(8,637)	(3,519)	(5,118)	(145)
Consolidated	(Php6,607)	(Php3,161)	(Php3,446)	(109)

### Net Income (Loss)

Consolidated net income increased by Php2,096 million, or 9%, to Php26,676 million in 2021 from Php24,580 million in 2020, primarily due to higher net income from our Fixed Line and Other business segments, partially offset by lower net income from our Wireless business segment. Our consolidated basic and diluted EPS increased to Php121.76 in 2021 from Php112.12 in 2020. Our weighted average number of outstanding common shares was approximately 216.06 million in each of 2021 and 2020.



The following table shows the breakdown of our consolidated net income (loss) by business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
	(in millions)					
Wireless	Php9,434	35	Php15,166	62	(Php5,732)	(38)
Fixed Line	26,146	98	14,509	59	11,637	80
Others	384	2	(318)	(1)	702	221
Inter-segment transactions	(9,288)	(35)	(4,777)	(20)	(4,511)	(94)
Consolidated	Php26,676	100	Php24,580	100	Php2,096	9

### **EBITDA**

Our consolidated EBITDA amounted to Php95,900 million in 2021, an increase of Php9,742 million, or 11%, as compared with Php86,158 million in 2020, primarily due to higher EBITDA from our Fixed Line and Wireless business segments.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
	(in millions)					
Wireless	Php60,876	63	Php60,272	70	Php604	1
Fixed Line	45,832	48	33,405	39	12,427	37
Others	(7)	—	(12)	—	5	42
Inter-segment transactions	(10,801)	(11)	(7,507)	(9)	(3,294)	(44)
Consolidated	Php95,900	100	Php86,158	100	Php9,742	11

Our consolidated EBITDA excluding manpower rightsizing program, or MRP, amounted to Php96,169 million in 2021, an increase of Php7,386 million, or 8%, as compared with Php88,783 million in 2020. Adjusted for the impact of Typhoon Odette, our consolidated EBITDA excluding MRP would have been Php97,060 million, an increase of Php8,277 million, or 9% from last year.

### **Core Income**

Our consolidated core income amounted to Php29,937 million in 2021, an increase of Php2,808 million, or 10%, as compared with Php27,129 million in 2020, mainly on account of higher EBITDA, lower provision for income tax, and lower equity share in net losses of associates and joint ventures, partly offset by higher depreciation and amortization and financing costs, and lower other miscellaneous income. Our consolidated basic and diluted core EPS increased to Php138.29 in 2021 from Php125.29 in 2020.

The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
	(in millions)					
Wireless	Php13,645	46	Php16,440	60	(Php2,795)	(17)
Fixed Line	26,298	88	15,463	57	10,835	70
Others	(666)	(2)	193	1	(859)	(445)
Inter-segment transactions	(9,340)	(32)	(4,967)	(18)	(4,373)	(88)
Consolidated	Php29,937	100	Php27,129	100	Php2,808	10

### **Telco Core Income**

Our consolidated telco core income amounted to Php30,233 million in 2021, an increase of Php2,146 million, or 8%, as compared with Php28,087 million in 2020, mainly due to higher EBITDA and lower provision for income tax, partially offset by higher depreciation and amortization, and financing costs. Excluding the impact of Typhoon Odette, our consolidated telco core income would have been Php31,029 million, an increase of Php2,942 million, or 10% from last year.

The following table shows the breakdown of our consolidated telco core income by business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
	(in millions)					
Wireless	Php13,645	45	Php17,217	61	(Php3,572)	(21)
Fixed Line	25,736	85	13,649	49	12,087	89
Others	192	1	2,188	8	(1,996)	(91)
Inter-segment transactions	(9,340)	(31)	(4,967)	(18)	(4,373)	(88)
Consolidated	Php30,233	100	Php28,087	100	Php2,146	8

## On a Business Segment Basis

### Wireless

#### Revenues

We generated revenues of Php106,619 million from our Wireless business segment in 2021, an increase of Php2,408 million, or 2%, from Php104,211 million in 2020.

The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
(in millions)						
Service Revenues:						
Mobile	Php96,538	90	Php97,566	93	(Php1,028)	(1)
Fixed Wireless broadband <sup>(1)</sup>	2,889	3	40	—	2,849	7,123
MVNO and others <sup>(2)</sup>	212	—	564	1	(352)	(62)
Total Wireless Service Revenues	99,639	93	98,170	94	1,469	1
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	6,980	7	6,041	6	939	16
Total Wireless Revenues	Php106,619	100	Php104,211	100	Php2,408	2

<sup>(1)</sup> Includes service revenues from PHW beginning February 2021.

<sup>(2)</sup> Includes service revenues generated by MVNOs of PLDT Global subsidiaries and facility service fees.

#### Service Revenues

Our wireless service revenues increased by Php1,469 million, or 1%, to Php99,639 million in 2021 as compared with Php98,170 million in 2020, primarily due to higher fixed wireless broadband revenues, partly offset by lower revenues from mobile, and MVNO and other services. As a percentage of our total wireless revenues, service revenues accounted for 93% and 94% in 2021 and 2020, respectively.

Wireless service revenues, net of interconnection costs, amounted to Php98,956 million in 2021, an increase of Php1,253 million, or 1%, from Php97,703 million in 2020.

#### Mobile Services

Our mobile service revenues amounted to Php96,538 million in 2021, a decrease of Php1,028 million, or 1%, from Php97,566 million in 2020. Mobile service revenues accounted for 97% and 99% of our wireless service revenues in 2021 and 2020, respectively.

The following table shows the breakdown of our mobile service revenues for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
(in millions)						
Mobile Services:						
Data	Php70,644	73	Php66,731	69	Php3,913	6
Voice	17,774	18	21,542	22	(3,768)	(17)
SMS	6,603	7	6,937	7	(334)	(5)
Inbound roaming and others <sup>(1)</sup>	1,517	2	2,356	2	(839)	(36)
Total	Php96,538	100	Php97,566	100	(Php1,028)	(1)

<sup>(1)</sup> Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees and facility service fees.

#### Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php3,913 million, or 6%, to Php70,644 million in 2021 from Php66,731 million in 2020 due to sustained growth in mobile internet usage that was mainly driven by the continued increase in demand for data connectivity. This was further boosted by enhanced data products, and continuous network improvement, LTE migration and 5G roll-out.

Smart also launched brand campaigns to promote 5G network usage with the aggressive roll-out of over 7,000 5G sites during the year. In 2021, Smart introduced Giga 5G promos, 5G-ready prepaid SIMs, and *Signature Plans+*, a postpaid line up that features unlimited 5G access.

Data services accounted for 73% and 69% of our mobile service revenues in 2021 and 2020, respectively.

The following table shows the breakdown of our mobile data service revenues for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Data Services:						
Mobile internet <sup>(1)</sup>	Php66,320	94	Php62,327	93	Php3,993	6
Mobile broadband	2,797	4	3,171	5	(374)	(12)
Other data	1,527	2	1,233	2	294	24
<b>Total</b>	<b>Php70,644</b>	<b>100</b>	<b>Php66,731</b>	<b>100</b>	<b>Php3,913</b>	<b>6</b>

<sup>(1)</sup> Includes revenues from web-based services, net of discounts and content provider costs.

#### *Mobile Internet*

Mobile internet service revenues increased by Php3,993 million, or 6%, to Php66,320 million in 2021 from Php62,327 million in 2020, primarily due to the increase in video streaming, gaming and social media data usage by our subscribers driven by the enhanced product offerings, marketing promotions and content partnerships. Migration initiatives also resulted in a higher number of LTE and 5G device and data users. Smart is in the process of migrating more data subscribers to its new 5G network with even faster speeds and lower latency to open new usage possibilities.

Moreover, Smart continues to drive GigaLife App, now with over 10 million subscribers, through exclusive offerings such as Unli 5G, via Gigapoints. Smart also launched the GigaPlay App, which provides its subscribers exclusive video access to Kpop content, international music festivals and live sports streaming such as PBA, PVL and NBA TV Philippines channel. In December 2021, Smart launched its first PPV digital movie on the GigaPlay App.

Mobile internet services accounted for 69% and 64% of our mobile service revenues in 2021 and 2020, respectively.

#### *Mobile Broadband*

Mobile broadband revenues amounted to Php2,797 million in 2021, a decrease of Php374 million, or 12%, from Php3,171 million in 2020, primarily due to subscribers' shift to fiber and fixed wireless solutions due to the prolonged pandemic and subsequent extension of community quarantine restrictions.

In August 2021, Smart launched Smart Bro Rocket SIM aimed at heavy wireless broadband users. Smart Bro Rocket SIM provides unlimited data valid for 30 days at an introductory price of Php499. Mobile broadband services accounted for 3% of our mobile service revenues in each of 2021 and 2020.

#### *Other Data*

Revenues from our other data services, which include value-added services, or VAS, and domestic leased lines, increased by Php294 million, or 24%, to Php1,527 million in 2021 from Php1,233 million in 2020. The increase was primarily due to higher revenues from VAS via direct carrier billing, driven by various online activities and transactions, including mobile gaming in-app purchases and tollways reloading fees.

#### *Voice Services*

Mobile revenues from our voice services, which include all voice traffic, decreased by Php3,768 million, or 17%, to Php17,774 million in 2021 from Php21,542 million in 2020, due to subscribers' shift to alternative calling options, digital teleconferencing solutions, and other OTT services. In view of these new digital solutions and to improve its voice service, Smart has been provisioning its mobile users for VoLTE and VoWiFi services which routes the voice calls through digital channels. VoLTE and VoWiFi offer better voice quality. Mobile voice services accounted for 18% and 22% of our mobile service revenues in 2021 and 2020, respectively.

Domestic voice service revenues decreased by Php3,239 million, or 17%, to Php15,683 million in 2021 from Php18,922 million in 2020, mainly due to lower traffic from domestic outbound and inbound voice services.

International voice service revenues decreased by Php529 million, or 20%, to Php2,091 million in 2021 from Php2,620 million in 2020 resulting from lower traffic driven by the prolonged impact of the pandemic on international travel, partially offset by revenues from international voice agreement with international carriers.

#### *SMS Services*

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php334 million, or 5%, to Php6,603 million in 2021 from Php6,937 million in 2020, mainly due to the decline in SMS volumes arising from the increased adoption of alternative messaging solutions, such as OTT services, social media, and messenger application, partially offset by the A2P service revenues. Mobile SMS services accounted for 7% of our mobile service revenues in each of 2021 and 2020.

### *Inbound Roaming and Others*

Mobile revenues from inbound roaming and other services decreased by Php839 million, or 36%, to Php1,517 million in 2021 from Php2,356 million in 2020, mainly due to lower facility service fees related to fixed wireless business and lower revenues from inbound roaming services, partly offset by higher other subscriber-related income.

The following table shows the breakdown of our mobile service revenues by service type for the years ended December 31, 2021 and 2020:

	2021	2020	Increase (Decrease)	
			Amount	%
			(in millions)	
Mobile service revenues	Php96,538	Php97,566	(Php1,028)	(1)
<i>By service type</i>				
Prepaid	76,635	75,790	845	1
Postpaid	18,386	19,420	(1,034)	(5)
Inbound roaming and others	Php1,517	Php2,356	(Php839)	(36)

### *Prepaid Mobile Revenues*

Revenues generated from our mobile prepaid services amounted to Php76,635 million in 2021, an increase of Php845 million, or 1%, as compared with Php75,790 million in 2020. Mobile prepaid service revenues accounted for 79% and 78% of mobile service revenues in 2021 and 2020, respectively. The increase in revenues from our mobile prepaid services was attributed to higher average daily top-ups driven by the sustained growth in mobile internet usage, partially offset by lower subscriber base.

The decline in prepaid subscribers was due to lower activations as subscribers were less mobile and more apt to use home WiFi due to the protracted pandemic.

In October 2020, we implemented the rebranding of Sun Prepaid to Smart Prepaid. Subscribers retained their existing Sun numbers while having access to expanded retail and customer care channels, data-centric Giga offers alongside existing select Sun top-up offers. With this development, Sun subscribers can already avail themselves of the GigaLife bundles using Smart's LTE network.

### *Postpaid Mobile Revenues*

Revenues generated from our mobile postpaid services amounted to Php18,386 million in 2021, a decrease of Php1,034 million, or 5%, as compared with Php19,420 million in 2020, primarily due to a decline in the postpaid subscriber base. Mobile postpaid service revenues accounted for 19% and 20% of mobile service revenues in 2021 and 2020, respectively.

### *Subscriber Base, ARPU and Churn Rates*

The following table shows our mobile subscriber base as at December 31, 2021 and 2020:

	2021	2020	Increase (Decrease)	
			Amount	%
Mobile subscriber base				
Smart <sup>(1)</sup>	28,153,047	30,533,816	(2,380,769)	(8)
<i>Prepaid</i>	26,665,974	29,090,167	(2,424,193)	(8)
<i>Postpaid</i>	1,487,073	1,443,649	43,424	3
TNT	42,539,757	41,688,854	850,903	2
Sun Postpaid	529,148	711,169	(182,021)	(26)
Total mobile subscribers	71,221,952	72,933,839	(1,711,887)	(2)

<sup>(1)</sup> Includes mobile broadband subscribers.

Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card. A prepaid mobile subscriber is considered inactive if the subscriber does not reload within 90 days after the full usage or expiry of the last reload.

The average monthly churn rates for Smart Prepaid subscribers was 4.8% in each of 2021 and 2020, while the average monthly churn rates for TNT subscribers was 4.2% in each of 2021 and 2020.

The average monthly churn rates for Smart Postpaid subscribers were 1.6% and 2.3% in 2021 and 2020, respectively. The average monthly churn rates for Sun Postpaid subscribers were 2.5% and 3.1% in 2021 and 2020, respectively.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2021 and 2020:

	Gross <sup>(1)</sup>		Increase (Decrease)		Net <sup>(2)</sup>		Increase (Decrease)	
	2021	2020	Amount	%	2021	2020	Amount	%
	(amounts in Php)							
Prepaid								
Smart	123	133	(10)	(8)	104	113	(9)	(8)
TNT	98	91	7	8	84	79	5	6
Postpaid								
Smart	853	844	9	1	816	813	3	—
Sun	440	386	54	14	429	375	54	14

<sup>(1)</sup> Gross monthly ARPU is calculated by dividing gross mobile service revenues for the month, including interconnection income, but excluding inbound roaming revenues, gross of discounts, and content provider costs, by the average number of subscribers in the month.

<sup>(2)</sup> Net monthly ARPU is calculated by dividing gross mobile service revenues for the month, including interconnection income, but excluding inbound roaming revenues, net of discounts, and content provider costs, by the average number of subscribers in the month.

### Fixed Wireless Broadband

Revenues from our Fixed Wireless Broadband services amounted to Php2,889 million in 2021, an increase of Php2,849 million from Php40 million in 2020, primarily due to the transfer of PHW subscribers to Smart beginning February 2021. In March 2021, the GigaLife App was opened to PHW, which allowed the linking of accounts between mobile and home devices and enabled a convergent solution to simplify account management and cross-selling of products.

In December 2021, Smart launched the first prepaid 5G Home Router. Smart Bro Home WiFi 5G is a plug-and-play device that can connect up to 10 WiFi-enabled devices with a fiber-like speed of Smart 5G.

### MVNO and Others

Revenues from our MVNO and other services amounted to Php212 million in 2021, a decrease of Php352 million, or 62%, from Php564 million in 2020, primarily due to lower facility service fees.

### Non-Service Revenues

Our wireless non-service revenues consist of sale of mobile handsets, broadband data routers, tablets and accessories. Our wireless non-service revenues increased by Php939 million, or 16%, to Php6,980 million in 2021 from Php6,041 million in 2020, primarily due to a higher revenue per unit of mobile handsets issued and PHW broadband routers issued in 2021.

### Expenses

Expenses associated with our Wireless business segment amounted to Php89,172 million in 2021, an increase of Php7,603 million, or 9%, from Php81,569 million in 2020. The increase was attributable to higher depreciation and amortization, cost of sales and services, selling, general and administrative expenses, asset impairment and interconnection costs, partially offset by lower provisions. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 84% and 78% in 2021 and 2020, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2021 and 2020 and the percentage of each expense item in relation to the total:

	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
	(in millions)					
Depreciation and amortization	Php40,459	45	Php35,134	43	Php5,325	15
Selling, general and administrative expenses	36,748	41	35,731	44	1,017	3
Cost of sales and services	10,041	11	8,041	10	2,000	25
Provisions	854	1	2,026	2	(1,172)	(58)
Interconnection costs	683	1	467	1	216	46
Asset impairment	387	1	170	—	217	128
Total	Php89,172	100	Php81,569	100	Php7,603	9

Depreciation and amortization charges increased by Php5,325 million, or 15%, to Php40,459 million, mainly on account of higher depreciable asset base resulting from significant capitalization, combined with higher depreciation of right-of-use asset.

Selling, general and administrative expenses increased by Php1,017 million, or 3%, to Php36,748 million, primarily due to higher expenses related to repairs and maintenance, professional and other contracted services, amortization of intangibles, and rent, partly offset by lower expenses related to taxes and licenses, selling and promotions, and compensation and employee benefits.

Cost of sales and services increased by Php2,000 million, or 25%, to Php10,041 million, primarily due to a higher number of units issued and higher average cost per unit for mobile handsets, as well as the cost of PHW broadband routers issued in 2021.

Provisions decreased by Php1,172 million, or 58%, to Php854 million, primarily due to lower provision for ECLs mainly on account of last year's provisions related to extended credit arrangements driven by the impact of the pandemic.

Interconnection costs increased by Php216 million, or 46%, to Php683 million, primarily due to higher interconnection costs on A2P, messaging transactions and international data services.

Asset impairment, increased by Php217 million, or 128%, to Php387 million primarily due to impairment charges on certain network equipment damaged by Typhoon Odette.

### ***Other Income (Expenses) – Net***

The following table summarizes the breakdown of our total wireless-related other income (expenses) – net for the years ended December 31, 2021 and 2020:

	2021	2020	Change	
			Amount	%
	(in millions)			
Other Income (Expenses) – Net:				
Financing costs – net	(Php7,551)	(Php6,886)	(Php665)	(10)
Foreign exchange gains (losses) – net	(1,541)	431	(1,972)	(458)
Interest income	355	537	(182)	(34)
Gains (losses) on derivative financial instruments – net	550	(126)	676	537
Other income – net	3,540	3,104	436	14
<b>Total</b>	<b>(Php4,647)</b>	<b>(Php2,940)</b>	<b>(Php1,707)</b>	<b>(58)</b>

Our Wireless business segment's other expenses – net amounted to Php4,647 million in 2021, an increase of Php1,707 million, or 58%, from Php2,940 million in 2020, primarily due to the combined effects of the following: (i) foreign exchange losses of Php1,541 million in 2021 as against foreign exchange gains of Php431 million in 2020, mainly on account of revaluation of net foreign currency-denominated liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar in 2021 as against the appreciation of the Philippine peso relative to the U.S. dollar in 2020; (ii) higher net financing costs by Php665 million mainly due to higher accretion on lease liabilities; (iii) lower interest income by Php182 million; (iv) higher other income – net by Php436 million; and (v) net gains on derivative financial instruments of Php550 million in 2021 as against net losses on derivative financial instruments of Php126 million in 2020 due to the depreciation of the Philippine peso relative to the U.S. dollar in 2021 as against the appreciation of the Philippine peso relative to the U.S. dollar in 2020.

### ***Provision for Income Tax***

Provision for income tax amounted to Php3,366 million in 2021, a decrease of Php1,170 million, or 26%, from Php4,536 million in 2020, mainly due to lower taxable income and lower corporate income tax rate under the CREATE Act, partly offset by the net unfavorable impact of CREATE adjustments for prior year deferred tax assets booked in the first quarter of 2021.

### ***Net Income***

As a result of the foregoing, our Wireless business segment's net income decreased by Php5,732 million, or 38%, to Php9,434 million in 2021 from Php15,166 million in 2020.

### ***EBITDA***

Our Wireless business segment's EBITDA increased by Php604 million, or 1%, to Php60,876 million in 2021 from Php60,272 million in 2020. EBITDA margin remained at 61% in 2021 and 2020.

### ***Core Income***

Our Wireless business segment's core income decreased by Php2,795 million, or 17%, to Php13,645 million in 2021 from Php16,440 million in 2020, mainly on account of higher depreciation and amortization and financing costs, partially offset by higher EBITDA and lower provision for income tax.

## **Fixed Line**

### ***Revenues***

Revenues generated from our Fixed Line business segment amounted to Php117,063 million in 2021, an increase of Php18,324 million, or 19%, from Php98,739 million in 2020.

The following table summarizes our total revenues by service from our Fixed Line business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Data	Php78,721	67	Php67,183	68	Php11,538	17
Voice	37,232	32	29,541	30	7,691	26
Miscellaneous	576	1	686	1	(110)	(16)
	116,529	100	97,410	99	19,119	20
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	534	—	1,329	1	(795)	(60)
<b>Total Fixed Line Revenues</b>	<b>Php117,063</b>	<b>100</b>	<b>Php98,739</b>	<b>100</b>	<b>Php18,324</b>	<b>19</b>

### ***Service Revenues***

Our fixed line service revenues increased by Php19,119 million, or 20%, to Php116,529 million in 2021 from Php97,410 million in 2020, primarily due to higher revenues from our data and voice services. As a percentage of our total fixed line revenues, service revenues accounted for 100% and 99% in 2021 and 2020, respectively.

Fixed Line service revenues, net of interconnection costs, amounted to Php96,522 million in 2021, an increase of Php10,827 million, or 13%, from Php85,695 million in 2020.

### ***Data Services***

Our data services, which include Home broadband, corporate data, and ICT portfolio with data center, cloud, cyber security, and managed IT offerings, posted revenues of Php78,721 million in 2021, an increase of Php11,538 million, or 17%, from Php67,183 million in 2020, primarily due to higher revenues from home broadband, corporate data and leased lines, and ICT services. The percentage contribution of this service segment to our fixed line service revenues accounted for 67% and 69% in 2021 and 2020, respectively.

The following table shows information of our data service revenues for the years ended December 31, 2021 and 2020:

	2021	2020	Increase	
			Amount	%
	(in millions)			
Data service revenues	Php78,721	Php67,183	Php11,538	17
Home broadband	40,181	33,045	7,136	22
Corporate data and ICT	38,540	34,138	4,402	13

### ***Home Broadband***

Home broadband data revenues amounted to Php40,181 million in 2021, an increase of Php7,136 million, or 22%, from Php33,045 million in 2020. This growth is driven by increasing demand for broadband services, including fixed wired (PLDT Home Fibr), which the company is providing through the nationwide roll-out of its FTTH network and its existing copper network, which is progressively being upgraded to fiber. Home broadband revenues accounted for 51% and 49% of fixed line data service revenues in 2021 and 2020, respectively. PLDT's FTTH nationwide network roll-out has reached over 13.9 million homes passed as of December 31, 2021, while the number of ports has grown to 5.8 million.

### ***Corporate Data and ICT***

Corporate data services amounted to Php32,020 million in 2021, an increase of Php3,910 million, or 14%, as compared with Php28,110 million in 2020, mainly due to the sustained demand for broadband internet and data networking services. Corporate data revenues accounted for 41% and 42% of fixed line data services in 2021 and 2020, respectively.

ICT revenues increased by Php492 million, or 8%, to Php6,520 million in 2021 from Php6,028 million in 2020, mainly due to higher revenues from data center, cloud and managed IT services, partially offset by lower revenues from cyber security services. The percentage contribution of this service segment to our total data service revenues accounted for 8% and 9% in 2021 and 2020, respectively.

### *Voice Services*

Revenues from our voice services increased by Php7,691 million, or 26%, to Php37,232 million in 2021 from Php29,541 million in 2020, primarily due to higher revenues from international services of PLDT Global, partly offset by lower revenues from local exchange and domestic services. The decline in local exchange and domestic services was partly due to the continued popularity of services such as Skype, Viber, Line, Facebook Messenger, Google Talk and WhatsApp, offering free OTT calling services, and other similar services, as well as subscribers' shift to mobile services. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 32% and 30% in 2021 and 2020, respectively.

### *Miscellaneous Services*

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues decreased by Php110 million, or 16%, to Php576 million in 2021 from Php686 million in 2020. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 1% in each of 2021 and 2020.

### *Non-service Revenues*

Non-service revenues decreased by Php795 million, or 60%, to Php534 million in 2021 from Php1,329 million in 2020, primarily due to lower sale of PHW broadband routers, managed ICT equipment, and computer bundles, partially offset by sale of Home WiFi mesh in 2021.

### *Expenses*

Expenses related to our Fixed Line business segment totaled Php93,370 million in 2021, an increase of Php8,653 million, or 10%, as compared with Php84,717 million in 2020. The increase was primarily due to higher interconnection costs, depreciation and amortization, and selling, general and administrative expenses, partly offset by lower provisions, cost of sales and services, and asset impairment. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 80% and 86% in 2021 and 2020, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2021 and 2020 and the percentage of each expense item in relation to the total:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
						(in millions)
Selling, general and administrative expenses	Php44,051	47	Php43,860	52	Php191	—
Depreciation and amortization	22,139	24	19,383	23	2,756	14
Interconnection costs	20,007	21	11,715	14	8,292	71
Provisions	3,729	4	5,394	6	(1,665)	(31)
Cost of sales and services	3,430	4	4,269	5	(839)	(20)
Asset impairment	14	—	96	—	(82)	(85)
Total	Php93,370	100	Php84,717	100	Php8,653	10

Selling, general and administrative expenses increased by Php191 million to Php44,051 million primarily due to higher expenses related to repairs and maintenance, selling and promotions, and rent, partly offset by lower compensation and employee benefits on account of lower MRP, and professional and other contracted services.

Depreciation and amortization charges increased by Php2,756 million, or 14%, to Php22,139 million mainly on account of higher depreciable asset base, combined with higher depreciation of right-of-use asset.

Interconnection costs increased by Php8,292 million, or 71%, to Php20,007 million, primarily due to higher international interconnection costs of PLDT Global.

Provisions decreased by Php1,665 million, or 31%, to Php3,729 million, primarily due to lower provision for ECLs mainly due to the improvement in collection rate.

Cost of sales and services decreased by Php839 million, or 20%, to Php3,430 million, primarily due to lower cost of PHW broadband routers, managed ICT equipment, and computer bundles, partially offset by the cost of Home WiFi mesh in 2021.

Asset impairment, consisting mainly of impairment of contract assets, decreased by Php82 million, or 85%, to Php14 million.



### ***Other Income (Expenses) – Net***

The following table summarizes the breakdown of our total fixed line-related other income (expenses) – net for the years ended December 31, 2021 and 2020:

	2021	2020	Change	
			Amount	%
			(in millions)	
Other Income (Expenses) – Net:				
Gains (losses) on derivative financial instruments – net	Php850	(Php270)	Php1,120	415
Interest income	275	636	(361)	(57)
Equity share in net earnings of associates	103	50	53	106
Foreign exchange gains (losses) – net	(2,433)	1,153	(3,586)	(311)
Financing costs – net	(6,029)	(6,059)	30	—
Other income – net	13,790	8,711	5,079	58
<b>Total</b>	<b>Php6,556</b>	<b>Php4,221</b>	<b>Php2,335</b>	<b>55</b>

Our Fixed Line business segment's other income amounted to Php6,556 million in 2021, an increase of Php2,335 million, or 55%, from Php4,221 million in 2020, primarily due to the combined effects of the following: (i) higher other income – net by Php5,079 million mainly due to PLDT's higher dividend income from Smart and gain on sale of PHW subscribers in 2021, as against the gain on sale and leaseback of Smart Headquarters in 2020; (ii) net gains on derivative financial instruments of Php850 million in 2021 as against net losses on derivative financial instruments of Php270 million in 2020 due to the depreciation of the Philippine peso relative to the U.S. dollar in 2021 as against the appreciation of the Philippine peso relative to the U.S. dollar in 2020; (iii) lower net financing costs by Php30 million; (iv) higher equity share in net earnings of associates and joint ventures by Php53 million; (v) lower interest income by Php361 million; and (vi) net foreign exchange losses of Php2,433 million in 2021 as against net foreign exchange gains of Php1,153 million in 2020 mainly on account of revaluation of net foreign currency-denominated liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar in 2021 as against the appreciation of the Philippine peso relative to the U.S. dollar in 2020.

### ***Provision for Income Tax***

Provision for income tax amounted to Php4,103 million in 2021, an increase of Php369 million, or 10%, from Php3,734 million in 2020, mainly due to higher taxable income, partly offset by the impact of lower corporate income tax under the CREATE Act, as well as the net favorable impact of 2020 income tax retroactive adjustment, per Revenue Regulations (RR) No. 5-2021, recognized in the first quarter of 2021.

### ***Net Income***

As a result of the foregoing, our Fixed Line business segment registered a net income of Php26,146 million in 2021, an increase of Php11,637 million, or 80%, as compared with Php14,509 million in 2020.

### ***EBITDA***

Our Fixed Line business segment's EBITDA increased by Php12,427 million, or 37%, to Php45,832 million in 2021 from Php33,405 million in 2020. EBITDA margin increased to 39% in 2021 from 34% in 2020.

### ***Core Income***

Our Fixed Line business segment's core income increased by Php10,835 million, or 70%, to Php26,298 million in 2021 from Php15,463 million in 2020, primarily due to higher EBITDA and other miscellaneous income, partially offset by higher depreciation and amortization, and provision for income tax.

### **Others**

#### ***Revenues***

Revenues generated from our Other business segment amounted to nil in each of 2021 and 2020.

#### ***Expenses***

Expenses related to our Other business segment decreased by Php5 million, or 42%, to Php7 million in 2021 from Php12 million in 2020.

### ***Other Income (Expenses) – Net***

The following table summarizes the breakdown of other income (expenses) – net for Other business segment for the years ended December 31, 2021 and 2020:

	2021	2020	Change	
			Amount	%
			(in millions)	
Other Income (Expenses) – Net:				
Foreign exchange gains (losses) – net	Php49	(Php48)	Php97	202
Interest income	26	92	(66)	(72)
Gains on derivative financial instruments – net	—	18	(18)	(100)
Financing costs – net	—	(55)	55	100
Equity share in net losses of associates and joint ventures	(1,204)	(2,378)	1,174	49
Other income – net	1,250	1,448	(198)	(14)
<b>Total</b>	<b>Php121</b>	<b>(Php923)</b>	<b>Php1,044</b>	<b>113</b>

Our Other business segment's other income amounted to Php121 million in 2021, a change of Php1,044 million from other expenses of Php923 million in 2020, primarily due to the combined effects of the following: (i) lower equity share in net losses of associates and joint ventures by Php1,174 million mainly due to higher equity share in net earnings in Vega Telecom Inc. on account of the favorable impact of CREATE adjustment on the unamortized deferred tax liability component of the investment; (ii) net foreign exchange gains of Php49 million in 2021 as against net foreign exchange losses of Php48 million in 2020; (iii) lower interest income by Php66 million; and (iv) lower other income – net by Php198 million.

### ***Net Income (Loss)***

As a result of the foregoing, our Other business segment registered a net income of Php384 million in 2021, a change of Php702 million as against net loss of Php318 million in 2020.

### ***Core Income (Loss)***

Our Other business segment's core loss amounted to Php666 million in 2021, a change of Php859 million as against core income of Php193 million in 2020.

### **Years ended December 31, 2020 and 2019**

#### **On a Consolidated Basis**

##### ***Revenues***

We reported consolidated revenues of Php181,004 million in 2020, an increase of Php11,817 million, or 7%, as compared with Php169,187 million in 2019, primarily due to higher revenues from data services in our Wireless and Fixed Line business segments, partially offset by lower revenues from voice and SMS services in our Wireless business segment.

Our consolidated service revenues of Php173,634 million in 2020, increased by Php12,279 million, or 8%, from Php161,355 million in 2019, while our consolidated non-service revenues of Php7,370 million in 2020, decreased by Php462 million, or 6%, from Php7,832 million in 2019.

Consolidated service revenues, net of interconnection costs, amounted to Php171,488 million in 2020, an increase of Php13,771 million, or 9%, from Php157,717 million in 2019.

In 2019, the MNP Act was enacted, which provides that a customer can retain their mobile number when they move from one mobile service provider to another or changes the type of subscription from postpaid to prepaid or vice versa. The Act also provides that no interconnection fee or charge shall be imposed by any mobile service provider for domestic calls and SMS made by a subscriber. Thus, effective January 2, 2020, we removed the mobile interconnection fees for domestic calls and SMS, which were formerly priced at Php0.50 per minute for voice calls and Php0.05 per message for SMS.

The following table shows the breakdown of our consolidated revenues by services for the years ended December 31, 2020 and 2019:

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
(in millions)				
<b>For the year ended December 31, 2020</b>				
Service Revenues				
<i>Wireless</i>				
Mobile	Php98,170		(Php2,422)	Php95,748
Home broadband	97,566		(1,977)	95,589
MVNO and others	40		—	40
	564		(445)	119
<i>Fixed Line</i>				
Data		Php97,410	(19,524)	77,886
Corporate data and ICT		67,183	(9,119)	58,064
Home broadband		34,138	(9,038)	25,100
Voice		33,045	(81)	32,964
Miscellaneous		29,541	(10,057)	19,484
		686	(348)	338
<b>Total Service Revenues</b>	<b>98,170</b>	<b>97,410</b>	<b>(21,946)</b>	<b>173,634</b>
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	6,041	1,140	—	7,181
Point-product sales	—	189	—	189
<b>Total Non-Service Revenues</b>	<b>6,041</b>	<b>1,329</b>	<b>—</b>	<b>7,370</b>
<b>Total Revenues</b>	<b>104,211</b>	<b>98,739</b>	<b>(21,946)</b>	<b>181,004</b>
<b>For the year ended December 31, 2019</b>				
Service Revenues				
<i>Wireless</i>				
Mobile	90,661		(2,418)	88,243
Home broadband	88,865		(1,042)	87,823
MVNO and others	85		—	85
	1,711		(1,376)	335
<i>Fixed Line</i>				
Data		87,819	(14,707)	73,112
Corporate data and ICT		60,764	(7,977)	52,787
Home broadband		32,315	(7,835)	24,480
Voice		28,449	(142)	28,307
Miscellaneous		26,267	(6,377)	19,890
		788	(353)	435
<b>Total Service Revenues</b>	<b>90,661</b>	<b>87,819</b>	<b>(17,125)</b>	<b>161,355</b>
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	6,245	1,223	(30)	7,438
Point-product sales	—	364	30	394
<b>Total Non-Service Revenues</b>	<b>6,245</b>	<b>1,587</b>	<b>—</b>	<b>7,832</b>
<b>Total Revenues</b>	<b>Php96,906</b>	<b>Php89,406</b>	<b>(Php17,125)</b>	<b>Php169,187</b>

The following table shows the breakdown of our consolidated revenues by business segment for the years ended December 31, 2020 and 2019:

	2020	%	2019 (in millions)	%	Change	
					Amount	%
Wireless	Php104,211	58	Php96,906	57	Php7,305	8
Fixed line	98,739	54	89,406	53	9,333	10
Inter-segment transactions	(21,946)	(12)	(17,125)	(10)	(4,821)	(28)
<b>Consolidated</b>	<b>Php181,004</b>	<b>100</b>	<b>Php169,187</b>	<b>100</b>	<b>Php11,817</b>	<b>7</b>

Our consolidated revenues are further segmented by Market, based on the type of customers served. Home refers to household subscribers, Individual covers mobile wireless individual customers, Enterprise encompasses business-based customers, corporate or otherwise, and International refers to international carrier customers.

The following table shows our consolidated revenues by market segment for each of our business segments for the years ended December 31, 2020 and 2019.

	2020 <sup>(1)</sup>	%	2019	%	Change	
					Amount	%
			(in millions)			
<b>Wireless</b>	Php98,170	54	Php 90,661	54	Php7,509	8
Individual	84,784	47	73,843	44	10,941	15
Home	442	—	1,917	1	(1,475)	(77)
Enterprise	8,142	4	6,847	4	1,295	19
International	4,802	3	8,054	5	(3,252)	(40)
<b>Fixed Line</b>	97,410	54	87,819	52	9,591	11
Individual	2,949	2	—	—	2,949	100
Home	38,601	21	37,344	22	1,257	3
Enterprise	42,341	23	41,091	24	1,250	3
International	13,414	8	9,201	6	4,213	46
Others	105	—	183	—	(78)	(43)
<b>Inter-segment Transactions</b>	<b>(21,946)</b>	<b>(12)</b>	<b>(17,125)</b>	<b>(10)</b>	<b>(4,821)</b>	<b>(28)</b>
<b>Total Service Revenues</b>	<b>173,634</b>	<b>96</b>	<b>161,355</b>	<b>96</b>	<b>12,279</b>	<b>8</b>
<b>Wireless</b>	6,041	4	6,245	3	(204)	(3)
Individual	4,453	3	4,276	2	177	4
Enterprise	1,579	1	1,959	1	(380)	(19)
International	9	—	10	—	(1)	(10)
<b>Fixed Line</b>	1,329	—	1,587	1	(258)	(16)
Individual	572	—	—	—	572	100
Home	190	—	928	1	(738)	(80)
Enterprise	567	—	659	—	(92)	(14)
<b>Total Non-Service Revenues</b>	<b>7,370</b>	<b>4</b>	<b>7,832</b>	<b>4</b>	<b>(462)</b>	<b>(6)</b>
<b>Total Revenues</b>	<b>Php181,004</b>	<b>100</b>	<b>Php169,187</b>	<b>100</b>	<b>Php11,817</b>	<b>7</b>

<sup>(1)</sup> Certain amounts for the year ended December 31, 2020 were reclassified to conform with the current year presentation.

### Expenses

Consolidated expenses increased by Php15,036 million, or 12%, to Php144,822 million in 2020 from Php129,786 million in 2019, primarily due to higher depreciation and amortization, selling, general and administrative expenses, and provisions in our Wireless and Fixed Line business segments, as well as higher interconnection costs in our Fixed Line business segment, partially offset by lower interconnection costs, and cost of sales and services in our Wireless business segment.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2020 and 2019:

	2020	%	2019	%	Change	
					Amount	%
			(in millions)			
Wireless	Php81,569	56	Php74,359	57	Php7,210	10
Fixed Line	84,717	59	72,385	56	12,332	17
Others	12	—	101	—	(89)	(88)
Inter-segment transactions	(21,476)	(15)	(17,059)	(13)	(4,417)	(26)
Consolidated	Php144,822	100	Php129,786	100	Php15,036	12

### Other Income (Expenses) – Net

Consolidated other expenses amounted to Php3,161 million in 2020, a decrease of Php3,904 million, or 55%, from Php7,065 million in 2019, primarily due to the combined effects of the following: (i) higher other income – net mainly due to gain on sale and leaseback of Smart Headquarters, partially offset by higher losses on fair value of investments from our Other business segment; (ii) higher foreign exchange gains mainly due to the revaluation of net foreign currency-denominated liabilities due to a higher level of appreciation of the Philippine peso relative to the U.S. dollar; (iii) lower interest income across our business segments; (iv) higher equity share in net losses from our Fixed Line and Other business segments; and (v) higher financing costs from our Wireless and Fixed Line business segments.

The following table shows the breakdown of our consolidated other income (expenses) – net by business segment for the years ended December 31, 2020 and 2019:

	2020	2019	Change	
			Amount	%
			(in millions)	
Wireless	(Php2,940)	(Php5,023)	Php2,083	41
Fixed Line	4,221	(259)	4,480	1,730
Others	(923)	(2,112)	1,189	56
Inter-segment transactions	(3,519)	329	(3,848)	(1,170)
Consolidated	(Php3,161)	(Php7,065)	Php3,904	55

### Net Income

Consolidated net income increased by Php1,794 million, or 8%, to Php24,580 million in 2020, from Php22,786 million in 2019, primarily due to higher net income from our Wireless and Fixed Line business segments, as well as lower net loss from our Other business segment. Our consolidated basic and diluted EPS increased to Php112.12 in 2020 from

Php103.97 in 2019. Our weighted average number of outstanding common shares was approximately 216.06 million in each of 2020 and 2019.

The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2020 and 2019:

	2020	%	2019	%	Change	
					Amount	%
	(in millions)					
Wireless	Php15,166	62	Php13,101	58	Php2,065	16
Fixed Line	14,509	59	11,421	50	3,088	27
Others	(318)	(1)	(1,769)	(8)	1,451	82
Inter-segment transactions	(4,777)	(20)	33	—	(4,810)	(14,576)
Consolidated	Php24,580	100	Php22,786	100	Php1,794	8

### **EBITDA**

Our consolidated EBITDA amounted to Php86,158 million in 2020, an increase of Php6,343 million, or 8%, as compared with Php79,815 million in 2019, primarily due to higher EBITDA in our Wireless and Fixed Line business segments.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2020 and 2019:

	2020	%	2019	%	Change	
					Amount	%
	(in millions)					
Wireless	Php60,272	70	Php52,789	66	Php7,483	14
Fixed Line	33,405	39	33,162	42	243	1
Others	(12)	—	(101)	—	89	88
Inter-segment transactions	(7,507)	(9)	(6,035)	(8)	(1,472)	(24)
Consolidated	Php86,158	100	Php79,815	100	Php6,343	8

Our consolidated EBITDA excluding MRP amounted to Php88,783 million in 2020, an increase of Php5,672 million, or 7%, as compared with Php83,111 million in 2019.

### **Core Income**

Our consolidated core income amounted to Php27,129 million in 2020, an increase of Php2,018 million, or 8%, as compared with Php25,111 million in 2019 mainly on account of higher EBITDA and other miscellaneous income, partly offset by higher depreciation and amortization and financing costs, as well as higher equity share in net losses. Our consolidated basic and diluted core EPS increased to Php125.29 in 2020 from Php115.95 in 2019.

The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2020 and 2019:

	2020	%	2019	%	Change	
					Amount	%
	(in millions)					
Wireless	Php16,440	60	Php13,685	55	Php2,755	20
Fixed Line	15,463	57	12,531	50	2,932	23
Others	193	1	(1,151)	(5)	1,344	117
Inter-segment transactions	(4,967)	(18)	46	—	(5,013)	(10,898)
Consolidated	Php27,129	100	Php25,111	100	Php2,018	8

Our consolidated telco core income amounted to Php28,087 million in 2020, an increase of Php1,007 million, or 4%, as compared with Php27,080 million in 2019 mainly due to higher EBITDA and other miscellaneous income, partially offset by higher depreciation and amortization, and financing costs.

The following table shows the breakdown of our consolidated telco core income by business segment for the years ended December 31, 2020 and 2019:

	2020	%	2019	%	Change	
					Amount	%
	(in millions)					
Wireless	Php17,217	61	Php14,063	52	Php3,154	22
Fixed Line	13,649	49	12,531	46	1,118	9
Others	2,188	8	440	2	1,748	397
Inter-segment transactions	(4,967)	(18)	46	—	(5,013)	(10,898)
Consolidated	Php28,087	100	Php27,080	100	Php1,007	4

## On a Business Segment Basis

### Wireless

#### Revenues

We generated revenues of Php104,211 million from our Wireless business segment in 2020, an increase of Php7,305 million, or 8%, from Php96,906 million in 2019.

The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2020 and 2019:

	2020	%	2019	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Mobile	Php97,566	93	Php88,865	92	Php8,701	10
Home broadband	40	—	85	—	(45)	(53)
MVNO and others <sup>(1)</sup>	564	1	1,711	2	(1,147)	(67)
Total Wireless Service Revenues	98,170	94	90,661	94	7,509	8
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	6,041	6	6,245	6	(204)	(3)
Total Wireless Revenues	Php104,211	100	Php96,906	100	Php7,305	8

<sup>(1)</sup> Includes service revenues generated by MVNOs of PLDT Global subsidiaries and facility service fees.

#### Service Revenues

Our wireless service revenues increased by Php7,509 million, or 8%, to Php98,170 million in 2020 as compared with Php90,661 million in 2019, primarily due to higher mobile revenues, partly offset by lower revenues from home broadband and MVNO and other services. As a percentage of our total wireless revenues, service revenues accounted for 94% in each of 2020 and 2019.

##### Mobile Services

Our mobile service revenues amounted to Php97,566 million in 2020, an increase of Php8,701 million, or 10%, from Php88,865 million in 2019. Mobile service revenues accounted for 99% and 98% of our wireless service revenues in 2020 and 2019, respectively.

The following table shows the breakdown of our mobile service revenues for the years ended December 31, 2020 and 2019:

	2020	%	2019	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Mobile Services:						
Data	Php66,731	69	Php52,848	59	Php13,883	26
Voice	21,542	22	24,597	28	(3,055)	(12)
SMS	6,937	7	9,907	11	(2,970)	(30)
Inbound roaming and others <sup>(1)</sup>	2,356	2	1,513	2	843	56
Total	Php97,566	100	Php88,865	100	Php8,701	10

<sup>(1)</sup> Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees and facility service fees.

##### Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php13,883 million, or 26%, to Php66,731 million in 2020 from Php52,848 million in 2019 due to growth in mobile internet usage that was driven mainly by an increased demand for data connectivity amidst the pandemic to conform with the “new normal” ways of working and schooling. This was further boosted by enhanced data products, consumer engagement promotions, and continuous network improvement and LTE migration. Data services accounted for 69% and 59% of our mobile service revenues in 2020 and 2019, respectively.

The following table shows the breakdown of our mobile data service revenues for the years ended December 31, 2020 and 2019:

	2020	%	2019	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Data Services:						
Mobile internet <sup>(1)</sup>	Php62,327	93	Php48,399	91	Php13,928	29
Mobile broadband	3,171	5	3,547	7	(376)	(11)
Other data	1,233	2	902	2	331	37
Total	Php66,731	100	Php52,848	100	Php13,883	26

<sup>(1)</sup> Includes revenues from web-based services, net of discounts and content provider costs.

### *Mobile Internet*

Mobile internet service revenues increased by Php13,928 million, or 29%, to Php62,327 million in 2020 from Php48,399 million in 2019, primarily due to the following: (i) increase in the use of video, gaming and social media data usage by our subscribers driven by the enhanced product offerings, marketing promotions and content partnerships; (ii) increase in digital productivity requirements from work-from-home and study-from-home environment; (iii) expansion of distribution channels, particularly using digital platforms; and (iv) LTE migration initiatives that further increased the number of LTE device and data users. Smart remains the fastest Mobile Data network in the country as verified by independent third-party agencies, Ookla and OpenSignal.

Mobile internet services accounted for 64% and 54% of our mobile service revenues in 2020 and 2019, respectively.

### *Mobile Broadband*

Mobile broadband revenues amounted to Php3,171 million in 2020, a decrease of Php376 million, or 11%, from Php3,547 million in 2019, primarily due to a decrease in the number of broadband subscribers as users shifted to using mobile internet, home fiber and WiFi services. Meanwhile, there was a noted increase in activations of Smart's WiFi products in the third quarter of 2020 to cater to the needs of students and the workforce at home, which also serves as a backup service to their fixed home connections. Mobile broadband services accounted for 3% and 4% of our mobile service revenues in 2020 and 2019, respectively.

### *Other Data*

Revenues from our other data services, which include value-added services, or VAS, domestic leased lines and share in revenue from PLDT WeRoam, increased by Php331 million, or 37%, to Php1,233 million in 2020 from Php902 million in 2019, primarily due to higher revenues from domestic leased lines and VAS via Direct Carrier Billing, which includes revenues from video subscriptions and mobile gaming in-app purchases.

### *Voice Services*

Mobile revenues from our voice services, which include all voice traffic, decreased by Php3,055 million, or 12%, to Php21,542 million in 2020 from Php24,597 million in 2019, due to subscribers' shift to alternative calling options and other OTT services. Mobile voice services accounted for 22% and 28% of our mobile service revenues in 2020 and 2019, respectively.

Domestic voice service revenues decreased by Php2,908 million, or 13%, to Php18,922 million in 2020 from Php21,830 million in 2019, due to lower domestic outbound revenues, and lower inbound voice service revenues due to the impact of the removal of interconnection rates for domestic mobile voice services.

International voice service revenues decreased by Php147 million, or 5%, to Php2,620 million in 2020 from Php2,767 million in 2019, primarily due to the impact of the pandemic on OFWs and international travelers.

### *SMS Services*

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php2,970 million, or 30%, to Php6,937 million in 2020 from Php9,907 million in 2019, mainly due to the decline in SMS volumes arising from the increased adoption of alternative messaging solutions, such as OTT services, social media, and messenger application, combined with the impact of the removal of interconnection charges for domestic mobile SMS services. Mobile SMS services accounted for 7% and 11% of our mobile service revenues in 2020 and 2019, respectively.

### *Inbound Roaming and Others*

Mobile revenues from inbound roaming and other services increased by Php843 million, or 56%, to Php2,356 million in 2020 from Php1,513 million in 2019, mainly due to facility service fees related to fixed wireless business.

The following table shows the breakdown of our mobile service revenues by service type for the years ended December 31, 2020 and 2019:

	2020	2019	Increase (Decrease)	
			Amount	%
Mobile service revenues	Php97,566	Php88,865	Php8,701	10
By service type		(in millions)		
Prepaid	75,790	67,850	7,940	12
Postpaid	19,420	19,502	(82)	—
Inbound roaming and others	2,356	1,513	843	56

### Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php75,790 million in 2020, an increase of Php7,940 million, or 12%, as compared with Php67,850 million in 2019. Mobile prepaid service revenues accounted for 78% and 76% of mobile service revenues in 2020 and 2019, respectively. The increase in revenues from our mobile prepaid services was attributed to higher average daily top-ups, driven by the sustained growth in mobile internet usages.

In October 2020, we implemented the rebranding of Sun Prepaid into Smart Prepaid. Subscribers retained their existing Sun numbers while having access to expanded retail and customer care channels, data-centric Giga offers alongside existing select Sun top-up offers. Following this development, rebranded subscribers can avail of Giga Life bundles, including the newest offers, Giga Work for those working from home and Giga Study for online classes, using Smart's LTE network.

### Postpaid Revenues

Revenues generated from mobile postpaid services amounted to Php19,420 million in 2020, lower by Php82 million as compared with Php19,502 million in 2019, primarily due to a decline in the postpaid subscriber base. Mobile postpaid service revenues accounted for 20% and 22% of mobile service revenues in 2020 and 2019, respectively.

### Subscriber Base, ARPU and Churn Rates

The following table shows our mobile subscriber base as at December 31, 2020 and 2019:

	2020	2019	Increase (Decrease)	
			Amount	%
Mobile subscriber base				
Smart <sup>(1)</sup>	30,533,816	27,335,602	3,198,214	12
Prepaid	29,090,167	25,866,195	3,223,972	12
Postpaid	1,443,649	1,469,407	(25,758)	(2)
TNT	41,688,854	38,308,363	3,380,491	9
Sun <sup>(1)</sup>	711,169	7,474,190	(6,763,021)	(90)
Prepaid <sup>(2)</sup>	—	6,547,231	(6,547,231)	(100)
Postpaid	711,169	926,959	(215,790)	(23)
Total mobile subscribers	72,933,839	73,118,155	(184,316)	—

<sup>(1)</sup> Includes mobile broadband subscribers.

<sup>(2)</sup> Beginning October 2020, Sun Prepaid was rebranded as Smart Prepaid.

Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card. A prepaid mobile subscriber is considered inactive if the subscriber does not reload within 90 days after the full usage or expiry of the last reload.

The average monthly churn rates for Smart Prepaid subscribers were 4.8% and 4.1% in 2020 and 2019, respectively, while the average monthly churn rates for TNT subscribers were 4.2% and 4.0% in 2020 and 2019, respectively. The average monthly churn rate for Sun Prepaid subscribers was 4.5% in 2019.

The average monthly churn rates for Smart Postpaid subscribers were 2.3% and 2.1% in 2020 and 2019, respectively. The average monthly churn rates for Sun Postpaid subscribers were 3.1% and 2.0% in 2020 and 2019, respectively.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2020 and 2019:

	Gross <sup>(1)</sup>		Increase (Decrease)		Net <sup>(2)</sup>		Increase (Decrease)	
	2020	2019	Amount	%	2020	2019	Amount	%
	(amounts in Php)							
Prepaid								
Smart	133	132	1	1	113	116	(3)	(3)
TNT	91	77	14	18	79	69	10	14
Sun <sup>(3)</sup>	—	84	(84)	(100)	—	75	(75)	(100)
Postpaid								
Smart	844	824	20	2	813	806	7	1
Sun	386	418	(32)	(8)	375	411	(36)	(9)

<sup>(1)</sup> Gross monthly ARPU is calculated by dividing gross mobile service revenues for the month, including interconnection income but excluding inbound roaming revenues, gross of discounts, and content provider costs, by the average number of subscribers in the month.

<sup>(2)</sup> Net monthly ARPU is calculated by dividing gross mobile service revenues for the month, including interconnection income, but excluding inbound roaming revenues, net of discounts and content provider costs, by the average number of subscribers in the month.

<sup>(3)</sup> Beginning October 2020, Sun Prepaid was rebranded as Smart Prepaid.

### Home Broadband

Revenues from our Home Broadband services amounted to Php40 million in 2020, a decrease of Php45 million, or 53%, from Php85 million in 2019, primarily due to a decrease in the number of subscribers.

### MVNO and Others

Revenues from our MVNO and other services amounted to Php564 million in 2020, a decrease of Php1,147 million, or 67%, from Php1,711 million in 2019, primarily due to lower facility service fees.



### Non-Service Revenues

Our wireless non-service revenues consist of sale of mobile handsets, mobile broadband data modems, tablets and accessories. Our wireless non-service revenues decreased by Php204 million, or 3%, to Php6,041 million in 2020 from Php6,245 million in 2019, primarily due to lower quantity of mobile handsets issued as a result of the temporary closure of Smart Stores and Sun Shops brought about by the community quarantine measures during the pandemic.

### Expenses

Expenses associated with our Wireless business segment amounted to Php81,569 million in 2020, an increase of Php7,210 million, or 10%, from Php74,359 million in 2019. The increase was mainly attributable to higher depreciation and amortization, selling, general and administrative expenses, and provisions, partially offset by lower interconnection costs, and cost of sales and services. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 78% and 77% in 2020 and 2019, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2020 and 2019 and the percentage of each expense item in relation to the total:

	2020	%	2019	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Selling, general and administrative expenses	Php35,731	44	Php32,009	43	Php3,722	12
Depreciation and amortization	35,134	43	29,484	40	5,650	19
Cost of sales and services	8,041	10	9,324	13	(1,283)	(14)
Provisions	2,026	2	1,011	1	1,015	100
Interconnection costs	467	1	2,409	3	(1,942)	(81)
Asset impairment	170	—	122	—	48	39
<b>Total</b>	<b>Php81,569</b>	<b>100</b>	<b>Php74,359</b>	<b>100</b>	<b>Php7,210</b>	<b>10</b>

Selling, general and administrative expenses increased by Php3,722 million, or 12%, to Php35,731 million, primarily due to higher expenses related to amortization of intangible assets mainly on account of trademark amortization, taxes and licenses, selling and promotions, and rent, partly offset by lower expenses related to professional and other contracted services, compensation and employee benefits, and communication, training and travel.

Depreciation and amortization charges increased by Php5,650 million, or 19%, to Php35,134 million, mainly on account of higher depreciation due to shortened life of certain network, technology and other equipment resulting from the migration to faster speed LTE and 5G technologies, as well as transformation and cost reengineering initiatives, combined with higher depreciation of right-of-use asset.

Cost of sales and services decreased by Php1,283 million, or 14%, to Php8,041 million, primarily due to lower number of units issued for mobile handsets during the temporary closure of Smart Stores and Sun Shops as a result of the community quarantine, coupled by lower cost of content and services.

Provisions increased by Php1,015 million, or 100%, to Php2,026 million, mainly on account of higher expected credit losses primarily driven by the impact of the pandemic to the economy.

Interconnection costs decreased by Php1,942 million, or 81%, to Php467 million, primarily due to lower interconnection cost on domestic voice and SMS services, as a result of the removal of mobile domestic interconnection fees.

Asset impairment, consisting mainly of impairment of contract assets, increased by Php48 million, or 39%, to Php170 million.

### Other Income (Expenses) – Net

The following table summarizes the breakdown of our total wireless-related other income (expenses) – net for the years ended December 31, 2020 and 2019:

	2020	2019	Change	
			Amount	%
	(in millions)			
Other Income (Expenses) – Net:				
Financing costs – net	(Php6,886)	(Php6,422)	(Php464)	(7)
Losses on derivative financial instruments – net	(126)	(243)	117	48
Foreign exchange gains – net	431	118	313	265
Interest income	537	703	(166)	(24)
Other income – net	3,104	821	2,283	278
<b>Total</b>	<b>(Php2,940)</b>	<b>(Php5,023)</b>	<b>Php2,083</b>	<b>41</b>

Our Wireless business segment's other expenses amounted to Php2,940 million in 2020, a decrease of Php2,083 million, or 41%, from Php5,023 million in 2019, primarily due to the combined effects of the following: (i) higher other income – net by Php2,283 million mainly due to higher other miscellaneous income; (ii) higher net foreign exchange gains by Php313 million on account of revaluation of net foreign currency-denominated liabilities due to higher level of appreciation of the Philippine peso relative to the U.S. dollar; (iii) lower net losses on derivative financial instruments by Php117 million; (iv) lower interest income by Php166 million; and (v) higher net financing costs by Php464 million

mainly due to higher interest expense on loans resulting from higher outstanding loan balance and lower capitalized interest.

### ***Provision for Income Tax***

Provision for income tax amounted to Php4,536 million in 2020, an increase of Php113 million, or 3%, from Php4,423 million in 2019.

### ***Net Income***

As a result of the foregoing, our Wireless business segment's net income increased by Php2,065 million, or 16%, to Php15,166 million in 2020 from Php13,101 million in 2019.

### ***EBITDA***

Our Wireless business segment's EBITDA increased by Php7,483 million, or 14%, to Php60,272 million in 2020 from Php52,789 million in 2019. EBITDA margin increased to 61% in 2020 from 58% in 2019.

### ***Core Income***

Our Wireless business segment's core income increased by Php2,755 million, or 20%, to Php16,440 million in 2020 from Php13,685 million in 2019, mainly on account of higher EBITDA and other miscellaneous income, partially offset by higher depreciation and amortization, and net financing costs.

### **Fixed Line**

#### ***Revenues***

Revenues generated from our Fixed Line business segment amounted to Php98,739 million in 2020, an increase of Php9,333 million, or 10%, from Php89,406 million in 2019.

The following table summarizes our total revenues by service from our Fixed Line business segment for the years ended December 31, 2020 and 2019:

	2020	%	2019	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Data	Php67,183	68	Php60,764	68	Php6,419	11
Voice	29,541	30	26,267	29	3,274	12
Miscellaneous	686	1	788	1	(102)	(13)
	97,410	99	87,819	98	9,591	11
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	1,329	1	1,587	2	(258)	(16)
<b>Total Fixed Line Revenues</b>	<b>Php98,739</b>	<b>100</b>	<b>Php89,406</b>	<b>100</b>	<b>Php9,333</b>	<b>10</b>

#### ***Service Revenues***

Our fixed line service revenues increased by Php9,591 million, or 11%, to Php97,410 million in 2020 from Php87,819 million in 2019, primarily due to higher revenues from our data and voice services.

##### *Data Services*

Our data services posted revenues of Php67,183 million in 2020, an increase of Php6,419 million, or 11%, from Php60,764 million in 2019, primarily due to higher revenues from home broadband, corporate data and leased lines, and ICT services. The percentage contribution of this service segment to our fixed line service revenues accounted for 69% in each of the years ended December 31, 2020 and 2019.

The following table shows information of our data service revenues for the years ended December 31, 2020 and 2019:

	2020	2019	Increase	
			Amount	%
	(in millions)			
Data service revenues	Php67,183	Php60,764	Php6,419	11
Corporate data and ICT	34,138	32,315	1,823	6
Home broadband	33,045	28,449	4,596	16

##### *Corporate Data and ICT*

Corporate data services amounted to Php28,110 million in 2020, an increase of Php1,429 million, or 5%, as compared with Php26,681 million in 2019, mainly due to the sustained demand for broadband internet and data networking services. Corporate data revenues accounted for 42% and 44% of total data services for the years ended December 31, 2020 and 2019, respectively.

ICT revenues increased by Php394 million, or 7%, to Php6,028 million in 2020 from Php5,634 million in 2019 mainly due to higher revenues from data centers, cloud and cyber security services. The percentage contribution of this service segment to our total data service revenues accounted for 9% in each of the years ended December 31, 2020 and 2019.

#### *Home Broadband*

Home broadband data revenues amounted to Php33,045 million in 2020, an increase of Php4,596 million, or 16%, from Php28,449 million in 2019. This growth is driven by increasing demand for broadband services, including fixed wired (PLDT Home Fibr) and fixed wireless (PLDT Home WiFi). PLDT Home offers broadband services through the nationwide roll-out of its fiber-to-the-home, or FTTH, network and its existing copper network. Home broadband revenues accounted for 49% and 47% of total data service revenues in 2020 and 2019, respectively. PLDT's FTTH nationwide network roll-out has reached approximately 9.0 million homes passed as of December 31, 2020.

#### *Voice Services*

Revenues from our voice services increased by Php3,274 million, or 12%, to Php29,541 million in 2020 from Php26,267 million in 2019, primarily due to higher revenues from international services of PLDT Global, partly offset by lower revenues from domestic and local exchange services. The decline in domestic and local exchange services was partly due to the continued popularity of services such as Skype, Viber, Line, Facebook Messenger, Google Talk and WhatsApp, offering free OTT calling services, and other similar services, as well as subscribers' shift to mobile services. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 30% in each of the years ended December 31, 2020 and 2019.

#### *Miscellaneous Services*

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues decreased by Php102 million, or 13%, to Php686 million in 2020 from Php788 million in 2019. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 1% in each of the years ended December 31, 2020 and 2019.

#### **Non-service Revenues**

Non-service revenues decreased by Php258 million, or 16%, to Php1,329 million in 2020 from Php1,587 million in 2019, primarily due to lower sale of hardware, Telpad units, and computer bundles, partially offset by higher sale of Prepaid Home WiFi and managed ICT equipment.

#### **Expenses**

Expenses related to our Fixed Line business segment totaled Php84,717 million in 2020, an increase of Php12,332 million, or 17%, as compared with Php72,385 million in 2019. The increase was primarily due to higher interconnection costs, selling, general and administrative expenses, depreciation and amortization, and provisions. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 86% and 81% in 2020 and 2019, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2020 and 2019 and the percentage of each expense item in relation to the total:

	2020	%	2019	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Selling, general and administrative expenses	Php43,860	52	Php40,856	56	Php3,004	7
Depreciation and amortization	19,383	23	16,141	22	3,242	20
Interconnection costs	11,715	14	7,577	11	4,138	55
Provisions	5,394	6	3,530	5	1,864	53
Cost of sales and services	4,269	5	4,112	6	157	4
Asset impairment	96	—	169	—	(73)	(43)
<b>Total</b>	<b>Php84,717</b>	<b>100</b>	<b>Php72,385</b>	<b>100</b>	<b>Php12,332</b>	<b>17</b>

Selling, general and administrative expenses increased by Php3,004 million, or 7%, to Php43,860 million primarily due to higher expenses related to compensation and employee benefits, mainly on account of higher pension benefits, repairs and maintenance, professional and other contracted services, and selling and promotions, partly offset by lower rent, taxes and licenses, and communication, training and travel expenses.

Depreciation and amortization charges increased by Php3,242 million, or 20%, to Php19,383 million mainly on account of higher depreciable asset base and depreciation due to shortened life of certain network equipment, resulting from the migration to FTTH, combined with higher depreciation of right-of-use asset.

Interconnection costs increased by Php4,138 million, or 55%, to Php11,715 million, primarily due to higher international interconnection costs of PLDT Global.

Provisions increased by Php1,864 million, or 53%, to Php5,394 million, primarily due to higher provisions for expected credit losses mainly on account of lower collection efficiency and decline in macroeconomic factors, and higher provision for inventory obsolescence.

Cost of sales and services increased by Php157 million, or 4%, to Php4,269 million, primarily due to higher cost of sale of Prepaid Home WiFi and managed ICT equipment, partly offset by lower cost of services, as well as lower cost of hardware, Telpad units and computer bundles.

Asset impairment, consisting mainly of impairment of contract assets, decreased by Php73 million, or 43%, to Php96 million.

### ***Other Income (Expenses) – Net***

The following table summarizes the breakdown of our total fixed line-related other income (expenses) – net for the years ended December 31, 2020 and 2019:

	2020	2019	Change	
			Amount	%
			(in millions)	
Other Income (Expenses) – Net:				
Foreign exchange gains – net	Php1,153	Php400	Php753	188
Interest income	636	680	(44)	(6)
Equity share in net earnings of associates	50	568	(518)	(91)
Losses on derivative financial instruments – net	(270)	(196)	(74)	(38)
Financing costs – net	(6,059)	(5,078)	(981)	(19)
Other income – net	8,711	3,367	5,344	159
<b>Total</b>	<b>Php4,221</b>	<b>(Php259)</b>	<b>Php4,480</b>	<b>1,730</b>

Our Fixed Line business segment's other income amounted to Php4,221 million in 2020, a change of Php4,480 million as against other expenses of Php259 million in 2019, primarily due to the combined effects of the following: (i) higher other income – net by Php5,344 million mainly due to gain on sale and leaseback of Smart Headquarters and other miscellaneous income; (ii) higher net foreign exchange gains by Php753 million on account of revaluation of net foreign currency-denominated liabilities due to higher level of appreciation of the Philippine peso relative to the U.S. dollar; (iii) lower interest income by Php44 million; (iv) higher net losses on derivative financial instruments by Php74 million; (v) lower equity share in net earnings of associates by Php518 million; and (vi) higher net financing costs by Php981 million mainly due to higher interest expense on loans resulting from higher outstanding loan balance, partially offset by higher capitalized interest.

### ***Provision for Income Tax***

Provision for income tax amounted to Php3,734 million in 2020, a decrease of Php1,607 million, or 30%, from Php5,341 million in 2019.

### ***Net Income***

As a result of the foregoing, our Fixed Line business segment registered a net income of Php14,509 million in 2020, an increase of Php3,088 million, or 27%, as compared with Php11,421 million in 2019.

### ***EBITDA***

Our Fixed Line business segment's EBITDA increased by Php243 million, or 1%, to Php33,405 million in 2020 from Php33,162 million in 2019. EBITDA margin decreased to 34% in 2020 from 38% in 2019.

### ***Core Income***

Our Fixed Line business segment's core income increased by Php2,932 million, or 23%, to Php15,463 million in 2020 from Php12,531 million in 2019, primarily due to higher EBITDA and other miscellaneous income, as well as lower provision for income tax, partially offset by higher depreciation and amortization, and net financing costs.

### **Others**

#### ***Revenues***

Revenues generated from our Other business segment amounted to nil for each of 2020 and 2019.

#### ***Expenses***

Expenses related to our Other business segment decreased by Php89 million, or 88%, to Php12 million in 2020 from Php101 million in 2019.

### **Other Income (Expenses) – Net**

The following table summarizes the breakdown of other income (expenses) – net for Other business segment for the years ended December 31, 2020 and 2019:

	2020	2019	Change	
			Amount	%
			(in millions)	
Other Income (Expenses) – Net:				
Equity share in net losses of associates and joint ventures	(Php2,378)	(Php2,103)	(Php275)	(13)
Financing costs – net	(55)	—	(55)	(100)
Foreign exchange losses – net	(48)	(76)	28	37
Gains on derivative financial instruments – net	18	155	(137)	(88)
Interest income	92	362	(270)	(75)
Other income (expense) – net	1,448	(450)	1,898	422
<b>Total</b>	<b>(Php923)</b>	<b>(Php2,112)</b>	<b>Php1,189</b>	<b>56</b>

Our Other business segment's other expenses amounted to Php923 million in 2020, a decrease of Php1,189 million, or 56%, from Php2,112 million in 2019, primarily due to the combined effects of the following: (i) other income – net of Php1,448 million in 2020 as against other expenses of Php450 million in 2019 mainly due to losses on fair value of Phunware investment in 2019 and higher other miscellaneous income, partially offset by losses on fair value in 2020 as against gains on fair value in 2019 of Rocket Internet investment, and higher losses on fair value of iflix investment; (ii) lower net foreign exchange losses by Php28 million; (iii) net financing costs of Php55 million in 2020; (iv) lower net gains on derivative financial instruments by Php137 million; (v) lower interest income by Php270 million; and (vi) higher equity share in net losses of associates and joint ventures by Php275 million mainly due to equity share in net losses in 2020 as against equity share in net earnings in 2019 of Multisys, and higher equity share in net losses of VIH.

### **Net Income (Loss)**

As a result of the foregoing, our Other business segment registered a net loss of Php318 million in 2020, a decrease of Php1,451 million, or 82%, from Php1,769 million in 2019.

### **Core Income (Loss)**

Our Other business segment's core income amounted to Php193 million in 2020 as against core loss of Php1,151 million in 2019.

### **Plans**

We are one of the leading telecommunications and digital services providers in the Philippines. We intend to reinforce our leading position while offering a broader range and higher quality of products and services.

Our current estimate for our consolidated capital expenditures in 2023 is approximately Php79 billion, which is expected to be spent on network maintenance and expansion and IT projects, mainly to support the exponential rise in mobile data traffic, and for broadband installations. Our capital spending is focused on our objective of supporting the changing demand profile of our customers, allowing the delivery of a superior customer experience, and helping corporate customers revive their businesses.

We plan to expand our LTE network in line with our desire to provide coverage to substantially all of the country's cities and municipalities by the end of 2023. We intend to expand and upgrade our fixed access networks for cable fortification and resiliency in various locations. The expansion of our national and domestic networks is intended to follow the roll-out of our access networks.

We also plan to continue the transformation of our service delivery platforms and IT in order to facilitate a real-time, on demand and personalized customer experience across all touch points and channels.

Our capital expenditure budget includes projects addressing the following objectives:

- (1) Commercial expansion of capacity and footprint of our wired and wireless services, as well as new platforms to expand service offerings;
- (2) Technical transformation of the PLDT Group's service delivery platform in order to realize operating and cost efficiencies, provision of greater resilience and redundancy for the network, and investments in additional cable systems;
- (3) Continuing investments to expand our LTE coverage; and
- (4) IT/Support Systems –upgrade of our IT and support systems.

We expect to fund incremental capital expenditures from internally generated funds, loan financing, and proceeds from sale of non-strategic assets.

## Liquidity and Capital Resources

The following table shows our consolidated cash flows for the years ended December 31, 2022, 2021 and 2020, as well as our consolidated capitalization and other consolidated selected financial data as at December 31, 2022 and 2021:

	2022	2021	2020
	(in millions)		
<b>Cash Flows</b>			
Net cash flows provided by operating activities	Php76,200	Php91,970	Php85,076
Net cash flows used in investing activities	(33,006)	(103,640)	(68,669)
<i>Payment for purchase of property and equipment, including capitalized interest</i>	<i>(95,551)</i>	<i>(103,977)</i>	<i>(78,100)</i>
Net cash flows provided by (used in) financing activities	(42,304)	(4,904)	463
Net increase (decrease) in cash and cash equivalents	1,304	(16,330)	15,868
<b>Capitalization</b>			
Interest-bearing financial liabilities:			
Long-term financial liabilities:			
Long-term debt	Php217,288	Php241,075	Php205,195
Current portion of interest-bearing financial liabilities:			
Long-term debt maturing within one year	32,292	11,482	17,570
Total interest-bearing financial liabilities	249,580	252,557	222,765
Total equity attributable to equity holders of PLDT	104,087	123,216	115,408
	Php353,667	Php375,773	Php338,173
<b>Other Selected Financial Data</b>			
Total assets	Php624,162	Php626,328	Php575,846
Property and equipment	292,745	302,736	260,868
Cash and cash equivalents	25,211	23,907	40,237
Short-term investments	383	2,241	989

Our consolidated cash and cash equivalents and short-term investments totaled Php25,594 million as at December 31, 2022. Principal sources of consolidated cash and cash equivalents in 2022 were cash flows from operating activities amounting to Php76,200 million, proceeds from disposal of property and equipment of Php60,833 million, mainly proceeds from the sale and leaseback of telecom towers, proceeds from availment of short-term and long-term debt of Php21,000 million, proceeds from maturity of short-term investments of Php8,700 million, proceeds from the release of preferred redemption fund of Php7,839 million, and interest received of Php636 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php95,551 million; (2) long-term debt principal and interest payments of Php22,353 million and Php9,013 million, respectively; (3) cash dividend payments of Php25,235 million; (4) settlement of obligations under lease liabilities of Php8,331 million; (5) payment for purchase of short-term investments of Php6,368 million; (6) payment for acquisition of investments in associates and joint ventures of Php3,514 million, mainly PCEV's additional investment in VIH's preferred shares; and (7) payment of short-term debt of Php6,000 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php26,148 million as at December 31, 2021. Principal sources of consolidated cash and cash equivalents in 2021 were cash flows from operating activities amounting to Php91,970 million, proceeds from availment of long-term debt of Php51,500 million, proceeds from maturity of short-term investments of Php2,518 million, proceeds from disposal of property and equipment of Php1,217 million, interest received of Php714 million and proceeds from disposal of Phunware shares of Php482 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php103,977 million; (2) long-term debt principal and interest payments of Php22,565 million and Php8,922 million, respectively; (3) cash dividend payments of Php17,712 million; (4) settlement of obligations under lease liabilities of Php6,547 million; (5) payment for purchase of short-term investments of Php3,847 million; and (6) payment for acquisition of investments in associates and joint ventures of Php1,754 million, mainly PCEV's additional investment in VIH's preferred shares.

### Operating Activities

Our consolidated net cash flows provided by operating activities decreased by Php15,770 million, or 17%, to Php76,200 million in 2022 from Php91,970 million in 2021, primarily due to higher level of settlement of accounts payable, lower operating income, lower level of collection of receivables, higher pension and other employee benefits, and higher income taxes paid, partially offset by lower prepayments.

Our consolidated net cash flows provided by operating activities increased by Php6,894 million, or 8%, to Php91,970 million in 2021 from Php85,076 million in 2020, primarily due to lower level of settlement of accounts payable, and higher operating income, partially offset by higher prepayments, higher level of settlement of accrued expenses and other current liabilities, and other noncurrent liabilities, higher pension and other employee benefits, and lower level of collection of receivables.

Cash flows provided by operating activities of our Wireless business segment decreased by Php23,320 million, or 37%, to Php39,533 million in 2022 from Php62,853 million in 2021, primarily due to lower operating income, higher level of settlement of accounts payable, and accrued expenses and other current liabilities, and higher income taxes paid, partially offset by lower prepayments. Cash flows provided by operating activities of our Fixed Line business segment increased by Php17,819 million, or 41%, to Php60,830 million in 2022 from Php43,011 million in 2021, primarily due to lower prepayments, and lower level of settlement of accrued expenses and other current liabilities, partially offset by higher level of settlement of accounts payable, lower level of collection of accounts receivables, and lower pension and other employee benefits. Cash flows provided by operating activities of our Other business segment amounted to Php2,787 million in 2022 as against cash flows used in operating activities of Php631 million in 2021, primarily due to lower level of settlement of accounts payable, partially offset by lower operating income.

Cash flows provided by operating activities of our Wireless business segment increased by Php12,780 million, or 26%, to Php62,853 million in 2021 from Php50,073 million in 2020, primarily due to lower level of settlement of accounts payable, and higher operating income, partially offset by higher prepayments and higher level of settlement of accrued expenses and other current liabilities. Cash flows provided by operating activities of our Fixed Line business segment increased by Php7,440 million, or 21%, to Php43,011 million in 2021 from Php35,571 million in 2020, primarily due to higher operating income, lower level of settlement of accounts payable and higher level of collection of receivables, partially offset by higher pension and other employee benefits, higher prepayments and higher level of settlement of accrued expenses and other current liabilities. Cash flows used in operating activities of our Other business segment amounted to Php631 million in 2021 as against cash flows provided by operating activities of Php10,174 million in 2020, primarily due to operating loss in 2021 as against operating income in 2020, and higher level of settlement of accounts payable, partially offset by higher level of collection of receivables.

### **Investing Activities**

Consolidated net cash flows used in investing activities amounted to Php33,006 million in 2022, a decrease of Php70,634 million from Php103,640 million in 2021, primarily due to the combined effects of the following: (1) higher proceeds from disposal of property and equipment by Php59,616 million, mainly proceeds from the sale and leaseback of telecom towers in 2022; (2) lower payment for purchase of property and equipment, including capitalized interest, by Php8,426 million; (3) higher net proceeds from maturity of short-term investments by Php3,661 million; and (3) higher payment for acquisition of investments in associates and joint ventures by Php1,760 million, mainly PCEV's additional investment in VIH's preferred shares.

Consolidated net cash flows used in investing activities amounted to Php103,640 million in 2021, an increase of Php34,971 million, or 51%, from Php68,669 million in 2020, primarily due to the combined effects of the following: (1) higher payment for purchase of property and equipment, including capitalized interest, by Php25,877 million; (2) lower proceeds from disposal of property and equipment by Php4,613 million; (3) lower level of collection of MPIC receivables by Php2,656 million; (4) proceeds from disposal of Phunware shares in 2021 of **Php482 million** as compared with proceeds from disposal of Rocket Internet shares of Php2,017 million in 2020; (5) higher payment for acquisition of investments in associates and joint ventures by Php1,355 million; and (6) net proceeds from redemption of investment in debt securities of Php589 million in 2021 as against net payment for purchase of investment in debt securities of Php1,044 million in 2020.

Our consolidated payment for purchase of property and equipment, including capitalized interest, in 2022 totaled Php95,551 million, a decrease of Php8,426 million, or 8%, as compared with Php103,977 million in 2021. Smart's payment for purchase of property and equipment, including capitalized interest, decreased by Php3,318 million, or 7%, to Php45,898 million in 2022 from Php49,216 million in 2021. Smart's capex spending was primarily focused on LTE (4G) coverage and capacity expansion, and rollout of new sites and 5G base stations in key business areas and dense communities nationwide. PLDT's payment for purchase of property and equipment, including capitalized interest, decreased by Php6,483 million, or 12%, to Php46,356 million in 2022 from Php52,839 million in 2021. PLDT's capex spending was used to finance fixed line install, rollout, expansion and modernization of fiber optic transport network and backbone resiliency, and expansion of our international submarine cable network. The balance represents other subsidiaries' capital spending.

Our consolidated payment for purchase of property and equipment, including capitalized interest, in 2021 totaled Php103,977 million, an increase of Php25,877 million, or 33%, as compared with Php78,100 million in 2020. Smart's payment for purchase of property and equipment, including capitalized interest, increased by Php10,420 million, or 27%, to Php49,216 million in 2021 from Php38,795 million in 2020. Smart's capex spending was primarily focused on LTE (4G) coverage and capacity expansion, and rollout of new sites and 5G base stations in key business areas and dense communities nationwide. PLDT's payment for purchase of property and equipment, including capitalized interest, increased by Php14,548 million, or 38%, to Php52,839 million in 2021 from Php38,291 million in 2020. PLDT's capex spending was used to finance fixed line install, rollout, expansion and modernization of fiber optic transport network and backbone resiliency, and expansion of our international submarine cable network. The balance represents other subsidiaries' capital spending.

As part of our growth strategy, we may from time to time, continue to make acquisitions and investments in companies or businesses.

## Financing Activities

On a consolidated basis, cash flows used in financing activities amounted to Php42,304 million in 2022, an increase of Php37,400 million, from Php4,904 million in 2021, primarily due to the combined effects of the following: (1) lower proceeds from availment of long term debt of Php46,500 million; (2) higher cash dividends paid by Php7,523 million; (3) higher settlement of obligations under lease liabilities by Php1,784 million; (4) proceeds from the release of preferred shares redemption fund of Php7,839 million in 2022; and (5) net proceeds from availment of short-term debt of Php10,000 million in 2022.

On a consolidated basis, cash flows used in financing activities amounted to Php4,904 million in 2021, as against cash flows provided by financing activities of Php463 million in 2020, primarily due to the combined effects of the following: (1) lower proceeds from availment of long term debt by Php9,771 million; (2) higher cash dividends paid by Php991 million; (3) higher settlement of obligations under lease liabilities by Php766 million; (4) higher interest paid by Php574 million; and (5) lower payments of long-term debt by Php5,800 million.

See *Note 28 – Financial Assets and Liabilities – Financial Risk Management Objectives and Policies* to the accompanying consolidated financial statements in Item 7. “Financial Statements” for a detailed discussion on our treasury policies and objectives in terms of the manner in which treasury activities are controlled.

### *Debt Financing*

Proceeds from availment of long-term and short-term debt in 2022 amounted to Php5,000 million and Php16,000 million, respectively, mainly from PLDT’s and Smart’s drawings related to refinancing of maturing loan obligations and financing of capital expenditure requirements. Payments of principal, including prepayments of Php18,490 million, amounted to Php28,353 million while payments of interest on our total debt amounted to Php8,996 million in 2022.

Proceeds from availment of long-term debt in 2021 amounted to Php51,500 million, mainly from PLDT’s and Smart’s drawings related to refinancing of maturing loan obligations and financing of capital expenditure requirements. Payments of principal, including prepayments of Php4,783 million, amounted to Php22,565 million while payments of interest on our total debt amounted to Php8,891 million in 2021.

Our consolidated long-term and short-term debts decreased by Php2,977 million, or 1%, to Php249,580 million as at December 31, 2022 from Php252,557 million as at December 31, 2021, primarily due to debt amortizations and prepayments, partially offset by drawings from our long-term and short-term facilities, and the revaluation of foreign currency-denominated debt. As at December 31, 2022, PLDT’s long-term and short-term debt levels decreased by Php191 million to Php156,816 million from Php157,007 million as at December 31, 2021, while Smart’s long-term and short-term debt levels decreased by Php2,786 million, or 3%, to Php92,764 million from Php95,550 as at December 31, 2021.

Our consolidated long-term debt increased by Php29,792 million, or 13%, to Php252,557 million as at December 31, 2021 from Php222,765 million as at December 31, 2020, primarily due to drawings from our long-term facilities, partially offset by debt amortizations and prepayments. As at December 31, 2021, PLDT’s long-term debt level increased by Php13,006 million, or 9%, to Php157,007 million from Php144,001 million as at December 31, 2020, while Smart’s long-term debt level increased by Php16,786 million, or 21%, to Php95,550 million from Php78,764 as at December 31, 2020.

See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for a more detailed discussion of our long-term debt.

### *Debt Covenants*

Our consolidated debt instruments contain restrictive covenants, including covenants that require us to comply with specified financial ratios and other financial tests, calculated in conformity with PFRS, at relevant measurement dates, principally at the end of each quarterly period. We have complied with all of our maintenance financial ratios as required under our loan covenants and other debt instruments.

As at December 31, 2022 and 2021, we are in compliance with all of our debt covenants.

See *Note 21 – Interest-Bearing Financial Liabilities – Compliance with Debt Covenants* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for a more detailed discussion of our debt covenants.

### *Financing Requirements*

We believe that our available cash, including cash flow from operating activities, will provide sufficient liquidity to fund our projected operating, investment, capital expenditures and debt service requirements for the next 12 months; however, we may finance a portion of these costs from external sources if we consider it prudent to do so.



The following table shows the dividends declared to common and preferred shareholders for the years ended December 31, 2022 and 2021:

Class	Date			Amount	
	Approved <sup>(1)</sup>	Record	Payable	Per Share	Total
(in million Php, except per share amount)					
2022					
Common					
Regular Dividend	March 3, 2022	March 17, 2022	April 4, 2022	42	9,075
	August 4, 2022	August 18, 2022	September 5, 2022	47	10,155
Special Dividend	August 4, 2022	August 18, 2022	September 5, 2022	28	6,049
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 25, 2022	February 21, 2022	March 15, 2022	—	12
	May 5, 2022	May 20, 2022	June 15, 2022	—	13
	August 4, 2022	August 19, 2022	September 15, 2022	—	12
	November 3, 2022	November 18, 2022	December 15, 2022	—	12
Voting Preferred Stock	March 3, 2022	March 23, 2022	April 15, 2022	—	2
	June 14, 2022	June 30, 2022	July 15, 2022	—	2
	August 24, 2022	September 15, 2022	October 15, 2022	—	3
	December 15, 2022	December 29, 2022	January 15, 2023	—	3
Charged to Retained Earnings					25,338
2021					
Common					
Regular Dividend	March 4, 2021	March 18, 2021	April 6, 2021	40	8,642
	August 5, 2021	August 19, 2021	September 3, 2021	42	9,075
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 26, 2021	February 22, 2021	March 15, 2021	—	12
	May 6, 2021	May 21, 2021	June 15, 2021	—	13
	August 5, 2021	August 20, 2021	September 15, 2021	—	12
	November 4, 2021	November 19, 2021	December 15, 2021	—	12
Voting Preferred Stock	March 4, 2021	March 24, 2021	April 15, 2021	—	3
	June 8, 2021	June 24, 2021	July 15, 2021	—	2
	August 26, 2021	September 13, 2021	October 15, 2021	—	2
	December 7, 2021	December 23, 2021	January 15, 2022	—	3
Charged to Retained Earnings					17,776

<sup>(1)</sup> Dividends were declared based on total amount paid up.

Our dividends declared after December 31, 2022 are detailed as follows:

Class	Date			Amount	
	Approved <sup>(1)</sup>	Record	Payable	Per Share	Total
(in million Php, except per share amount)					
Common					
Regular Dividend	March 23, 2023	April 11, 2023	April 21, 2023	45	9,722
Special Dividend	March 23, 2023	April 11, 2023	April 21, 2023	14	3,025
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 31, 2023	February 27, 2023	March 15, 2023	—	12
Voting Preferred Stock	March 2, 2023	March 17, 2023	April 15, 2023	—	2
Charged to Retained Earnings					12,761

<sup>(1)</sup> Dividends were declared based on total amount paid up.

See Item 5. “Market for Registrant’s Common Equity and Related Stockholder Matters – Dividends” and Note 20 – Equity to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for a detailed discussion of our dividend payments.

### Credit Ratings

None of our existing indebtedness contains provisions under which credit rating downgrades would trigger a default, changes in applicable interest rates or other similar terms and conditions.

PLDT’s current credit ratings are as follows:

Rating Agency	Credit Rating	Outlook
Moody’s Investor Service, or Moody’s	Local Currency Issuer Rating	Baa2
		Stable
S&P Global (previously Standard & Poor’s)	Long-term Issuer Credit	BBB+
	Senior Unsecured Notes Programs	BBB+
CRISP	Issuer rating	AAA
		Stable

On July 13, 2022, Moody’s affirmed PLDT’s long-term issuer rating at “Baa2”. Rating is considered “investment grade.” The outlook is stable. The rating was reaffirmed in Moody’s latest report dated February 22, 2023.

On November 26, 2020, S&P Global affirmed PLDT’s long-term foreign issuer credit rating at “BBB+”, with a stable outlook, and its senior unsecured notes at “BBB+”. These ratings are considered as “investment grade.”

On January 6, 2014, CRISP rated PLDT's inaugural peso retail bonds as "AAA" issuer rating with a "stable" outlook, the highest on the scale. CRISP cited PLDT's market leadership, strong historical financial performance and excellent management and governance as key considerations for providing their rating. As at March 23, 2023, there has been no change in the credit rating issued by CRISP.

#### ***Changes in Financial Conditions***

Our total assets amounted to Php624,162 million as at December 31, 2022, a decrease of Php2,166 million from Php626,328 million as at December 31, 2021, primarily due to lower prepayments, and property and equipment, partly offset by higher right-of-use assets, and assets classified as held-for-sale in 2022.

Our total liabilities amounted to Php510,201 million as at December 31, 2022, an increase of Php11,338 million, or 2%, from Php498,863 million as at December 31, 2021, primarily due to higher lease liabilities and accounts payable, partly offset by lower accrued expenses and other current liabilities, and pension and employee benefits.

Our total assets amounted to Php626,328 million as at December 31, 2021, an increase of Php50,482 million, or 9%, from Php575,846 million as at December 31, 2020, primarily due to higher property and equipment, and prepayments, partly offset by lower cash and cash equivalents.

Our total liabilities amounted to Php498,863 million as at December 31, 2021, an increase of Php42,682 million, or 9%, from Php456,181 million as at December 31, 2020, primarily due to higher interest-bearing financial liabilities and accounts payable

#### ***Off-Balance Sheet Arrangements***

There are no off-balance sheet arrangements that have or are reasonably likely to have any current or future effect on our financial position, results of operations, cash flows, changes in stockholders' equity, liquidity, capital expenditures or capital resources that are material to investors.

#### ***Equity Financing***

On August 5, 2014, the Board of Directors approved the amendment of our dividend policy, increasing the dividend payout rate to 75% from 70% of our core earnings per share as regular dividends. On August 2, 2016, the PLDT Board of Directors approved the amendment of our dividend policy, reducing our dividend payout rate to 60% of our core earnings per share as regular dividends. This was in view of the elevated capital expenditures to support the build-out of a resilient and reliable data network, lower EBITDA primarily due to higher subsidies to grow the data business and defend market share, and the resources required to support the acquisition of SMC's telecommunications business. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013, approximately 90% of our core earnings for 2014, 75% of our core earnings for 2015, 60% of our core earnings for 2016, 2017 and 2018, 60% of our telco core income for 2019, 2020, 2021 and 2022. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries. Dividends are generally paid in Philippine pesos. In the case of shareholders residing outside the Philippines, PLDT's transfer agent in Manila, Philippines, as the dividend-disbursing agent, converts the Philippine peso dividends into U.S. dollars at the prevailing exchange rate and remits the dollar dividends abroad, net of any applicable withholding tax.

Our subsidiaries pay dividends subject to the requirements of applicable laws and regulations and availability of unrestricted retained earnings, without any restriction imposed by the terms of contractual agreements. Notwithstanding the foregoing, the subsidiaries of PLDT may, at any time, declare and pay such dividends depending upon the results of operations and future projects and plans, the respective subsidiary's earnings, cash flow, financial condition, capital investment requirements and other factors.

Consolidated cash dividend payments paid to shareholders amounted to Php25,235 million, Php17,712 million, and Php16,721 million as at December 31, 2022, 2021 and 2020, respectively.

#### **Contractual Obligations and Commercial Commitments**

##### ***Various Trade and Other Obligations***

PLDT Group has various obligations to suppliers for the acquisition of phone and network equipment, contractors for services rendered on various projects, foreign administrations and domestic carriers for the access charges, shareholders for unpaid dividends distributions, employees for benefits and other related obligations, and various business and operational related agreements. Total obligations under these various agreements amounted to approximately Php178,219 million and Php179,484 million as at December 31, 2022 and 2021, respectively. See *Note 23 – Accounts*

*Payable and Note 24 – Accrued Expenses and Other Current Liabilities* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”.

#### *Commercial Commitments*

During the last quarter of 2022 up to the first quarter of 2023, discussions were undertaken with our major vendors representing more than 80% of our capital expenditure requirements, regarding the status of capital expenditure commitments and related outstanding balances covering 2022 and prior years. These discussions resulted in certain purchase orders being cancelled or revised pursuant to a number of Settlement and Mutual Release Agreements, or SMRAs, signed between us and the vendors on or prior to March 23, 2023, taking into consideration our program priorities and current business requirements. The financial impact of the signing of the SMRAs will be reflected in our consolidated financial statements as they occur. As a result of the signing of the SMRAs, our remaining significant commitment in respect of major capital expenditure vendors amounted to about Php33,000 million, net of advances paid to these vendors, as at March 23, 2023.

For other capital expenditure vendors, we will engage in similar discussions with such vendors to achieve similar results. Any adjustments as a result of these discussions shall be taken up in our 2023 consolidated financial statements.

We have no outstanding commercial commitments, in the form of letters of credit, as at December 31, 2022 and 2021.

#### **Quantitative and Qualitative Disclosures about Market Risks**

The main risks arising from our financial instruments are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk. The importance of managing those risks has significantly increased in light of the considerable change and volatility in both the Philippine and international financial markets. Our Board of Directors reviews and approves policies for managing each of these risks. We also monitor the market price risk arising from all financial instruments.

See *Note 28 – Financial Assets and Liabilities – Financial Risk Management Objectives and Policies* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for a detailed discussion.

#### **Impact of Inflation and Changing Prices**

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the years ended December 31, 2022 and 2021 were 5.8% and 4.5%, respectively. We expect inflation to be on the upper band or even breach the 2.5% to 4.5% target range of the BSP given the increase in oil prices brought about by the Russia-Ukraine conflict.

#### **Risks and Uncertainties**

*You should carefully consider all of the information in this annual report, including the risks and uncertainties described below. If any of the following risks actually occurs, it could have a material adverse effect on our business, financial condition or results of operations and the trading price of our ADSs could decline and you could lose all or part of your investment.*

#### **Risks Relating to Us**

*The entry of a third major mobile telecommunications player and/or increased competition from other telecommunications services providers may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change in the competitive and regulatory landscape of the telecommunications industry in the Philippines would not have a material adverse effect on our business, results of operations, financial condition and prospects.*

Increasing competition among existing telecommunications services providers, as well as competition from new competitors, could materially and adversely affect our business and prospects by, among other factors, forcing us to lower our tariffs, reducing or reversing the growth of our customer base and reducing usage of our services. Competition in the mobile telecommunications industry is particularly intense, with network coverage, quality of service, product offerings, and price dictating subscriber preference, while competition in the fixed line side, particularly in the fiber home broadband space, is now more active as well. Vital investments in capacity and coverage expansion may continue to increase our capital expenditures.

The mobile telecommunications industry has undergone a period of aggressive competition where mobile operators have attempted to grow market share, especially in light of a maturing voice and SMS market. Competition has since shifted to data, where competition remains active, but more focused on ability to provide good customer experience instead of price. Our principal mobile competitor, Globe, which began to participate more actively in the home broadband segment, via their fixed wireless home broadband service, has announced a strategic pivot to invest in and offer fiber home broadband. In addition, Converge ICT Solutions, Inc. (“**Converge**”), a pure fixed line broadband operator, has made inroads in the underpenetrated fiber home broadband space.

Meanwhile, Dito Telecommunity Corporation (“Dito”), the third major mobile player operated by a consortium consisting of Udenna Corporation, Chelsea Logistics Corporation and Infrastructure Holdings Corp. and China Telecommunications Corporation (together, the “NMP Consortium”) began its operations in June 2019 upon receiving a permit to operate after its chairman, Dennis Uy, was awarded the Certificate of Public Convenience and Necessity (“CPCN”) from the NTC. In October 2019, Dito entered into agreements with Sky Cable and LCS Holdings, Inc. (“LCS Group”), pursuant to which Dito will lease the telecommunications towers that the LCS Group is building across different regions in the Philippines and use Sky Cable’s unused fiber-optic cables in Metro Manila.

Dito announced the launch of its commercial operations on March 8, 2021, with the initial launch limited to 15 cities in the Visayas and Mindanao area, and subsequently launched its services in the NCR (including Metro Manila) in May 2021. As at September 30, 2022, Dito is available in 683 cities and municipalities nationwide. Dito has reached a total of 13.1 million subscribers and offers 5G Fixed Wireless Access service in selected areas in NCR.

Developments in law, regulations and/or Government initiatives may increase competition and cause us to lose customers. In 2017, as part of its push to encourage competition within the telecommunications industry, the Philippine Government introduced various measures to facilitate and enable the operations of new players, including a tower sharing policy, MNP, the removal of mobile interconnect charges and the lifting of foreign ownership restrictions on telecommunication companies. In 2019, Smart, Globe and Dito established a joint venture company, TCI, to enable number porting services in line with the Government’s MNP initiative, which was launched on September 30, 2021. TCI enables a customer to retain his/her mobile number when he/she moves from one mobile service provider to another or when he/she changes the type of mobile subscription from postpaid to prepaid or vice versa. This ability to retain one’s mobile number when switching between service providers further incentivizes our customer to switch away from us. The loss of customers due to such developments would adversely affect our business, financial condition and results of operations. Meanwhile, as customers who switch away from us retain their mobile numbers, the mobile number prefixes which used to be exclusive to our subscribers will no longer be exclusive, and such loss may result in the dilution of the premium nature of our brand. We cannot guarantee you that in the future, there will not be similar changes in law, regulations or Government initiatives that may incentivize customers to switch away from us.

In the fixed line business, we are also seeing increased competition from Globe and Converge. Converge, in particular, has been aggressively expanding its network. In September 2019, Converge raised US\$250 million to help finance its plan to build a US\$1.8 billion nationwide internet backbone in addition to its plan to construct a domestic submarine cable with 20 landing stations across the Philippines. As at December 31, 2022, Converge has 1.9 million subscribers and has laid 140,000 kilometers of fiber backbone. Its continuing expansion efforts in the Visayas and Mindanao regions resulted in increasing gross additions contributions in the said areas. Globe, on the other hand, has shifted in its home broadband strategy from offering fixed wireless to offering postpaid and prepaid fiber connections. Furthermore, Globe has also ventured into the data center space. To scale up capacity and capability in the data center space, Globe has entered into a joint venture partnership, with the potential to expand to 100-megawatts capacity in the medium to long term.

Our ability to compete effectively will depend on, among other things, network coverage, quality of service, price, our development of new and enhanced products and services, the reach and quality of our sales and distribution channels and our capital resources. It will also depend on how successfully we anticipate and respond to various factors affecting our industry, including new technologies and business models, changes in consumer preferences and demand for existing services, demographic trends and economic conditions. If we are not able to respond successfully to these competitive challenges, our business, results of operations, financial condition and prospects could be materially and adversely affected.

To maintain our competitive posture in the face of increasing competition, we may need to match our competitors’ offers by lowering our price points and offering other incentives to prevent existing customers from switching, which may result in lower ARPUs and consequently, negatively impact our revenue. Furthermore, we may need to make additional investments in our network to further improve the customer experience in order to effectively compete with Globe and Dito. A loss of market share and increased costs to maintain our competitive posture will adversely affect our business, financial condition and results of operations. We cannot assure you that the number of providers of telecommunications services will not increase in the future or that competition for customers will not cause our mobile and fixed line subscribers to switch to other operators, or otherwise cause us to increase our marketing and capital expenditures, lose customers or reduce our rates, resulting in a reduction in our profitability.

*The rapid speed of disruptive innovations by new and emerging technologies may outpace our ability to compete and/or manage the risk appropriately, resulting in a possible decline in demand for our services, significant changes to our business model and a material adverse effect on our business, results of operations, financial condition and prospects.*

The growing use of mobile data in the Philippines, coupled with the prevalence of OTT services and video conferencing applications, have negatively impacted our traditional revenue sources such as SMS and domestic calling services in recent years. We are also facing growing competition from providers offering services using alternative wireless technologies and IP-based networks, including efforts by the Philippine Government to roll-out its free WiFi services to selected areas within various municipalities in the country. Moreover, net settlement payments between PLDT and other foreign telecommunications carriers for origination and termination of international call traffic between the Philippines and other countries, which have been our predominant source of foreign currency revenues, have been declining in recent years and have diminishing contribution to our total service revenues.

While the trend of increasing mobile data usage has resulted in, and is expected to continue to have, a positive impact on our data revenues, there is no guarantee that such increase fully compensate for the decline in revenue from our traditional businesses. We may not be able to maintain and attract customers more effectively than our competitors. We will also need to invest in new infrastructure, systems and personnel to provide high quality services that accommodate increasing mobile data usage. As a result, our capital costs could increase as we phase out outdated and unprofitable technologies and invest in new ones.

The advent of fifth-generation wireless (“5G”) is another potential disruptor. 5G is the latest evolution of cellular technology and is characterized by significantly higher speeds and low latency which will enable mobile users to download data at a much faster speed than previous generation technologies. 5G is also expected to anchor the IOT, which will allow users to connect with each other, as well as their homes, vehicles, public infrastructure and more. In order to make 5G technology available to our customers, we may need to obtain additional licenses or upgrade our networks, which may cause us to incur significant capital expenditures. As new technologies relating to 5G systems are developed, our equipment and infrastructure may need to be replaced or upgraded or we may need to rebuild our network, in whole or in part. If we are unable to acquire such licenses or upgrade such systems, on reasonable terms or at all, we may not be able to implement the 5G technology in a timely manner or at all, which in turn may negatively impact our ability to attract new customers and/or maintain our existing customer base.

We have started rolling out 5G and upgrading the core and transport elements of our network, including upgrading the backhaul to support 5G speed. We also conducted 5G use case pilot tests in various sectors, including local governments, academic institutions, manufacturing entities and lifestyle hubs. We are dependent on the availability of 5G network equipment and software, as well as 5G-capable devices such as handsets and modems. A delay in the release of reasonably-priced 5G handsets could negatively impact the mass acceptance of 5G services among our customers and our ability to monetize these investments, which in turn could adversely affect our growth prospects. Furthermore, a 5G rollout by other operators would introduce another area of competition and could consequently impact our business.

We may not be able to accurately predict further technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints on our introduction of new services. If our services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract customers could be adversely affected. We can neither assure you that we would be able to adopt or successfully implement new technologies and services nor assure you that future technological changes will not adversely affect our business, results of operations, financial condition and prospects.

*The success of our business depends on our ability to maintain and enhance our brands.*

We believe that our reputation and brands in the industry are crucial to the success of our business. To maintain and enhance our reputation and brands, we must continue providing relevant products and services, combined with the best customer experience, such that we not only maintain our current customer base but also attract new subscribers as well. If we are unsuccessful in maintaining and improving our brands, our business, financial position and results of operations may be negatively affected.

*Our reliance on outsourcing and strategic sourcing arrangements, technology vendor contracts and other partnerships and/or joint ventures may prevent us from meeting organizational targets or may impact our brand image.*

We have entered into a number of outsourcing agreements with technology vendors covering key operations in order to improve efficiencies and maximize knowledge transfer. These arrangements may disrupt existing operations and result in resistance among employees. Furthermore, any delays in implementation or failure to bring about the desired results will hamper our ability to meet our medium-term targets.

In particular, as part of our extensive capital expenditures program to overhaul our fixed and wireless networks infrastructure and our IT systems, we have entered into agreements with Amdocs Philippines, Inc. and Huawei Technologies Co. Ltd. (“**Huawei**”), to upgrade and modernize a significant portion of our IT infrastructure. We cannot guarantee that we will be able to accomplish this transformation in a timely fashion, or at all, or in the manner intended. Furthermore, we cannot guarantee that such transformation will not result in service disruptions, network outages or encounter other issues that may detrimentally affect consumer experience. This may adversely affect our business, financial condition and results of operations.

Due to our reliance on third party vendors, our business operations may be negatively impacted by any adverse changes in import policies, including increases in import duties and tariffs, or any embargo on imports from countries from which our vendors supply. In particular, trade tensions between the United States and major trading partners, including particularly with China, continue to escalate following the introduction of a series of tariff measures by the United States and/or its trading partners. Any further changes in the United States’ global trade policy against its trading partners, including tightening regulatory restrictions, industry specific quotas, tariffs, non-tariff barriers and taxes may have an adverse effect on our ability to procure the requisite components or services from suppliers located in the United States and/or its trading partners. For example, Huawei and its designated affiliates have been placed on the Entity List, an export control-related list, and Huawei has been designated as a “Communist Chinese military company” by the government of the United States, and the government of the United States has banned a broad array of American companies from utilizing information and communications technology supplied by Huawei. Any additional export restrictions imposed by the United States against Huawei and its designated entities, as well as any damage to Huawei’s

image or reputation could potentially have an adverse effect on our business, prospects, results of operations and cash flows. Thus, we continue to monitor developments involving U. S. – China relations that may impact Huawei’s ability to operate. For example, we note that some countries and telecommunications service providers have banned or limited the use of Huawei’s technologies for various reasons. We have factored in such developments in our planning and decision-making with respect to our operation with Huawei, and will continue to do so.

Our business relies heavily as well on third party vendors, some of whom may encounter financial difficulties or consolidate with other vendors. This may result in a shrinking of the already limited pool of qualified vendors which may in turn, materially impact the third party vendors’ ability to fulfill their obligations and thereby impact our operations. The limited number of vendors may also result in our dependence on a single vendor to provide critical services.

Our ability to generate revenues could be disrupted if our suppliers are no longer able or willing to supply us. In the event that any of our suppliers cannot or will not provide us with the required products, we may be forced to find alternative supplies. There is no guarantee that we will be able to obtain our products or products of a similar quality from alternate suppliers, in part or at all. Failure to acquire alternative suppliers will disrupt our operations and hinder our ability to generate revenues.

***The mobile telecommunications industry in the Philippines may not continue to grow.***

The majority of our total revenues are currently derived from the provision of mobile services to customers in the Philippines. As a result, we depend on the continued development and growth of the mobile telecommunications industry in the Philippines. We believe the mobile penetration rate in the country, however, reached approximately 153% as at December 31, 2022, based on the number of SIM cards issued, and the industry may well be considered mature insofar as services such as SMS and domestic voice are concerned.

Data has emerged as the key driver for revenues. However, further growth of the market depends on many factors beyond our control, including the continued introduction of new and enhanced mobile devices, the price levels of mobile handsets, consumer tastes and preferences, alternative means of access, and the amount of disposable income of existing and potential subscribers. Any economic, technological or other developments resulting in a reduction in demand for mobile services or otherwise causing the Philippine mobile telecommunications industry to stop growing or slow down its growth, could materially harm our business, results of operations, financial condition and prospects.

***The licenses, franchises and regulatory approvals, upon which PLDT relies, may be subject to revocation or delay, which could result in the suspension of our services or abandonment of any planned expansions and could thereby have a material adverse effect on our business, results of operations, financial condition and prospects.***

*Amendment to the Public Service Act*

Section 11, Article XII of the 1987 Philippine Constitution (the “**Constitution**”) provides that no franchise, certificate or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least 60% of whose capital is owned by such citizens. Exceeding the foreign ownership restrictions imposed under the Constitution may subject the Company to (1) sanctions set out in Section 14 of the Philippine Foreign Investments Act of 1991, as amended, comprising a fine not exceeding (a) the lower of (x) 0.5% of the total paid in capital of the Company and (y) Php5 million, in the case of a corporate entity, (b) Php200,000, in the case of the president of the Company or other responsible officers, and (c) Php100,000, in the case of other natural persons, which we refer to collectively as the Monetary Sanctions, and/or (2) the Philippine government commencing a *quo warranto* case in the name of the Republic of the Philippines against the Company to revoke the Company’s franchise, which permits the Company to engage in telecommunications activities.

In February 2022, the Philippine Congress approved the proposed amendments to the Public Service Act, which no longer considers telecommunication companies as “public utilities” but as “public service with critical infrastructure”. Under such amendments, telecommunication companies would no longer be subject to the 40% foreign ownership restriction under the Constitution, subject to reciprocity rules. While such an amendment would increase our access to foreign capital, it may also allow foreign nationals to make significant investments in other telco operators that can compete with us. The bill proposing amendments to the Public Service Act was signed by the President on March 21, 2022 and came into effect on April 12, 2022.

While we believe that PLDT is still in compliance with the requirements of the Constitution as of the date of this report, we cannot assure you that any subsequent changes in the law will not result in a different conclusion.

#### *Failure to renew CPCNs*

We operate our business under franchises, each of which is subject to amendment, termination or repeal by the Philippine Congress, and to various provisional authorities and CPCNs, which have been granted by the NTC and will expire between now and 2028. Some of our CPCNs and provisional authorities have already expired, but applications for the renewal of such CPCNs and provisional authorities were filed prior to expiry. Under the Philippine Revised Administrative Code of 1987 and the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, CPCNs and provisional authorities for which renewal applications have been filed are deemed effective until the applications for renewal are finally decided upon by the NTC. Although we have filed applications for the extension of these CPCNs and provisional authorities, we cannot assure you that the NTC will grant the applications for renewal. Failure to renew CPCNs can materially and adversely affect our ability to conduct the essential functions of our business, and therefore adversely affect our financial condition and results of operations. See Item 1. “Description of Business – Licenses and Regulations” for more information.

#### *Failure to comply with public ownership requirements under Republic Act No. 7925 or the Public Telecommunications Policy Act of the Philippines*

The Philippine Congress may revoke, or the Solicitor General of the Philippines may file a *quo warranto* case against Smart and DMPI to revoke, the franchise of Smart and DMPI for their failure to comply with Section 21 of Republic Act No. 7925, which requires a telecommunications entity providing regulated services to make a public offering of at least 30% of its aggregate common stocks. See Item 1. “Description of Business – Material Effects of Regulation on our Business” for further discussions. However, on May 19, 2017, Republic Act No. 10926 took effect and effectively extended the legislative franchise of Smart. The law contains a provision which provides an exemption from such public listing requirement if the grantee is wholly-owned by a publicly listed company with at least 30% of its authorized capital stock is publicly listed. As Smart is a wholly-owned subsidiary of PLDT, a publicly listed company, Smart is not required to offer any of its shares to the public under Republic Act No. 7925.

Nonetheless, we cannot assure you that none of our franchises, permits or licenses will not be revoked in the future. Any such revocations could have a material adverse effect on our business, financial conditions or prospects.

#### ***Our business is significantly affected by laws and regulations, including regulations in respect of our service rates, taxes and antitrust laws.***

The NTC regulates the rates we are permitted to charge for services that have not yet been deregulated, such as local exchange services and is responsible for granting long-term license called a CPCN. PLDT has obtained CPCNs for its international gateway facility, local exchange carrier, and interexchange carrier services. While CPCNs are typically co-terminus with the term of a public utility’s franchise, the NTC may amend certain terms of a CPCN, or revoke a CPCN for cause, subject to due process procedures. The exercise of regulatory power by regulators, including monetary regulators, may be subject to review by the courts upon the filing of appropriate actions by the affected parties.

We cannot assure you that the NTC will not impose additional obligations on us that could lead to the revocation of our licenses if not adhered to and/or to the reduction of our total revenues or profitability. The NTC could amend applicable regulations or implement additional guidelines governing our interconnection with other telecommunications companies or the rates and terms upon which we provide services to our customers. In addition, any future expansions in our services, particularly in our mobile services, could subject us to additional conditions in the granting of provisional authorities by the NTC and to increased regulatory scrutiny, which could have a material adverse effect on our growth and prospects. The occurrence of any of the foregoing could impose substantial costs on us, cause interruptions or considerable delays in the provision, development or expansion of our services, or materially reduce our revenues and profitability. There is no assurance that the regulatory environment will support increases in our business and financial activity.

We are subject to a number of national and local taxes, and regulatory fees imposed by LGUs through their respective ordinances. We cannot assure you that we will not be subject to new, increased and/or additional taxes or that we would be able to pass on such additional expenses to our customers. See *Note 27 – Provisions and Contingencies* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for further discussion.

Moreover, we are subject to antitrust laws and regulations. The Republic Act No. 10667 (the “**Philippine Competition Act**”) came into effect on August 8, 2015 and prohibits practices that restrict market competition through anti-competitive agreements or the abuse of a dominant position. The Act also requires parties to provide notification and obtain clearance for certain mergers and acquisitions. Violators may be subject to administrative and criminal penalties. While our business practices have not in the past been found to have violated any antitrust laws and regulations, we cannot assure you that any new or existing governmental regulators will not, in the future, take the position that our current or past business practices have an anti-competitive effect on the Philippine telecommunications industry.

In particular, PLDT is currently involved in a litigation with the Philippine Competition Commission (the “PCC”), relating to PLDT’s investments in Vega Telecom Inc., Bow Arken Holdings Company and Brightshare Holdings, Inc. (collectively, the “**SMC Transactions**”). Although the Court of Appeals (the “CA”), among other things,



compelled the PCC to recognize the SMC Transactions as having been deemed to be approved by operation of law, the CA held that the deemed approved status of the SMC Transactions does not, however, remove the power of the PCC to conduct post-acquisition review to ensure that no anti-competitive conduct was committed by the parties. The CA's decision is on appeal with the Supreme Court and is not final and executory. An adverse judgment could materially and adversely affect our business and outlook. See *Note 11 – Investments in Associates and Joint Ventures – In the Matter of the Petition against the PCC* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements" for further discussion.

On September 22, 2021, Dito filed a petition with the NTC seeking the latter's intervention in directing Smart to grant Dito's request for additional capacity for interconnection. In response, Smart filed an answer on October 4, 2021 stating that the petition should be denied for Dito's failure to prevent, detect, or block International Simple Resale ("ISR")/Bypass Traffic emanating from its network and Dito's failure to set up an effective fraud management system; and requesting for compensation for losses incurred due to these ISR/ bypass activities, in violation of its Interconnection Agreement with Smart, the provisions of R.A. No. 7925, and NTC MC No. 14-07-2000. The NTC facilitated mediation conferences on November 5, 2021, November 18, 2021, February 4, 2022, and February 16, 2022. The case remains pending with the NTC.

Following news reports on August 8, 2022 that Dito had filed a complaint with the PCC against Globe and Smart involving the same issue pending with the NTC on ISR, Smart received a *subpoena duces tecum* dated December 7, 2022 from the PCC Competition Enforcement Office in relation to an ongoing full administrative investigation involving the telecommunications industry. The subpoena notified Smart that it was the subject of ongoing investigation pursuant to Section 2.9 of the 2017 PCC Rules of Procedure, involving allegations of violations by Smart of Section 14(b)(1), 15(b), 15(c) and 15(i) of the Philippine Competition Act. Smart was directed to submit its corporate documents, documents and information pertaining to its operations as a PTE and its relationship with other PTEs, and documents and information on ISR. to the PCC on January 23, 2023, followed by the submission of a supplemental submission on January 27, 2023. As of the date of this report, Smart has not received any other notices from the PCC with regards to this investigation.

No assurance can be given that the regulatory environment in the Philippines will remain consistent or open. Current or future policies may affect our business and operations.

***Changes in regulations or user concerns regarding the privacy and protection of user data, or any failure to comply with such laws, could adversely affect our business.***

Legislations such as Republic Act No. 10173 and its implementing rules and regulations (the "Data Privacy Act") aim to protect individual privacy. The rules apply to the processing of personal data in the public and private sectors, as well as to acts done or practices engaged in, in and outside of the Philippines under certain conditions. Personal data breaches and other controversies relating to the unauthorized processing of personal data both within the Philippines and abroad continue to be a concern for consumers. In 2022, the NPC issued Circular No. 2022-01, or the Guidelines on Administrative Fines, which provides for a fine for any violations of the Data Privacy Act equal to a percentage of the entity's annual gross income, up to Php5 million. Smshing and online frauds continue to victimize mobile phone users. In response, the Philippine Congress passed R.A. No. 11934, or the SIM Registration Act, which requires that all SIM cards be registered by the end-users. PLDT is required to keep a SIM Register of all its end-users, which exposes it to heightened risks of cybersecurity breaches and hacks.

Provisions in the Data Privacy Act on the Rights of Data Subjects and the NTC issuance under NTC Memorandum Circular No. 05-06-2007 on the rights of the subscriber on record to their data and call data records highlight PLDT's statutory obligation to be able to furnish complete and correct data to its users upon their request. These developments lead to an increased impetus on PLDT's part to not only ensure compliance with the Data Privacy Act and similar laws, rules and regulations but also to meet industry best practices and customer expectations on data protection. Any failure, or perceived failure, by us to make effective modifications to our policies, or to comply with any privacy, data-retention or data-protection-related laws, regulations, orders or industry self-regulatory principles, including the Data Privacy Act, could result in proceedings or actions against us by governmental entities or others, loss of user confidence, damage to the PLDT brands, or the loss of users or advertising partners, any of which could potentially have a material adverse effect on our business.

In addition, various foreign legislative or regulatory bodies continue to enact new or additional laws and regulations concerning privacy, data-retention and data-protection issues, including laws or regulations mandating disclosure to domestic or international law enforcement bodies, which could adversely impact our results of operations, businesses, brand or reputation with users. For instance, in May 2018, the General Data Protection came into force in the European Union and European Economic Area countries. In the United States, more and more states are adopting their own privacy and data protection legislation and there have been pushes to adopt a comprehensive federal privacy law in the form of the American Data Privacy and Protection Act. Privacy regulatory authorities have also been taking a tougher stance on privacy violations.

Transfers of personal data across jurisdictions also continue to be a concern and there have been ongoing efforts by regulatory authorities to address such issue. For example, following the invalidation of the EU-US Piracy Shield in July 2020 by the Court of Justice of the European Union in the case, *Data Protection Commissioner v Facebook Ireland Ltd, Maximilian Schrems and intervening parties, Case C-311/18* (also known as "Schrems II"), the EU and the U.S. are expected to finalize the EU-U.S. Data Privacy Framework in 2023.



In the Philippines, proposed amendments to the Data Privacy Act have been filed with the Congress of the Philippines. In general, the amendments focus on a review of the penalties for criminal offenses, as well as the authority of the NPC to levy fines for administrative offenses. Since stakeholders, including telecommunications service providers, have significant interest in these amendments, it is likely that the amendments will only be approved by the Philippine Congress after a lengthy period of solicitation of public opinion and discussion.

The interpretation and application of privacy, data protection and data retention laws and regulations are often uncertain as these are highly dependent on the local context and culture and they can also be impacted by changes in technology. These laws may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices, complicating long-term business planning decisions. If privacy, data protection or data retention laws are interpreted and applied in a manner that is inconsistent with our current policies and practices we may be fined or ordered to change our business practices in a manner that adversely impacts our operating results. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices or operating platforms in a manner adverse to our business.

***Inadequate handling of confidential information, including personal customer information by our corporate group, contractors and others, may adversely affect our credibility or corporate image.***

We possess a substantial amount of personal information of our customers. In the event an information leak or cyber security breach occurs, whether on our end or on the part of our contractors and service providers, we may be subject to penalties under the Data Privacy Act, our credibility and corporate image may be significantly damaged and we may experience an increase in cancellations of customer contracts and a slower increase in additional subscriptions, any of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

In 2022, the PLDT Group had six personal data breaches that met the Data Privacy Act's requisites for mandatory reporting to the NPC and notice to affected data subjects. While the PLDT Group periodically conducts compliance audits and regularly holds privacy and information security training and awareness campaigns, it cannot guarantee that similar personal data breaches resulting from failure of personnel to comply with PLDT policies will not occur in the future. Such breaches could result in litigation and/or regulatory actions and penalties against us, and adversely impact on our business operations and financial conditions.

***Legislation and regulation of online payment systems could create unexpected costs, subject us to enforcement actions for compliance failures or cause us to change our digital technology platforms or business models.***

Regulators have been increasingly focused on online and mobile payment services, and recent regulatory and other developments could reduce the convenience or utility of our payment services for users. Governmental regulation of certain aspects of mobile payment systems under which PLDT operates could result in obligations or restrictions with respect to the types of products that we may offer to consumers, the payment card systems that link to our mobile payments systems, the jurisdictions in which our payment services or apps may be used, and higher costs, such as fees charged by banks to process funds through our mobile payments systems. Such obligations and restrictions could be further increased as more jurisdictions regulate payment systems. Moreover, if this regulation is used to provide resources or preferential treatment or protection to selected payments and processing providers, we could be displaced, prevented or substantially restricted from participating in particular geographies.

***Limitations in the amount of frequency spectrum or facilities made available to us could negatively affect our ability to maintain and improve our service quality and level of customer satisfaction, increase our costs and reduce our competitiveness.***

The available radio frequency spectrum is one of the principal limitations on a wireless network's capacity, and there are limitations in the spectrum and facilities available to us to provide our services. Our future wireless growth will increasingly depend on our ability to offer relevant content and data services and a wireless network that has sufficient spectrum and capacity to support such services. Improvements in our service depend on many factors, including continued access to and deployment of adequate spectrum.

In order to acquire spectrum, a duly enfranchised mobile network operator ("MNO") must apply and secure a provisional authority from the NTC to render a specific telecommunications service through its franchise. After a hearing, the NTC then grants a provisional authority to the MNO, which specifies the period, service area and essential frequencies for delivering the telecommunications service assigned to the MNO. Moreover, spectrum users' fees are charged by the NTC for use of the allocated spectrum.

Our competitiveness may decline if we cannot obtain the necessary or optimal allocation of spectrum from the Philippine Government. If the Philippine Government does not fairly allocate spectrums to wireless providers in general, revokes the spectrum previously granted to us, or if we fail to acquire the necessary amount of spectrum or deploy the services that customers desire on a timely basis without burdensome conditions or at adequate cost while maintaining network quality levels, then our ability to attract and retain customers, and therefore maintain and improve our operating margins, could be materially and adversely affected.

***Other mobile service providers in the world may not adopt or use technologies and/or frequency bands that are compatible with ours, which could affect our ability to sufficiently offer international services.***

If a sufficient number of mobile service providers does not adopt the technologies and frequency bands that are compatible with ours, if mobile service providers switch to other technologies or frequency bands, or if there is a delay in the introduction and expansion of compatible technologies and frequency bands, we may not be able to offer international roaming or other international services as expected, which may adversely affect our business.

***We may not be successful in our acquisitions of, and investments in, other companies and businesses, and may therefore be unable to fully implement our business strategy.***

As growth slows or reverses in our traditional fixed line and mobile businesses, and as part of our strategy to grow other business segments, we make acquisitions and investments in companies or businesses to enter new businesses or defend our existing markets. The success of our acquisitions and investments depends on a number of factors, such as:

- our ability to identify suitable opportunities for investment or acquisition;
- our ability to reach an acquisition or investment agreement on terms that are satisfactory to us or at all;
- the extent to which we are able to influence or exercise control over the acquired or investee company;
- the compatibility of the economic, business or other strategic objectives and goals of the acquired or investee company with those of the PLDT Group, as well as the ability to execute the identified strategies in order to generate fair returns on the investment; and
- our ability to successfully integrate the acquired company or business with our existing businesses.

Any of our contemplated acquisitions and investments may not be consummated due to reasons or factors beyond our control. Even if any contemplated acquisitions and investments are consummated, we may not be able to realize any or all of the anticipated benefits of such acquisitions and investments and we cannot assure you that the consummation of such acquisitions and investments will not result in losses for a prolonged period of time. Moreover, if we are unsuccessful in our contemplated acquisitions and investments, we may not be able to fully implement our business strategy to maintain or grow certain of our businesses and our results of operations and financial position could be materially and adversely affected.

***We are exposed to the fluctuations in the market values of our investments.***

Given the nature of our business and our foray into the digital business, we have made investments in various start-up companies. For example, we hold an investment in VIH, an important player in the financial technology space and an integral part of our digital payments ecosystem. In accordance with PAS 28, *Investments in Associates and Joint Ventures*, we account for our investment in VIH using the equity method, whereby we recognize our proportionate share of VIH's losses, which amount to Php3,026 million and Php2,237 million for the years ended December 31, 2022 and 2021, respectively. Credit ratings and the value of this investment and similar investments can be negatively impacted by liquidity, credit deterioration or losses, financial results, foreign exchange rates, or other factors. As a result, our investments could decline and result in a material impairment, which could have a material adverse effect on our financial condition and operating results.

***Our operations and financial conditions may be negatively affected if we fail to secure a permanent office building prior to the expiration of the lease-back agreement for the Smart Headquarters.***

On October 5, 2020, PLDT signed an agreement for the sale of Smart's headquarters, which also included a lease-back agreement with the buyer, pursuant to which we are permitted to continue occupying the building for no more than five years. If we fail to find a suitable alternative office space or adopt an acceptable office set-up (e.g., work from home or hybrid arrangements) prior to the expiration of the lease-back agreement, we may need to negotiate the extension of the lease-back agreement. There is no assurance that we will be able to extend the lease-back agreement on reasonable terms, or at all. Any relocations could disrupt our business operations. Any of the foregoing events could materially and adversely affect our business operations and financial conditions.

***If we are unable to install and maintain telecommunications facilities and equipment in a timely manner, we may not be able to maintain our current market share and the quality of our services, which could have a material adverse effect on our results of operations and financial condition.***

Our business requires the regular installation of new telecommunications transmission and other facilities and equipment, and the regular maintenance of such facilities and equipment, which are continually being undertaken. The installation and maintenance of these facilities and equipment are subject to a number of risks and uncertainties, such as:

- shortages of equipment, materials and labor;
- delays in the issuance of national and local government building permits;
- work stoppages and labor disputes;
- interruptions resulting from man-made events (e.g., sabotage), outbreak of epidemics, pandemics or other public health crises, inclement weather and other natural disasters;
- rapid technological obsolescence;

- inability of vendors and/or suppliers to deliver on commitments;
- unforeseen engineering, environmental and geological problems; and
- unanticipated cost increases.

Any of these factors could give rise to delays or cost overruns in the installation of new facilities or equipment or prevent us from deploying our networks and properly maintaining the equipment used in our networks, and hence affect our ability to maintain existing services and roll-out new services, for example, which could have a material adverse effect on our results of operations and financial condition.

***Our business relies on secure network infrastructure and computer systems, and any cyber-attacks against them, or the perception of such attacks, may materially adversely affect our operations, financial condition, results of operations and reputation.***

We need to constantly upgrade our cyber security capabilities to support our business needs. We depend on information and digital services to run our business and deliver value. Our Company faces the following challenges in an era of connectivity, digital identity, decentralized decisions, information monetization, transparency, and variable trust:

- An increase in the variety of products and services that we provide to our customers (e.g. customer premise equipment, systems, devices, IoT, data and their dynamic relationships) exposes relevance issues, as well as scalability issues in our existing security control solutions;
- Our existing deterrence measures against cyber security breaches may become less effective. For instance, defensible gates and impermeable walls that are designed to secure our service and information infrastructure have become less effective. While such tools and measures make it difficult to breach our system, these tools may not stop breaches altogether;
- The infrastructure underpinning the digitalization of consumer and enterprise services has become more complex. In order to enhance work efficiency, we allow our employees to work from home on certain days. This means giving employees cloud access to collaboration platforms and controlled remote access to pre-identified operational systems on their personal devices, such as mobile phones and workstations. Given the large number of points of access to our internal network, we need to constantly improve our cyber infrastructure and implement more sophisticated tools to protect it from attacks, as well as raise employee awareness and vigilance regarding cyber risks;
- The consequences of a cyber security breach could be severe. Breaches resulting in leakage of our Company’s confidential commercial and/or personal information may result in irreparable damage to our reputation and brand. Moreover, leakage of sensitive personal information could, in some cases, result in a threat to personal safety, as well as legal and/or regulatory liability;
- Perpetrators are adopting more sophisticated technologies in their attempts to breach our defensive security measures. We see a growing number of automated computer programs being used in initiating attacks; and
- While encrypted internet traffic protects private information, it inadvertently hampers cyber protection efforts. Perpetrators could abuse encrypted communication tools and use them in their efforts to breach into our systems, with less risk of such efforts being discovered by cyber security measures.

Our Cyber Security Operations Group (“CSOG”) is responsible for managing cyber threats and attacks. In 2022, we blocked 17 billion access to malicious sites by our customers and employees; detected and prevented 178,000 high-risk endpoint activities; responded to more than 17 billion incidents in our corporate structure; mitigated 4,000 DDoS attacks, blocked 53 million attacks to our corporate websites; blocked unauthorized access from 3,000 rouge devices; blocked 586,547 URLs linked to online sexual abuse and exploitation of children (“OSAEC”) and child sexual abuse and exploitation materials (“CSAEM”); and secured 587 million business emails, 128 million of which contained malicious threats like spam emails, viruses, malware and invalid recipients. While these incidents did not separately or in aggregate cause any material financial, legal, reputational or regulatory impact to the Company or its business operations, we cannot assure you that we will be able to successfully prevent all cyber attacks, particularly as cyber attacks have become more sophisticated and prevalent. Any successful attack on our infrastructure could result in legal and/or regulatory liabilities, disruptions to our business operations, damage to our reputation, and financial losses.

***Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.***

The effects of, and any damage caused by, exposure to an electromagnetic field remain the subject of careful evaluations by the international scientific community. We cannot rule out the possibility that exposure to electromagnetic fields or other emissions originating from mobile handsets will not be identified as a health risk in the future. Our mobile business may be harmed as a result of any future alleged, or actual, health risk or the perception of any health risk, which could result in our inability to secure permits to install telecom equipment, a lower number of customers, reduced usage per customer or even potential consumer liability.

***Cable and equipment theft, equipment failures, and man-made events, may materially and adversely affect our operations.***

Theft of telecommunication cables, major equipment failures, and man-made events, such as terrorist acts or other similar or related contingencies, could adversely affect our wired and wireless networks, including telephone switching offices, microwave links, third-party-owned local and long-distance networks on which we rely, our cell sites or other equipment, our customer account support and information systems, or our employee and business records, and could in turn have a material adverse effect on our operations.

***Natural disasters, terrorist acts or acts of war could cause damage to our infrastructure and/or result in significant disruptions to our operations.***

Our business operations are subject to interruption by natural disasters, power outages, terrorist attacks, cyber-attacks and other events beyond our control. Such events could cause significant damage to our infrastructure upon which our business operations rely, resulting in degradation or disruption of service to our customers. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Our system redundancy may be ineffective or inadequate, and our disaster recovery planning may be insufficient for all eventualities. These events could also damage the infrastructure of the suppliers that provide us with the equipment and services that we need to operate our business and provide products to our customers. A natural disaster or other event causing significant physical damage could cause us to experience substantial losses resulting in significant recovery time and additional expenditures to resume operations. In addition, these occurrences could result in lost revenues from business interruption as well as damage to our reputation.

***International geopolitical conflicts may materially and adversely affect our business.***

Our business operations may not be insulated from the effects of international conflicts. The occurrence of an international conflict or an escalation in the intensity of such conflict may affect the global economy, including impacting the supply and prices of energy, food and other critical commodities. In addition, it may affect the global supply chain, consequently affecting vendor delivery. It may also impact the capital and financial markets, foreign currencies exchange, investments, and governmental or regulatory orders, which in turn, may impact our business.

***Our business may be materially and adversely affected by the coronavirus outbreak and other adverse public health developments.***

In December 2019, an outbreak of the disease COVID-19, caused by a novel coronavirus (SARS-CoV-2) was first reported to have surfaced in Wuhan, the People's Republic of China (the "PRC"), later resulting in millions of confirmed cases and hundreds of thousands of fatalities globally, with thousands of confirmed cases and more than a thousand fatalities in the Philippines. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic.

In response to the pandemic, on March 12, 2020, the Philippine Government placed Metro Manila under "community quarantine" starting on March 15, 2020, which, among others, restricted traveling through land, domestic air, and domestic sea from Metro Manila. On the second day of the implementation of the said community quarantine, the Philippine Government declared a Luzon-wide "enhanced community quarantine" ("ECQ") to arrest the continuing effect of the disease. The enhanced community quarantine mandated the temporary closure of all public and private offices, non-essential shops and businesses, prohibited mass gatherings and all means of public transportation, and restricted traveling through air, sea and land in and out of Luzon, except for diplomats and uniformed workers (carrying medical supplies), among others. In line with this, private establishments providing basic necessities, essential services and such other activities related to food and medicine were allowed to continue operations. On April 7, 2020, the Philippine Government extended the ECQ period until April 30, 2020, which was further extended to May 15, 2020. After the ECQ was lifted in certain areas, a modified ECQ ("MECQ"), general community quarantine, ("GCQ") or modified GCQ ("MGCQ") was implemented. The graduated lockdown schemes from ECQ, MECQ, GCQ and MGCQ impose varying degrees of restrictions on travel and business operations in the Philippines. The Government has continued to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. On March 27, 2021, following a spike in COVID-19 cases, the Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021. On April 11, 2021, the Government announced that Metro Manila and certain neighboring provinces would shift to MECQ starting April 12, 2021 until April 30, 2021, which was extended through May 15, 2021. On May 13, 2021, the Government announced that Metro Manila and adjacent provinces would shift to GCQ with heightened restrictions until the end of May, which was later extended until the end of June. On July 22, 2021, the Government announced that the entire National Capital Region ("NCR") and certain provinces would be subject to GCQ with heightened restrictions beginning July 23, 2021 until July 31, 2021. On July 29, 2021, the Government announced that NCR will be escalated to the ECQ scheme beginning August 6, 2021 until August 20, 2021, while certain provinces will shift to MECQ, following the spike of new 'Delta' variant cases of COVID-19. On September 13, 2021, the IATF approved the guidelines for a new Alert Level and Granular System implemented from September 16, 2021. This new system shall replace the previous quarantine classifications comprised of ECQ, MECQ, GCQ and MGCQ. Under the new guidelines, the quarantine classifications are composed of five Alert Levels that determine the activities allowed in cities and/or municipalities. The new guidelines also authorize the city and municipal mayors to impose granular lockdowns with respect to their component barangays, including streets, villages, condominiums and other smaller specific areas in a city or town, which are tagged as critical zones or high-risk for COVID-19 by the local government unit. As the Delta variant subsided, the Omicron variant, first discovered in South Africa, arrived in Philippine shores towards the end of 2021, with local transmission being confirmed on December 31, 2021. Most of the country was placed under the highest or second highest Alert Level possible as cities and municipalities struggled to curb high infection rates. However, by March 2022,

infections began to fall, and coupled with an increasing rate of vaccination both in major cities and the countryside, Alert Levels all around the country began to be scaled down.

The number of cases of COVID-19 in the Philippines has further decreased as a result of national and local government mass vaccination and booster programs. As of the date of this Prospectus, Metro Manila, along with a significant number of cities and municipalities in the Philippines, is under Alert Level 1. On October 28, 2022, the Government issued an executive order allowing the voluntary wearing of face masks in indoor and outdoor settings, signaling a further return to normalcy.

These and other measures have affected and caused disruption to businesses and economic activities, and their impact on businesses continues to evolve. While the Development Budget Coordination Committee estimates that the Philippines economy will grow by 6.5% to 8.0% by 2023 and 2024, there is no assurance that the Philippines economy will grow in pace with this prediction.

The outbreak of COVID-19 and other adverse public health developments, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus and Ebola virus could materially and adversely affect our business, financial condition and results of operations. These may include, temporary closures of our facilities or premises, hospitalizations or quarantine of our employees, delays or suspensions of supplies from our suppliers, especially those located in the PRC, disruptions or suspensions of our operational activities or labor shortages due to restrictions on our employees' ability to travel, as well as delayed service delivery from our contractors.

As at December 31, 2022, we have incurred additional expenses relating to the purchase of protective equipment for our employees, the disinfection and reconfiguration of company premises, hospitalization and medical expenses for our employees covered by our medical benefits program, the provision of shuttle services for employees with no private transport and donations to various non-profit institutions, among others. In addition, we reconfigured our network to adjust for geographical and usage shifts during the pandemic. In 2022, total expenses related to our COVID-19 measures amounted to Php450 million. See "*Near-term Factors Affecting Our Results of Operations — Impact of COVID-19 Outbreak on our Operations*".

While we were not significantly affected by COVID-19 in 2022 and have benefited from the increased demand for our wireless and fixed line products and services, particularly our data and broadband offers, as people forced to stay at home during community quarantines adopted web-based collaboration tools, distance learning, online shopping, e-payment and e-health services, among others, we cannot predict whether this increase in business activity will continue after the end of the pandemic.

***Climate change could increase the impact of natural disasters and environmental legislation and regulations on our operations.***

Climate change poses a number of potential risks for telecommunications operators like us, from both a physical and regulatory perspective. The ongoing global climate change may exacerbate the severity and frequency of natural disasters. The rising intensity and frequency of storms, heatwaves and earthquakes could increase the likelihood of damages to our infrastructure and failures of our wired and wireless networks caused by such natural disasters. Should severe natural disasters occur in quick succession, we may not have sufficient resources to repair and restore our infrastructure in a timely and cost-effective manner. Furthermore, climate change and severe weather conditions could also affect and disrupt our supply chain, resulting in delays in the delivery of our supplies. The increase in the likelihood of damages to our infrastructure and disruptions in our supply chain as a result of natural disasters could have a material adverse impact on our operations.

In light of heightened awareness on climate change globally, the Philippine Government could introduce new and more stringent environmental legislation and regulations. If such legislation or regulations are enacted, we could incur increased energy, environmental and other costs and capital expenditures to comply. We cannot guarantee that we will at all times be in compliance with any new environmental legislation and regulations. The failure to comply with new environmental legislation and regulations could have a material adverse impact on our operations and financial conditions.

***Our businesses require substantial capital investment, which we may not be able to finance.***

Our projects under development and the continued maintenance and improvement of our networks and services, including Smart's projects, networks, platforms and services, require substantial ongoing capital investment. Our consolidated capital expenditures, net of additions subject to sale and leaseback from tower companies, totaled Php96,810 million, Php88,983 million and Php71,904 million for the years ended December 31, 2022, 2021 and 2020, respectively. We currently estimate that our consolidated capital expenditures in 2023 will be approximately Php79 billion. In 2023, we will prioritize projects that support the growing demand from our customers, enhance our ability to deliver superior customer experience, and help corporate customers revive their businesses.

If we face difficulties funding our capital expenditures or if our capital expenditure commitments exceed our budget, we may engage in discussions with our vendors to cancel or amend our purchase orders. Such cancellations or amendments may cause us to incur penalties and adversely affect our business, reputation and share prices. See Item 5. "Contractual Obligations and Commercial Commitments."

Future strategic initiatives could require us to incur significant additional capital expenditures. We may be required to finance a portion of our future capital expenditures from external financing sources, some of which have not yet been fully arranged. There can be no assurance that financing for new projects will be available on terms acceptable to us, or at all. If we cannot complete our development programs or other capital projects on time due to our failure to obtain the required financing, our growth, results of operations, financial condition and prospects could be materially and adversely affected. Furthermore, if we are unable to monetize our investments and generate the expected revenues, our cash flows and gearing may be negatively impacted.

***Our results of operations and our financial position could be materially and adversely affected if the Philippine peso significantly fluctuates against the U.S. dollar.***

A substantial portion of our capital expenditures, a portion of our indebtedness and related interest expense and a portion of our operating expenses are denominated in U.S. dollars and other foreign currencies, whereas most of our revenues are denominated in Philippine pesos with only 17% of our revenues denominated in U.S. dollars.

A depreciation of the Philippine peso against the U.S. dollar would increase the amount of our U.S. dollar-denominated debt obligations, capital expenditures, and operating and interest expenses in Philippine peso terms. In the event that the Philippine peso depreciates against the U.S. dollar, we may be unable to generate enough funds through operations and other means to offset the resulting increase in our obligations in Philippine peso terms. Moreover, a depreciation of the Philippine peso against the U.S. dollar may result in our recognition of significant foreign exchange losses, which could materially and adversely affect our results of operations. A depreciation of the Philippine peso could also cause us not to be in compliance with the financial covenants imposed on us by our lenders under certain loan agreements and other indebtedness. Further, fluctuations in the Philippine peso value and of interest rates impact the mark-to-market gains/losses of certain of our financial debt instruments, which were designated as non-hedged items.

The Philippine peso has been subject to significant depreciation in recent years with the Philippine peso depreciated by 24% from a high of Php41.08 for 2012 to Php50.97 as at December 31, 2021 and further depreciated by 10% to Php55.82 as at December 31, 2022. We cannot assure you that the Philippine peso will not depreciate further and be subject to significant fluctuations going forward, due to a range of factors, including:

- political and economic developments affecting the Philippines, including the level of remittances from overseas Filipino workers;
- global economic and financial trends;
- the volatility of emerging market currencies;
- any interest rate increases by the Federal Reserve Bank of the United States and/or the BSP; and
- higher demand for U.S. dollars by both banks and domestic businesses to service their maturing U.S. dollar obligations or foreign exchange traders including banks covering their short U.S. dollar positions, among others.

***Our debt instruments contain restrictive covenants which require us to maintain certain financial tests and our indebtedness could impair our ability to fulfill our financial obligations and service our other debt.***

Our existing debt instruments contain covenants which, among other things, require PLDT to maintain certain financial ratios and other financial tests, calculated on the basis of PFRS at relevant measurement dates, principally at the end of each quarter period. In addition, PLDT's bonds contain covenants that limit our ability to take certain actions.

Our indebtedness and the requirements and limitations imposed by our debt covenants could have important



consequences. For example, we may be required to dedicate a substantial portion of our cash flow to payments on our indebtedness, which could reduce the availability of our cash flow to fund working capital, capital expenditures and other general corporate requirements.

The principal factors that could negatively affect our ability to comply with these financial ratio covenants and other financial tests are the poor operating performance of PLDT and its subsidiaries, the depreciation of the Philippine peso relative to the U.S. dollar, the impairment or similar charges in respect of investments or other long-lived assets that may be recognized by PLDT and its subsidiaries, and increases in our interest expense. Interest expense may increase as a result of various factors including the issuance of new debt, the refinancing of lower cost indebtedness by higher cost indebtedness, the depreciation of the Philippine peso relative to the U.S. dollar, the lowering of PLDT's credit ratings or the credit ratings of the Philippines, the increase in reference interest rates, and general market conditions. Of our total consolidated debts, approximately 17% was denominated in U.S. dollars as at December 31, 2022. Considering our consolidated hedges and dollar cash allocated for debt, the unhedged portion of our consolidated debt amounts was approximately 5%, as at December 31, 2022, therefore, the financial ratio and other tests are expected to be negatively affected by any weakening of the Philippine peso relative to the U.S. dollar.

If we are unable to meet our debt service obligations or comply with our debt covenants, we may need to restructure or refinance our indebtedness, seek additional equity capital or sell assets. An inability to implement these measures successfully could result in a declaration of default and an acceleration of maturities of some or all of our indebtedness, which could have a material adverse effect on our business, results of operations and financial condition.

***Our subsidiaries could be limited in their ability to pay dividends to us due to internal cash requirements and their creditors having superior claims over their assets and cash flows, which could materially and adversely affect our financial condition.***

A significant part of our total revenues and cash flows from operating activities are derived from our subsidiaries, particularly Smart. Smart has significant internal cash requirements for debt service, capital expenditures and operating expenses and as a result, may be financially unable to pay any dividends to PLDT. Although Smart has been making dividend payments to PLDT regularly since December 2002, there can be no assurance that PLDT will continue to receive these dividends or other distributions, or otherwise be able to derive liquidity from Smart or any other subsidiary or investee in the future.

Creditors of our subsidiaries generally have priority claims over our subsidiaries' assets and cash flows. We and our creditors will effectively be subordinated to the existing and future indebtedness and other liabilities, including trade payables, of our subsidiaries, except that we may be recognized as a creditor with respect to loans we have made to subsidiaries. If we are recognized as a creditor of a subsidiary, our claim will still be subordinated to any indebtedness secured by assets of the subsidiary and any indebtedness of the subsidiary otherwise deemed superior to the indebtedness we hold.

We may have difficulty meeting our debt payment obligations if we do not continue to receive cash dividends from our subsidiaries and our financial condition could be materially and adversely affected as a result.

***A significant number of shares of PLDT's voting stock are held by four shareholders, which may not act in the interests of other shareholders or stakeholders in PLDT.***

As at February 28, 2023, First Pacific and its Philippine affiliates (together, the "FP Parties"), NTT Communications and NTT DOCOMO and the JG Summit Group, collectively, beneficially own 57.2% in PLDT's outstanding common stock (representing 33.8% of our overall voting stock).

Additionally, all of PLDT's shares of voting preferred stock, which represent 41% of PLDT's total outstanding shares of voting stock as at February 28, 2023, are owned by a single stockholder, BTF Holdings, Inc. ("BTFHI").

The FP Parties, NTT Communications, NTT DOCOMO, JG Summit Group and/or BTFHI may exercise their respective voting rights over certain decisions and transactions in a manner that could be contrary to the interests of other shareholders or stakeholders in PLDT. See *Note 1 – Corporate Information* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements" for further discussion.

***We are unionized and are vulnerable to work stoppages, slowdowns or increased labor costs.***

As at December 31, 2022, PLDT has three employee unions, representing in the aggregate 8,436, or 49%, of the employees of the PLDT Group. This unionized workforce could result in demands that may increase our operating expenses and adversely affect our profitability. For instance, PLDT experienced significant charges from its manpower rightsizing program in 2020, 2021 and 2022, mainly incurred in the fixed-line business. Each of our different employee groups require separate collective bargaining agreements. If PLDT and any of its unions are unable to reach an agreement on the terms of their collective bargaining agreement or if PLDT were to experience widespread employee dissatisfaction, PLDT could be subject to collective bargaining deadlocks, strikes, work slowdowns or stoppages. Any of these events would be disruptive to our operations and could have a material adverse effect on our business.

Additionally, on July 3, 2017, PLDT received a Compliance Order from the DOLE, in connection with the non-payment of statutorily required monetary benefits, including the 13th month pay by certain PLDT contractors to their employees, as well as the regularization of 7,344 contractor employees. On July 31, 2018, the CA promulgated a decision granting

PLDT's request for an injunction against the Compliance Order and remanded the case back to the DOLE for further proceedings regarding the computation of the monetary awards, which amounted to Php51.8 million according to the regularization orders, and the determination of employees engaged in installation, repair and maintenance work who must be regularized. On April 5, 2019, PLDT filed a petition for review with the Supreme Court that is now pending resolution. See Item 3. "Legal Proceedings" and Note 27 – Provisions and Contingencies to the accompanying audited consolidated financial statements in Item 7. "Financial Statements" for further discussion.

We cannot guarantee that PLDT or its subsidiaries will not be subject to similar proceedings or other labor-related regulatory activities, the results of which may have an adverse reputational and/or financial impact. While we believe that PLDT has a strong legal position in its pending labor cases, we note that labor tribunals are mandated to resolve cases in favor of employees in the case of any doubt.

***The loss of key personnel or the failure to attract and retain highly qualified personnel could compromise our ability to effectively manage our business and pursue our growth strategy.***

Our future performance depends on our ability to attract and retain highly qualified key technical, development, sales, services and management personnel. The loss of key employees could result in significant disruptions to our business, and the integration of replacement personnel could be costly and time consuming, could cause additional disruptions to our business and could be unsuccessful. We cannot guarantee the continued employment of any of the members of our senior leadership team, who may depart our Company for any number of reasons, such as other business opportunities, differing views on our strategic direction or other personal reasons. Any inability to attract, retain or motivate our personnel could have a material adverse effect on our results of operations and prospects.

***Adverse results of any pending or future litigation, internal or external investigations and/or disputes may impact PLDT's cash flows, results of operations and financial condition.***

We are currently involved in various legal proceedings. Our estimate of the probable costs for the resolution of these claims have been developed in consultation with our counsel and is based upon our analysis of potential results. Most recently, in February 2023, a putative class action suit was filed against us and certain of our current and former directors and officers alleging materially false and misleading statements regarding the Company's capital expenditures from 2019 to 2022. As the matter is in the early stages, we are unable to estimate the potential liability that may arise from this lawsuit. Our future financial performance and share prices could be materially affected by any adverse outcomes or by changes in our estimates or the effectiveness of our strategies relating to these proceedings and assessments. See Item 3. "Legal Proceedings" and Note 27 – Provisions and Contingencies to the accompanying audited consolidated financial statements in Item 7. "Financial Statements" for further discussion.

While PLDT believes that the positions it has taken in these cases have strong legal bases, the final outcome of these cases may prove to be different from its expectations. In addition, we cannot assure you that PLDT will not be involved in future litigation or other disputes, the results of which may materially and adversely impact its business and financial conditions.

***Our financial condition and operating results will be impaired if we experience high fraud rates related to device financing, credit cards, dealers, or subscriptions.***

Our operating costs could increase substantially as a result of fraud, including device financing, customer credit card, subscription or dealer fraud. If our fraud detection strategies and processes are not successful in detecting and controlling fraud, whether directly or by way of the systems, processes, and operations of third parties such as customers, national retailers, dealers, and others, the resulting loss of revenue or increased expenses could have a material adverse effect on our financial condition and operating results.

## **Risks Relating to the Philippines**

### ***Political and social instability.***

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last two decades, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by the previous and current administrations. In addition, a number of officials of the Philippine Government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery or usurpation of authority.

In addition, the Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists who were inspired by pledged allegiance to the Islamic State of Iraq and Syria. Due to the clash between the Philippine Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion. The martial law in Mindanao



was lifted on January 1, 2020, however Mindanao remains under a state of emergency as a measure against potential terror threats and communist insurgency and to maintain peace and order in the region. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy. In addition, on July 3, 2020, President Rodrigo Duterte signed into law R.A. No. 11479, or the Anti-Terrorism Act of 2020, which has drawn criticism from, and sparked protests by, various sectors because of its controversial provisions on warrantless arrests and its broad definition of terrorist acts, which may be used to target government critics. The said bill will pass into law upon approval by, or within 30 days of receipt upon inaction of, Former President Rodrigo Duterte.

We cannot assure you that the political environment in the Philippines will be stable or that the current or future administration will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment for the telecommunications and other companies. An unstable political or social environment in the Philippines could negatively affect the general economic conditions and business environment in the Philippines which, in turn, could have a material and adverse impact on our business, financial position and financial performance.

#### ***Territorial disputes.***

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes arising from competing and overlapping claims over certain islands and features in the West Philippine Sea. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years, dramatically expanded its military presence in the sea which has raised tension in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the internal arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. In July 2016, the Permanent Court of Arbitration rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine Government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and our operations could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect our business, financial position and financial performance.

#### ***If foreign exchange controls were to be imposed, our ability to meet our foreign currency payment obligations could be adversely affected.***

In general, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. However, the Monetary Board of the BSP has statutory authority, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to:

- suspend temporarily or restrict sales of foreign exchange;
- require licensing of foreign exchange transactions; or
- require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings.

The Philippine Government has, in the past, instituted restrictions on the conversion of the Philippine peso into foreign currencies and the use of foreign exchange received by Philippine companies to pay foreign currency-denominated obligations.

We cannot assure you that foreign exchange controls will not be imposed in the future. If imposed, these restrictions could materially and adversely affect our ability to obtain foreign currency to service our foreign currency obligations.

#### ***The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including PLDT.***

Historically, the Philippines' sovereign debt has been rated non-investment grade by international credit rating agencies. However, in 2013, the Philippines' credit ratings were upgraded to investment grade by Moody's, (Baa3, stable) SP Global (BBB-, stable) and Fitch (BBB-, stable). Subsequently, Moody's, S&P, and Fitch announced improvements in the Philippines' credit ratings of Baa2, BBB+ and BBB, respectively. In November 2022, S&P affirmed its rating of BBB+, with stable outlook, with strong economic performance. In September 2022, Moody's affirmed its rating of Baa2 with a stable outlook. In October 2022, Fitch affirmed its rating of BBB with a negative outlook, reflecting risks to the country's medium-term growth prospects due to high interest rates, weak external demands and high commodity prices.

The Philippine Government's credit ratings directly affect companies domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Fitch, Moody's, S&P, or any other international credit rating agency will not downgrade the credit ratings of the Philippine Government in the future and, therefore, Philippine companies, including PLDT. Any such downgrade could have a material adverse impact on the liquidity in the Philippine financial markets, on the ability of the Philippine Government and Philippine companies, including PLDT, to raise additional financing, and on the interest rates and other commercial terms at which such additional financing is available.

**Item 7. Financial Statements**

Our consolidated financial statements (pages F-1 to F-187) and supplementary schedules (pages S-1 to S-12) listed in the accompanying Index to Financial Statements and Supplementary Schedules on page 129 are filed as part of this annual report.

**Item 8. Information on Independent Auditors and Other Related Matters**

**Independent Auditors' Fees and Services**

The following table summarizes the fees paid or accrued for services rendered by SGV & Co., our independent auditors for the years ended December 31, 2022 and 2021:

	2022	2021
	(in millions)	
Audit Fees	Php48	Php52
Audit-Related Fees	3	2
Tax Fees	1	1
All Other Fees	21	25
<b>Total</b>	<b>Php73</b>	<b>Php80</b>

*Audit Fees.* This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for those fiscal years.

*Audit-Related Fees.* This category consists of assurance services for our Sustainability Report.

*Tax Fees.* This category includes tax services for our Singapore-based subsidiaries.

*All Other Fees.* This category consists primarily of fees with respect to our Sarbanes-Oxley Act 404 assessment in 2022 and 2021, and other non-audit engagements.

The fees presented above excludes out-of-pocket expenses incidental to our independent auditors' work, amount of which do not exceed 5% of the agreed-upon engagement fees. The fees and out-of-pocket expenses are exclusive of a 12% VAT.

Our AC pre-approved all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditors.

**Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure**

We have no disagreements with our independent auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

### PART III – CONTROL AND COMPENSATION INFORMATION

#### Item 9. Directors and Officers

The Board of Directors is principally responsible for PLDT's overall direction and governance. PLDT's Articles of Incorporation provide for 13 members of the Board, who shall be elected by the stockholders. At present, three of PLDT's 13 directors are independent directors. The Board holds office for a one year period and until their successors are elected, and are qualified in accordance with the By-Laws.

The name, age and period of service, of each of the current directors, including independent directors, of PLDT as at February 28, 2023 are as follows:

Name	Age	Period during which individual has served as such
Manuel V. Pangilinan	76	November 24, 1998 to present
Manuel L. Argel, Jr.	73	January 28, 2020 to present
Helen Y. Dee	78	June 18, 1986 to present
Ray C. Espinosa	66	November 24, 1998 to present
James L. Go	83	November 3, 2011 to present
Kazuyuki Kozu	49	July 6, 2021 to present
Bernido H. Liu	60	September 28, 2015 to present
Retired Supreme Court Chief Justice Artemio V. Panganiban	86	April 23, 2013 to present
Alfredo S. Panlilio	59	June 8, 2021 to present
Albert F. Del Rosario	83	July 11, 2016 to present
Bernadine T. Siy	64	June 8, 2021 to present
Naoki Wakai	57	August 26, 2021 to present
Marife B. Zamora	70	November 14, 2016 to present

The name, age, position and period of service of the executive officers of PLDT as at February 28, 2023 are as follows:

Name	Age	Position(s)	Period during which individual has served as such
<b>Executive Officers:</b>			
Alfredo S. Panlilio	59	President and CEO	June 8, 2021 to present
Anabelle L. Chua	62	Chief Revenue Officer	July 1, 2019 to June 7, 2021
		Senior Vice President	February 26, 2002 to present
		Chief Financial Officer of PLDT	May 18, 2015 to present
		Chief Risk Management Officer	August 9, 2018 to present
Victorico P. Vargas	71	Corporate Finance and Treasury Head	March 1, 1998 to May 17, 2015
		Treasurer	February 1, 1999 to May 17, 2015
		Chief Financial Officer of Smart	December 1, 2005 to May 17, 2015
		Leadership Transition Officer	July 1, 2021 to present
Marilyn A. Victorio-Aquino	67	Business Transformation Office Head	January 1, 2016 to present
		Corporate Secretary	January 25, 2022 to present
Danny Y. Yu <sup>(1)</sup>	61	Chief Legal Counsel	December 1, 2018 to present
		Senior Vice President	January 1, 2019 to present
Emmanuel Ramon C. Lorenzana <sup>(2)</sup>	61	Senior Vice President	November 17, 2022 to present
		PLDT Group Controller	November 17, 2022 to present
Gina Marina P. Ordoñez	61	Senior Vice President	January 1, 2023 to present
		Chief Transformation & Customer Officer	November 17, 2022 to present
Mary Rose L. Dela Paz	51	Chief People Officer	March 21, 2019 to present
		Chief Procurement Officer	May 1, 2019 to present
Mario G. Tamayo	62	Senior Vice President	July 16, 2019 to present
		Network Head	August 6, 2020 to present
Joseph Ian G. Gendrano <sup>(3)</sup>	46	Technology Group Head	July 1, 2021 to present
		Senior Vice President	January 1, 2021 to present
		Chief Technology Officer	August 10, 2022 to present
Alejandro O. Caeg	62	Enterprise Business Head	January 1, 2023 to present
		Senior Vice President	November 16, 2022 to December 31, 2022
		Consumer Sales Head	January 1, 2012 to present
		Consumer Customer Development Head	July 31, 2019 to present
		Wireless Consumer Division Sales and Distribution Head	August 1, 2017 to July 30, 2019
Jeremiah M. de la Cruz <sup>(4)</sup>	45	International and Carrier Business Head	December 1, 2016 to December 31, 2017
		Senior Vice President	March 1, 2009 to November 30, 2016
Menardo G. Jimenez, Jr.	59	Consumer Business Head	April 1, 2022 to present
		Senior Vice President	April 1, 2022 to present
		Consumer Business – Home Head	December 9, 2004 to present
		Business Transformation Office Deputy Head	July 31, 2019 to April 1, 2022
Leo I. Posadas	56	Human Resources Head and Fixed Line BTO Head	January 1, 2017 to July 30, 2019
		Business Transformation Office – Revenue Team Head	August 1, 2010 to November 30, 2016
		Retail Business Head	January 1, 2008 to July 2010
		Corporate Communications and Public Affairs Head	June 16, 2004 to December 31, 2007
Melissa V. Vergel De Dios	60	First Vice President	December 1, 2001 to June 15, 2004
		Treasurer	March 6, 2007 to present
Gil Samson D. Garcia	51	First Vice President	May 18, 2015 to present
		Head – Financial Controllershship Sector	March 5, 2013 to present
		OIC- Financial Reporting and Controllershship	November 4, 2021 to present

<sup>(1)</sup> Appointed Senior Vice President/PLDT Group Controller effective November 17, 2022.

<sup>(2)</sup> Appointment as Senior Vice President/Chief Transformation and Customer Officer effective January 1, 2023.

<sup>(3)</sup> Promoted to Senior Vice President effective August 10, 2022; and appointed Chief Technology Officer effective January 1, 2023.

<sup>(4)</sup> Appointed Senior Vice President effective April 1, 2022.

At least three of our directors, namely, Retired Supreme Court Chief Justice Artemio V. Panganiban, Bernido H. Liu and Bernadine T. Siy, are independent directors who are neither officers nor employees of PLDT or any of its subsidiaries, and who are free from any business or other relationship with PLDT or any of its subsidiaries which could, or could reasonably be perceived to, materially interfere with the exercise of independent judgment in carrying out their responsibilities as independent directors. The independence standards/criteria are provided in our By-Laws and Corporate Governance Manual pursuant to which, in general, a director may not be deemed independent if such director is, or in the past five years had been, employed in an executive capacity by us or any company controlling, controlled by or under common control with us or he is, or within the past five years had been, retained as a professional adviser by us or any of our related companies, or he is not free from any business or other relationships with us which could, or could reasonably be perceived, to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

The following is a brief description of the business experiences of each of our directors, executive officers and advisors for at least the past five years:

**Mr. Manuel V. Pangilinan**, 76 years old, has been a director of PLDT since November 24, 1998. He was appointed as Chairman of the Board of Directors of PLDT after serving as its President and Chief Executive Officer from November 1998 to February 2004. He held the position of President and Chief Executive Officer of PLDT from January 1, 2016 until June 7, 2021, and served as President and Chief Executive Officer of Smart until August 7, 2019. Mr. Pangilinan is the Chairman of the Governance, Nomination and Sustainability, Executive Compensation, Technology Strategy, and Data Privacy and Information Security Committees of the Board of Directors of PLDT. He also serves as Chairman of MPIC, Meralco, PXP Energy Corporation and Philex Mining Corporation, and Vice Chairman of Roxas Holdings, Inc.,

all of which are PSE-listed companies, and of several subsidiaries or affiliates of PLDT or MPIC, including, among others, Smart, DMPI, Digitel, PLDT Communications & Energy Ventures, Inc., ePLDT, Inc., Beacon Electric Assets Holdings Inc., Philex Petroleum Corporation, Manila North Tollways Corporation, Maynilad Water Services Corporation, Landco Pacific Corporation, Metro Pacific Hospital Holdings, Inc., Medical Doctors Incorporated (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Davao Doctors Incorporated, Riverside Medical Center Incorporated, Our Lady of Lourdes Hospital and Asian Hospital Incorporated. He is also the Chairman of MediaQuest Holdings Inc., TV5 Network, Inc. and PLDT-Smart Foundation.

Mr. Pangilinan founded First Pacific Company Limited (“First Pacific”), a Hongkong Stock Exchange-listed company, in 1981 and serves as its Executive Chairman, Managing Director and Chief Executive Officer. Within the First Pacific Group, he also holds the position of President Commissioner of P.T. Indofood Sukses Makmur Tbk, the largest food company in Indonesia.

Outside the First Pacific Group, Mr. Pangilinan is the Chairman of the Board of Trustees of San Beda College and Amateur Boxing Association of the Philippines, a governing body of amateur boxers in the country, and the Chairman Emeritus of the Samahang Basketbol ng Pilipinas. He is also the Chairman of Philippine Business for Social Progress, the largest private sector social action organization made up of the country’s largest corporations and a Co-Chairman of the Philippine Disaster Resilience Foundation, Inc., a non-stock, non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate and rebuild areas devastated by floods and other calamities, and of the US-Philippine Business Society, a non-profit society which seeks to broaden the relationship between the United States and the Philippines in the areas of trade, investment, education, foreign and security policies and culture.

Mr. Pangilinan has received numerous prestigious awards including the Business Icon Gold Award for having greatly contributed to the Philippine economy through achievements in business and society by Biz News Asia magazine (2008), Global Filipino Executive of the Year for 2010 by Asia CEO Awards, and Philippines Best CEO for 2012 by Finance Asia.

Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts Degree in Economics. He received his Master’s Degree in Business Administration from Wharton School of Finance & Commerce at the University of Pennsylvania, where he was a Procter & Gamble Fellow. He was conferred a Doctor of Humanities Degree (Honoris Causa) by the San Beda College (2002), Xavier University (2007), Holy Angel University (2009) and Far Eastern University (2010).

**Retired Judge Manuel L. Argel, Jr.**, 73 years old, has been a director of PLDT since January 28, 2020. He is a member of the Social Security Commission (“SSC”), the Governing Board of the Social Security System (“SSS”) and shares the responsibility for the governance of the SSS in terms of providing policy directions, monitoring, and overseeing management actions. He is a member of the Risk Management and Investment and Audit Committees of the SSC. He also performs quasi-judicial functions through decisions rendered on cases involving SSS coverage, benefits, contributions, and penalties.

He started his law career as an associate of private full-service law firms until he formed his own law firm in 1981. While in private practice, Judge Argel was accredited in 1995 as a Voluntary Labor Arbitrator of the National Conciliation and Mediation Board. He also served as President of the Integrated Bar of the Philippines (Ilocos Chapter) from 1993 to 1995, Provincial Secretary of the National Citizens’ Movement for Free Elections, Chairman of the Ilocos Sur Local Amnesty Board, and member of the People’s Assistance Development Action Center, Inc. His stint in the government started when he was elected as a member of the Sangguniang Bayan of Vigan City in 1980. In 2008, he received the Legislator’s award given by the City Government of Vigan in recognition of his accomplishments and contributions as former legislator of Vigan City. In 1995, he was appointed as Regional Trial Court (RTC) Judge of Laoag City, and, served as Executive Judge from 2005 to 2007 and Presidential Assistant for Region 1 in the Philippine Judges Association. He retired from the Judiciary in 2015. His record of public service as a judge was marked by a very high degree of competence, integrity, dedication, and independence.

Judge Argel is a distinguished alumnus of San Beda University, where he obtained both his Bachelor of Arts in Philosophy in 1969 and his Bachelor of Laws in 1974. He continuously strives to enhance his knowledge and skills through participation in various trainings and seminars, such as the Institute of Corporate Directors’ Corporate Governance Orientation Program for GOCCs and Professional Directors Program, the ACGES seminars on “Lessons from a Pandemic” and “How to Courageously Lead During a Crisis,” a seminar on Islamic Finance, and PLDT ACGES events on topics ranging from “Customer Obsession” to the “Metaverse and its impact on business and human interaction”. He also ensures that he is up to date on corporate policies aligning with the latest Revised Corporation Code of the Philippines.

**Ms. Helen Y. Dee**, 78 years old, has been a director of PLDT since June 18, 1986. She is the Chairperson of EEI Corporation, House of Investments, Petro Energy Resources Corporation, Rizal Commercial Banking Corporation, all of which are PSE-listed companies. She is the Chairperson, Vice Chairperson or a director of several companies engaged in banking, insurance and real property businesses, which are listed on page 112 hereof. Ms. Dee received her Master’s Degree in Business Administration from De La Salle University.

**Atty. Ray C. Espinosa**, 66 years old, has been a director of PLDT since November 24, 1998, and is a member of the Technology Strategy and Data Privacy and Information Security Committees of the Board of Directors of PLDT. He was Senior Advisor to the President and CEO of PLDT from January 28, 2019 until June 8, 2021. He was PLDT’s Chief Corporate Services Officer from December 2016 until January 28, 2019, and previously served as President and CEO of

ePLDT Inc. and its subsidiaries from July 2000 until April 2010 and as President and CEO of TV5 Network Inc. and Cignal TV Inc. from December 2009 until May 2013. In June 2013, he joined First Pacific Company Limited as Associate Director.

Atty. Espinosa is also the President and CEO of Meralco. He is a director of Roxas Holdings Inc., an independent director of Lepanto Consolidated Mining Company and chairman of its Audit Committee, and an independent director of Maybank Philippines Inc. and chairman of its Risk Management Committee. He is the chairman of the Philstar Group of Companies and BusinessWorld Publication Corporation. He is a trustee of the PLDT-Smart Foundation Inc. and the Beneficial Trust Fund of PLDT.

He has a Master of Laws Degree from the University of Michigan School of Law and a Bachelor of Laws Degree from the Ateneo de Manila University School of Law, and is a member of the Integrated Bar of the Philippines. He was a partner at SyCip Salazar Hernandez & Gatmaitan from 1982 to 2000, a foreign associate at Covington and Burling (Washington, D.C.) from 1987 to 1988, and a law lecturer at the Ateneo de Manila University School of Law from 1983 to 1985 and 1989. He placed first in the 1982 Philippine Bar Examinations.

**Mr. James L. Go**, 83 years old, has been a director of PLDT since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT. He is also the Chairman of JG Summit Holdings, Inc. and Cebu Air, Inc. Mr. Go holds the position of Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation. He is also the Chairman Emeritus of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a Director of the Manila Electric Company and Meralco Powergen Corporation. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. Mr. James L. Go obtained his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

**Mr. Kazuyuki Koza**, 49 years old, has been a director of PLDT since July 6, 2021. He was the Director of Core Network Development Department of NTT DOCOMO, INC., Tokyo, Japan. Prior to that, he served as Senior Manager of Packet Network System Development Department of DOCOMO Technology, Inc., Tokyo, Japan from September 2016 to June 2020, Director of System Management Department of mmbi Inc., Tokyo, Japan from September 2013 to August 2016, and Senior Manager of Networking Research Group of DOCOMO Communications Laboratories, Munich, Germany from April 2010 to August 2013. He started his career in NTT DOCOMO INC., Tokyo, Japan, as Engineer from April 1997 to March 2002 then Manager from April 2002 to March 2010 of Core Network Development Department. He graduated with a Bachelor's Degree in Electrical Engineering and Computer Science from the Yokohama National University, Kanagawa, Japan and obtained his Master's Degree in Electrical Engineering and Computer Science from the same university.

**Mr. Mr. Bernido H. Liu**, 60 years old, has been an independent director of PLDT since September 28, 2015 and is an independent member of the Audit, Governance, Nomination and Sustainability, Executive Compensation, Risk, and Data Privacy and Information Security Committees of the Board of Directors of PLDT. Concurrently, he is the Chairman and Chief Executive Officer of GOLDEN ABC, Incorporated. ("GABC"), a fashion retail company which designs and sells its own clothing, personal care and accessory lines marketed and retailed under a dynamic portfolio of well-differentiated proprietary brands, namely Penshoppe, OXGN, ForMe, Memo, Regatta and BOCU. He is also the Group Chairman of LH Paragon Incorporated, a business holdings company which has under its management GABC and other companies in various industries, namely, Matimco Incorporated, Oakridge Realty Development Corporation, Basic Graphics Incorporated, and Greentree Food Solutions, Inc.

Mr. Liu and GABC under his leadership have been recognized by different award-giving bodies. Awards include the Agora Award for Outstanding Achievement in Entrepreneurship from the Philippine Marketing Association, Ten Outstanding Young Men for Entrepreneurship, Global Retailer of the Year from the Philippine Retailers Association and the Department of Trade and Industry, and the ASEAN Business Award of Excellence for Priority Integration Sector in Retail. Mr. Liu graduated with a Bachelor of Science Degree in Architecture from the University of San Carlos, and completed the Executive Education Owner/President Management Program of the Harvard Business School.

**Retired Chief Justice Artemio V. Panganiban**, 86 years old, has been an independent director of PLDT since April 23, 2013 and is serving as an independent member of the Audit, Governance, Nomination and Sustainability, and Executive Compensation Committees, and Chairman of the Risk Committee, of the Board of Directors of PLDT. He was appointed as Lead Independent Director effective March 21, 2019. He served as an independent member of the Advisory Board and an independent non-voting member of the Governance and Nomination Committee of the Board of Directors of PLDT from June 9, 2009 to May 6, 2013. Currently, he is also an independent director of Meralco, Petron Corporation, Metro Pacific Investments Corporation, GMA Network, GMA Holdings, JG Summit Holdings, Inc. Asian Terminals, Inc. and RL Commercial REIT, Inc., and a non-executive director of Jollibee Foods Corporation, all of which are PSE-listed companies, as well as Senior Adviser of Metropolitan Bank and Trust Company, a member of the Advisory Council of the Bank of the Philippine Islands and an adviser of Double Dragon Properties Corp. and Merry Mart Consumer Corp. He is also Chairman of the Board of Trustees of the Foundation for Liberty and Prosperity, and of the Board of Advisers of Metrobank Foundation, Inc., a trustee of Tan Yan Kee Foundation and Claudio Teehankee Foundation, President of the Manila Metropolitan Cathedral-Basilica Foundation, a member of the Advisory Board of World Bank (Philippines), Chairman-Emeritus of the Philippine Dispute Resolution Center, Inc., Chairman of the Philippine National Committee of the Asean Law Association, Designated Chairperson of the four Philippine members of the Permanent Court of Arbitration in The Hague, Netherlands, and a column writer of the Philippine Daily Inquirer.

Hon. Panganiban served the Supreme Court of the Philippines for more than 11 years, first as Associate Justice (October 10, 1995 to December 20, 2005) and later, as Chief Justice (December 21, 2005 to December 6, 2006) during which he sat concurrently as Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy. He has received over 250 awards in recognition of his role as jurist, practicing lawyer, professor, civic leader, Catholic lay worker and business entrepreneur, including “The Renaissance Jurist of the 21st Century” given by the Supreme Court on the occasion of his retirement from the Court. Hon. Panganiban graduated cum laude from Far Eastern University with a Bachelor of Laws Degree in 1960, and was conferred a Doctor of Laws Degree (Honoris Causa) by the University of Iloilo (1997), Far Eastern University (2002), University of Cebu (2006), Angeles University (2006) and Bulacan State University (2006). He was co-founder and past president of the National Union of Students of the Philippines.

**Mr. Alfredo S. Panlilio**, 59 years old, has been the Director, President and Chief Executive Officer of PLDT, Inc. since June 8, 2021 and wireless subsidiary Smart Communications, Inc. since August 8, 2019. He is also an Advisor of the Data Privacy and Information Security Committee, Advisor of the Governance, Nomination and Sustainability Committee, and a Member of the Technology Strategy Committee of the PLDT Board of Directors.

Within the PLDT Group, Panlilio holds leadership positions as the Chairman, President and CEO of IP Converge Data Services, Inc., and Mabuhay Investments Corporation, Chairman and President of ABM Global Solutions, Inc., Curo Technika, Inc., ePDS, Inc., IPC Rack It Data Center, Inc., VITRO Inc., and ACeS Philippines Cellular Satellite Corporation, and Smart Broadband, Inc., Chairman of ePLDT, Inc., MayaBank, Bonifacio Communications Corporation, Telesat, Inc., PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Maratel, Inc., and PLDT-Philcom, Inc., Director, President and CEO of Digitel Telecommunications, Inc., Digitel Mobile Philippines, Inc. (DMPi), Director and President of I-Contacts Corporation, Director of international business unit PLDT Global, President and CEO of Talas Data Intelligence, Inc., President of MVP Rewards and Loyalty Solutions, Inc. (MRSI), Airborne Access Corporation, PLDT Communications and Energy Ventures, Inc., and Primeworld Digital Systems, Inc., and Trustee of social outreach arm PLDT-Smart Foundation (PSF) and Asian Carriers Conference Inc.

With PLDT as a longtime supporter of the Philippines’ digital transformation, Panlilio is among the founding members under the Digital Infrastructure pillar of the Private Sector Advisory Council (PSAC), formed in July 2022.

During Panlilio’s previous tenure in PLDT before returning as its Chief Revenue Officer on July 1, 2019, he served as Senior Vice President from May 2001 to December 2010 and was the President of PLDT Global from June 2004 to December 2010.

Prior to returning to PLDT Group, Panlilio was the Senior Vice President and Head of Customer Retail Services and Corporate Communications at Manila Electric Company (Meralco) from September 10, 2010 to June 30, 2019. Within the Meralco Group, Panlilio served as Chairman of Radius Telecoms, Inc., e-Meralco Ventures Inc., Paragon Vertical Corporation, Powersource First Bulacan Solar, Inc. and Pure Meridian Hydropower Corporation. He was also a Vice Chairman of Aclara Meters Philippines, Inc., and Director of CIS Bayad Center Inc., Corporate Information Solutions, Inc., Customer Frontline Solutions, Inc., Meralco Energy, Inc., MRAIL Inc., Meralco Industrial Engineering Services Corporation, Comstech Integration Alliance, Inc. and MSpectrum, Inc. Panlilio was also a trustee of One Meralco Foundation, Inc. (OMFI) and Meralco Power Academy, and Associate Board Member of Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI).

A veteran executive who started his career with IBM Philippines and rose through the ranks, Panlilio also serves as Director of Cignal TV, Inc., Asean Telecom Holdings Sdn. Bhd. (ATH), Chikka Holdings Limited, Connectivity Unlimited Resources Enterprises, Inc., Wifun, Inc., and Vega Group of Companies; Independent Director of CEMEX Holdings Philippines, Inc.; Board Member of Makati Central Estate Association, Inc. (MACEA); and Trustee of Kapampangan Development Foundation and Philpop Musicfest Foundation, Inc.

An advocate of the value of sports in maintaining a strong republic, Panlilio sits as President of the MVP Sports Foundation, Second Vice President of FIBA Asia Central Board, First Vice President of the Philippine Olympic Committee and heads the FIBA Basketball World Cup 2023 local organizing committee. He is also the President of Samahang Basketbol ng Pilipinas (SBP), the country’s governing basketball federation, and is the Treasurer of the National Golf Association of the Philippines (NGAP) and Manila Golf Country Club, Inc.

Bearing testament to his achievements, Panlilio was named CEO of the Year by London-based award-giving body Total Telecom at the 2022 Asia Communication Awards. He was previously honored as CEO Excel Awardee of the International Association of Business Communicators Philippines in 2013, was one of seven finalists in the Rising Star (individual) category of the PLATTS Global Energy Awards 2015 held in New York, and has received multiple local and international awards for customer management and business communication excellence throughout his 38-year career.

A Member of the Management Association of the Philippines (MAP), Panlilio holds a Bachelor of Science Degree in Business Administration (Computer Information Systems) from San Francisco State University. He obtained his Master in Business Administration at J. L. Kellogg School of Management of Northwestern University and the Hongkong University of Science and Technology.

**Ambassador Albert F. del Rosario**, 83 years old, has been a director of PLDT since July 11, 2016 and is a member of the Technology Strategy Committee of the Board of Directors of PLDT. He was the former Secretary of Foreign Affairs

of the Philippines from February 2011 to March 2016 and also served as Philippine Ambassador to the United States of America from October 2001 to August 2006. Prior to entering public service, he was on the Board of Directors of various firms. His business career for over four decades has spanned the insurance, banking, real estate, shipping, telecommunications, advertising, consumer products, retail, pharmaceutical and food industries.

Ambassador del Rosario is the Chairman of Philippine Stratbase Consultancy, Inc., Gotuaco del Rosario Insurance Brokers, Inc., Stratbase ADR Institute, Inc., Citizens for Promoting Human Rights, Inc. Cignal TV, Inc., and a director of Metro Pacific Investments Corporation and Rockwell Land Corporation (both PSE-listed companies), Indra Philippines, Inc., Metro Pacific Tollways Corporation, Two Rivers Pacific Holdings Corporation, Metro Pacific Resources, Inc., Metro Pacific Holdings, Inc., Metro Pacific Asset Holdings, Inc., Philippine Telecommunications Investment Corporation, Enterprise Investments Holdings, Inc. Mediaquest Holdings, Inc., TV5 Network, Inc., Studio5, Inc., Businessworld Publishing Corp., Satventures, Inc., Hastings Holdings, Inc., Nation Broadcasting Corporation, Med Vision Resources, Inc., Telemidia Business, Ventures, Inc., Upbeam Investments, Inc., BTF Holdings, Inc. and Asia Insurance (Phil.) Corp. He is also a trustee of the Carlos P. Romulo Foundation for Peace & Development and Philippine Cancer Society, Inc. and a member of Asia Society Global Council and an Advisory Board of CSIS Southeast Asia Program.

Ambassador del Rosario received numerous awards and recognition for his valuable contributions to the Philippines and abroad. In November 2022, he was conferred the Highest Honor from His Majesty Emperor of Japan, the Order of Sikatuna, Rank of Datu, by H.E. President Gloria Macapagal-Arroyo for his outstanding efforts in promoting foreign relations for the Philippines in September 2004, and the Order of Lakandula with a Rank of Grand Cross (Bayani) for acting as Co-Chair of the 2015 APEC in December 2015. He was a recipient of the EDSA II Presidential Heroes Award in recognition of his work in fostering Philippine democracy in 2001 and the Philippine Army Award from H.E. President Corazon Aquino for his accomplishments as Chairman of the Makati Foundation for Education in 1991. He was awarded as 2013 Professional Chair for Public Service and Governance by Ateneo School of Government and the Metrobank Foundation, 2014 Management Man of the Year by Management Association of the Philippines, 2016 Outstanding Government National Official by Volunteers Against Crime and Corruption (VACC), 2016 Asia CEO Award as Life Contributor, and Manuel L. Quezon Gawad Parangal as Quezon City's Most Outstanding Citizens for 2016. He was elevated to the Xavier Hall of Fame in New York City in 2006. He received the AIM Washington Sycip Distinguished Management Leadership Award in 2011, Doctor of Laws (Honoris Causa) for "principled commitment to democracy, integrity and the rule of law both at home and around the globe" conferred by the College of Mount Saint Vincent, New York City in September 2015, Rotary Club Makati West's First "Albert del Rosario Award" (Tungo sa Makatarungang Pamumuhay) in August 2016, Outstanding Leadership in Diplomatic Service by Miriam College Department of International Studies and Philippine Tatler's Diamond Award both in November 2016. On September 25, 2018, he was conferred the Honorary Degree of Doctor for Humanities by the Ateneo de Manila University for staunchly defending the sovereignty and territorial integrity of the country, raising the standards of economic diplomacy and proactively ensuring the safety and security of overseas Filipinos everywhere. He is moreover the holder of a first Dan Black Belt Degree in Korean Hwa Rang Do. Ambassador del Rosario graduated from New York University with a Bachelor of Science Degree in Economics.

**Ms. Bernadine T. Siy**, 64 years old, is a director of Epicurean Partners Exchange Inc. (EPEI), and of Fil-Pacific Apparel Corporation (FPAC), both leading players in the food service and apparel industry. She previously served as President and Chief Executive Officer of EPEI Inc. from 1994 to 2011, and President and Chief Executive Officer of FPAC from 1987 to 1997 and again, from 2004 to 2013. She has been a trustee in the board of Ateneo de Manila University since 2014, and currently holds the position of board chair. She is currently an independent director of Cebu Air, Inc. having been appointed in March 2021. She is also a trustee in the board of the Foundation for Economic Freedom, an economic policy advocacy organization and a member of the Management Association of the Philippines. She was a Consultant to the Board of Directors of the Development Bank of the Philippines from November 2012 to June 2014. She obtained her Bachelor of Arts Degree in Economics, Magna Cum Laude from Ateneo de Manila University and a Master's Degree in Management from J.L. Kellogg Graduate School of Management of Northwestern University in Chicago, Illinois, USA.

**Mr. Naoki Wakai**, 57 years old, has been a director of PLDT since August 26, 2021. He is the Senior Vice President in charge of Global Business in Business Solution Division of NTT Communications Corporation (NTT Com). He joined Nippon Telegraph and Telephone Company (NTT) in 1989 and has been engaged in global telecoms and IT business for the past 25 years. Mr. Wakai was involved in the establishment of subsidiaries and branch offices in China, Taiwan and Korea, and played a major role in the construction of international submarine cable systems. After serving as Senior Manager of IP Transit Business at NTT Com Asia (Hong Kong) and Director of International Business at Verio (USA), he moved to NTT Com in Japan and became Head of Server Hosting Team in 2006, Head of Carrier Relations in 2008 and Vice President of Global IP Network in 2009. Mr. Wakai moved to London as Deputy Managing Director and COO of NTT Europe Limited in 2012. In 2017, he moved to Singapore to serve as President and CEO of NTT Singapore Pte. Limited. He graduated with a Bachelor's Degree in Political Science from Keio University in Tokyo, Japan, and holds a Master's Degree in International Relations from International University in Niigata, Japan.

**Ms. Marife B. Zamora**, 70 years old, has been a director of PLDT since November 14, 2016. Is Chairman of the Board of Willis Towers Watson Insurance and Reinsurance Brokers, Inc., and a member of the Board of Trustees of the Asian Institute of Management. She is also an Independent Board Member of Pru Life Insurance Corporation of U.K. She is the President of the UP Sigma Delta Phi Alumnae Association and co-founded the Filipina CEO Circle. She was Chairman of Convergys Philippines; Managing Director for Asia Pacific, Europe, Middle East, Africa for Convergys Corporation, and served as the first Country Manager of Convergys Philippines leading its growth as the country's



largest private employer. Prior to this, Ms. Zamora served as Managing Director of Headstrong Phils. She was also with IBM Philippines where she held a number of sales, marketing and management positions during her 18-year tenure with the company. She is the 3rd woman President and the 68th President of the Management Association of the Philippines. Ms. Zamora received her Bachelor of Arts Degree (major in Mathematics & History) from the College of the Holy Spirit and studied in the University of the Philippines and the University of Pennsylvania.

**Ms. Anabelle L. Chua**, 62 years old, Chief Financial Officer and Chief Risk Management Officer of the PLDT Group, is also concurrently the Chief Financial Officer of Smart. She holds directorships in several subsidiaries of PLDT, Smart, Digitel, as well as in Voyager Innovations, PayMaya Philippines and Maya Bank. She is a member of the Board of Directors and Audit Committee of the Philippine Stock Exchange and Securities Clearing Corporation of the Philippines. She is also a member of the Board of Directors of Meralco, where she chairs the Finance Committee and is a member of the Audit, Risk and Nomination and Governance Committees. Further, Ms. Chua is a director of the Philippine Telecommunications Investment Corporation and a member of the Board of Trustees of the PLDT-Smart Foundation and PLDT Beneficial Trust Fund (“**PLDT-BTF**”), and a director of the companies owned by PLDT-BTF. Ms. Chua has over 30 years of experience in the areas of corporate finance, treasury, financial control and credit risk management and was a Vice President at Citibank, N.A. where she worked for 10 years prior to joining PLDT in 1998. She graduated magna cum laude from the University of the Philippines with a Bachelor of Science Degree in Business Administration and Accountancy.

**Mr. Victorico P. Vargas**, 71 years old, Senior Talent Culture and Cultivation-Office of the Chairman, and PLDT Leadership Transition Officer, is an Associate Director of First Pacific since January 2016, overseeing First Pacific Group businesses operating in the Philippines and its region, with particular focus on leading the Business Transformation of PLDT. Prior thereto, Mr. Vargas was the President and Chief Executive Officer of Maynilad Water Services, Inc. since August 2010. He joined PLDT in 2000 as its Human Resources Group Head and through his stay at PLDT got involved in managing the PLDT Business Transformation Office, Asset Protection and Management Group, and the PLDT International Carrier Business. He has worked in senior roles at Union Carbide, Pepsi Cola, Colgate Palmolive and Citibank, NA (both in Manila and in Southeast Asia). He is a director of Meralco, Smart Communications Inc., MGen Global Business Power, Maya Bank, Inc., PLDT Global Corp., PLDT Subic Telecom, Inc., PLDT Clark Telecom, Inc., Beacon Electric Asset Holdings, Inc., and Beacon PowerGen Holdings, Inc., President and Member of the Board of Trustees of the First Pacific Leadership Academy, Trustee of the MVP Sports Foundation, PLDT-Smart Foundation, Inc. and Ideaspac Foundation and President of the PhilPop Music Fest Foundation. Mr. Vargas was educated at Ateneo de Manila and University of Santo Tomas with a Bachelor of Science degree in Psychology.

**Atty. Marilyn A. Victorio-Aquino**, 67 years old, Chief Legal Counsel, Legal and Regulatory Head, and Corporate Secretary, joined First Pacific in 2012 as Assistant Director. She holds various positions in Philippine subsidiaries and affiliates of First Pacific and Metro Pacific Investments Corporation (an affiliate of First Pacific), including President of First Coconut Manufacturing Inc., and director of Philex Mining Corporation, PXP Energy Corporation and Lepanto Consolidated Mining Company, which are PSE-listed companies, Philex Gold Philippines, Inc., Silangan Mindanao Mining Company, Inc. and Maynilad Water Services, Inc.

Prior to joining First Pacific, Atty. Victorio-Aquino retired as a Senior Partner at SyCip Salazar Hernandez and Gatmaitan Law Offices (SyCipLaw). She joined SyCipLaw in 1980 and was admitted as Partner in 1989. Her practice areas were mining and natural resources, investments, mergers and acquisitions, construction and infrastructure, and project finance and securities, where she acted as legal counsel and represented local and foreign clients in respect of some of the largest projects and transactions in the Philippines.

Atty. Victorio-Aquino graduated cum laude (class salutatorian) from the University of the Philippines with a Bachelor of Laws Degree in 1980, placed second in the Philippine Bar Examinations and was admitted to the Philippine Bar in 1981. She obtained her Bachelor of Arts Degree from the University of Santo Tomas. She is a member of the International Pacific Bar Association, Women Lawyers Circle, Federacion Internacional de Abogadas, Philippine Bar Association and Integrated Bar of the Philippines.

**Mr. Danny Y. Yu**, 61 years old, SVP-PLDT Group Controller, was the Senior Vice President and Chief Financial Officer, Chief Governance Officer and Chief Risk Officer of Philex Mining Corporation from September 2013 to August 2019, Chief Finance Officer of Digital Telecommunications Philippines, Inc. and Digitel Mobile Philippines, Inc. (Sun Cellular) from November 2011 to July 2013, Chief Financial Officer of ePLDT, Inc. from November 2010 to December 2011, Chief Financial Officer of PLDT Global Corporation from June 2004 to November 2010, Chief Financial Officer of Mabuhay Satellite Philippines Corporation and Aces Satellite Philippines Corporation from March 1999 to May 2004, and Vice President for Corporate Development of Fort Bonifacio Development Corporation from March 1997 to March 1999. Mr. Yu graduated Magna Cum Laude from the University of San Carlos with a Bachelor of Science in Commerce, Major in Accounting and holds a Master in Management from the Asian Institute of Management. He is also a Certified Public Accountant. Mr. Yu was named as the ING-FINEX CFO of the year in 2016.

**Mr. Emmanuel Ramon C. Lorenzana**, 58 years old, Chief Transformation and Customer Officer, has been the Chief Commercial and Customer Advisor of the Company since January 1, 2022. He is an Independent Director of ATRAM for Private Equity and has been serving as such since 2018. He also served as President and Chief Executive Officer of MediaQuest from 2014-2016, Executive Vice President and Head of Consumer Wireless Business of Smart Communications, Inc. from 2012 to 2013, and President of NutriAsia Inc. from 2008 to 2011. He likewise held senior management positions in Unilever from 1988 to 2008, such as Chairman and Managing Director of Unilever Malaysia and Singapore, Managing Director of Unilever Philippines, Unilever Vice President for Oral Care (Asia, Africa and

Latin America), Business Planning Director of Unilever Philippines, and Marketing Director of Unilever China. Mr. Lorenzana graduated with a Bachelors Degree in Chemical Engineering from the University of the Philippines, and completed the Blockchain Strategy Program of Said Business School, University of Oxford, Emerging Leadership of Innovation across Sectors and Internet-of-Things/Business Implications and Opportunities of MIT Sloan School of Management, and Advance Executive Program of Kellogg School of Management

**Ms. Gina Marina P. Ordoñez**, 61 years old, Chief People Officer for PLDT and Smart Communications where she drives the effective implementation of people strategies, employee services, HR business partnering and centers of excellence. She ensures a people-centric and quality-driven environment across the company through optimized organizational structures, policies, processes and analytics. She participated in the development and execution of the PLDT Group Talent Management strategy, ensuring alignment with present and future business requirements. She joined the PLDT Group in 2016 under the Business Transformation Office (BTO) and later assumed the Smart People Group Head role before moving back to BTO in 2017 to head Process and Quality Management.

Under the MVP Group of Companies, Ms. Ordoñez was appointed Vice President for Service Operations and Quality Management at Makati Medical Center. She also served as Head of Customer Experience for Consumer Banking in Citi where she held various leadership positions for 16 years and where she was certified Six Sigma Black Belt professional. Ms. Ordoñez is a registered Corporate Coach and Quality Management Consultant who is certified to run coaching clinics. She completed her professional training from Coach U and is currently a member of the International Coach Federation. She has over 20 years of experience in People, Process and Quality Management leadership roles.

**Ms. Mary Rose L. Dela Paz**, 51 years old, Chief Procurement Officer, was PLDT-Smart Program Director for the Business Transformation Office (Technology, Transformation Program Management) from August 2016 until June 2019. She also served as Smart's Vice President for Supply Chain from April 2009 to May 2014, and for Program Management in Technology Services and New Business Streams from 2000 to 2009. She held various positions in the field of marketing in Smart when she joined the company in 1998.

Ms. Dela Paz obtained her Bachelor of Arts Degree in Economics with honors from the University of the Philippines.

**Mr. Mario G. Tamayo**, 62 years old, Technology Group Head and concurrent Network Planning and Engineering Head, has over 26 years experience in the areas of network planning and engineering, and network build and operations. He was the Senior Vice President and Head of Network Planning & Engineering of Smart and concurrent Officer-in-Charge of Technology of PLDT Group and Smart prior to his appointment in PLDT.

He started his career as Shift Engineer for Switch Operations of Eastern Telecommunications Philippines, Inc. in June 1982 and stayed on until December 1994. In January 1995, he joined Smart as Manager for International Gateway Facility, and subsequently held various management roles which include mobile core network planning, build and operations, operations and maintenance of wireless access networks and transmission networks.

Mr. Tamayo graduated with a Bachelor of Science Degree in Electronics & Communications Engineering from the University of Santo Tomas.

**Mr. Joseph Ian G. Gendrano**, 46 years old, Chief Technology Officer and Head of Information Technology. He has been in PLDT's service since May 2013. Prior to joining PLDT, he worked with Verizon Business, Cisco Systems and Goldman Sachs in the United States. He has held technical, sales, consulting and leadership roles in these organizations as well as gained industry experience in the global financial services vertical. He served as Vice President of Goldman Sachs' Network Voice and Multimedia Division and Chief Architect for Unified Communications platforms. Mr. Gendrano obtained his Bachelor of Science degree in Electronics and Communications Engineering from De La Salle University and Master of Science degree in Electrical Engineering, Major in Telecommunications and Networking from the University of Pennsylvania.

**Mr. Alejandro O. Caeg**, 62 is the Head of PLDT and Smart Consumer Sales Group and a member of the Company's Management Committee. Currently, he is a director of PLDT Global Corporation and was its CEO from 2010 to 2017, a director of MVP Rewards & Loyalty Solutions from 2019, and a director of Inspiro Philippines from 2018. He previously served as Head of Wireless Consumer Sales and Distribution of Smart from 2016 to 2017, Head of International & Carrier Business from 2009 until 2016, and PLDT's representative to the ITW Global Leaders Forum as well as to the Pacific Telecommunications Council. He was Smart's representative to the Conexus Mobile Alliance (one of Asia's largest cellular roaming alliances), where he was also designated as its Deputy Chairman until 2012 and eventually as Conexus Chairman until 2014. Prior to joining PLDT in 2009, he was appointed by PT Smart Telecom Tbk (Indonesia) as its Chief Commercial Strategy Officer from July to December 2008 and as Chief Commercial Officer from 2006 to 2008. Since joining Smart in 1993, he has held various sales, marketing and customer experience-related positions including that of Group Head of Sales and Distribution (2003-2005), Group Head of Customer Care and National Wireless Centers (1998-2001) and Marketing Head of International Gateway Facilities and Local Exchange Carrier (1997-1998). He also served as CEO of Telecommunications Distributors Specialist, Inc. (TSI) in 2002 and as Chief Operations Adviser of I-Contacts Corporation (Smart's Call Center subsidiary) from 2001 to 2002. Mr. Caeg graduated with a Bachelor's Degree in AB Applied Economics and obtained MBA credits from De La Salle University.

**Mr. Jeremiah de la Cruz**, 45 is Senior Vice President and Head of the Consumer Business-Home Group of PLDT Inc., the Philippines' largest fully integrated telco company. Through its principal business groups – from fixed line to wireless

– PLDT offers a wide range of telecommunications and digital services across the Philippines’ most extensive fiber optic backbone, and fixed line and cellular networks.

Jeremiah is an accomplished strategic leader with solid experience in managing cross functional teams in delivering revenue and growth, he oversees day-to-day operations for the Home business covering product, marketing, sales, customer experience and field operations. Prior to joining PLDT Inc., Jeremiah has led enterprise-wide business transformation in various companies in the APAC region. He directed the Digital Strategy of Hoytz and handled senior leadership roles in Globe Telecoms, PT. XL Axiata Tbk, Optus and Vodafone. Jeremiah earned his Post Graduate Certificate in Management from the Australian Graduate School of Management.

**Mr. Menardo G. Jimenez, Jr.**, 59 years old, Head of Consumer Business – Home, joined PLDT in December 2001 and served in various capacities as Corporate Communications and Public Affairs Head, Retail Business Group Head, Human Resources Group Head and Fixed Line Business Transformation Office Head. He holds directorships in several subsidiaries of PLDT. Prior to joining PLDT, he had a stint at GMA Network, Inc., where he served as head of a creative services and network promotions. Mr. Jimenez received his AB Economics Degree from the University of the Philippines.

**Mr. Leo I. Posadas**, 56 years old, Treasurer of the PLDT Group and concurrent Treasury Head of PLDT and Smart, handles the treasury management and treasury operations of several companies under the PLDT Group. He is a director and Treasurer of PLDT Global Investments Holdings, a director and Vice President for Treasury of Mabuhay Investments Corporation, and the Treasurer of the Vega Telecom group. He is the Chief Financial Officer of PLDT Global Corporation. He is also the Treasurer of Smart, ePLDT, Digital Telecommunications, Digitel Mobile, PLDT-Smart Foundation and several other subsidiaries of PLDT and Smart. Prior to joining PLDT in September 2000, he served as Treasury Manager of Total Petroleum Philippines, and as Manager for Foreign Exchange Management of San Miguel Corporation. Mr. Posadas received his Bachelor of Arts Degree in Economics and Bachelor of Science degree in Commerce Major in Management of Financial Institutions from De La Salle University.

**Ms. Melissa V. Vergel De Dios**, 60 Chief Sustainability Officer effective November 4, 2021 and concurrent Corporate Sustainability Office Head and Investor Relations Head. She has been in PLDT’s service since May 2001 and served as Property Management Center Head until May 2003 and as Property and Facilities Management Center Head until September 2007. Prior to joining PLDT, she was the Chief Operating Officer of Wharton Credit Corp. and from June 2000 to May 2001 was the Group Chief Finance Officer of Global 3 Internet Holdings, Inc. She held various positions in San Miguel Group of Companies from 1984 to 2000. Ms. Vergel de Dios obtained her Bachelor of Science Degree in Marketing and Management and Bachelor of Arts degree in Economics from Assumption College.

**Mr. Gil Samson D. Garcia**, 51 years old, First Vice President of Financial Controllershship and concurrent Group Chief Financial Officer (CFO) of ePLDT since May 2015 which includes ePLDT, Inc., Curo Teknika, Inc. (Curo), ABM Global Solutions Inc. (AGS), IP Converge Data Services, Inc. (IPC), IPC RACK I.T. Data Center, Inc. (RACK IT), and ePDS, Inc. (ePDS). He has been the Chief Financial Officer of MVP Rewards & Loyalty Solutions, Inc. (MRSI) since September 2018, and director of ePDS since June 2019. He served as CFO of Curo, AGS, IPC and RACK IT from May 2015 to August 2019. He was appointed as Controller of PLDT Communications and Energy Ventures, Inc. (PCEV) in June 2022.

He joined PLDT as Assistant Vice President and Head, Revenue and Cash Accounting (RevCash) in February 2007 to March 2010, and as Vice President until June 2010. His role was expanded as Head of Revenue Management and Cash (RevManCash) from July 2010 to October 2018, and became First Vice President in November 2018.

Prior to joining PLDT, he was a Senior Director of the Business Risk Services Group of SGV & Co. / Ernst & Young until January 2007, where he started his career in November 1992, gaining a wide-range of experiences in various industries, here and abroad, both for public and private sectors, in external audit, internal audit, finance / accounting, business process review and advisory, Sarbanes-Oxley (SOX) 404/302 evaluation & consultancy, risk management, corporate governance, and business fraud investigation, and fraud prevention and detection, among others.

Mr. Garcia graduated Cum Laude from the University of Santo Tomas with a Bachelor of Science Degree in Commerce, Major in Accounting. He is a Certified Public Accountant (CPA), and a globally Certified Internal Auditor (CIA) and Certified Fraud Examiner (CFE). He completed the Management Development Program in Asian Institute of Management School of Executive Education in cooperation with PLDT & Smart in August 2016, and the High Potential Program / Leadership Talent Assessment facilitated by Development Dimensions International in October 2020.

Below is a list of directorships in other private and public companies of the director named below. All directorships of our other director are included in their respective biographies in the preceding pages.

Name of Director	Names of Companies	
	Public	Private
<b>Helen Y. Dee</b>	EEI Corporation (Regular Director/Chairman) House of Investments (Regular Director/Chairman) Petro Energy Resources Corporation (Regular Director/Chairman) Rizal Commercial Banking Corporation (Regular Director/Chairman)	A.T. Yuchengco, Inc. (Regular Director/Chairman) AY Foundation, Inc. (Regular Director/Chairman) AY Holdings, Inc. (Regular Director/Chairman) ET Yuchengco, Inc. (Regular Director/Chairman) Dee Yu Corporation (Regular Director/Chairman) GPL Holdings, Inc. (Regular Director/President) Hi-Eisai Pharmaceuticals, Inc. (Regular Director/Chairman) Honda Cars, Kaloocan (Regular Director) Honda Cars Philippines, Inc. (Regular Director) Isuzu Philippines, Inc. (Regular Director) La Funeraria Paz Sucat (Regular Director/Chairman) Landev Corp. (Regular Director/Chairman) Luis Miguel Foods (Regular Director) Luisita Industrial Park Corporation (Regular Director) Malayan Colleges Laguna, Inc. (Trustee) Malayan Colleges Mindanao Inc. (Regular Director/Chairman) Malayan Educational Systems, Inc. (Regular Director/Chairman) Malayan Insurance Co. Inc. (Regular Director/Chairman) Malayan High School of Science, Inc. (Regular Director/Chairman) Manila Memorial Park Cemetery, Inc. (Regular Director/Chairman) Mayahin Holdings Corporation (Regular Director/Chairman) MICO Equities, Inc. (Regular Director/Chairman) Mijo Holdings, Inc. (Regular Director/Chairman) Pan Malayan Express, Inc. (Regular Director/Chairman) Pan Malayan Management and Investment Corporation (Regular Director/Chairman) Pan Malayan Realty Corporation (Regular Director/Chairman) Petrowind Energy, Inc. (Regular Director/Chairman) Philippine Business for Education, Inc. (Regular Director/Trustee) Philippine Integrated Advertising Agency, Inc. (Regular Director) RCBC Land, Inc. (Regular Director) RCBC Leasing & Finance Corp (Regular Director/Chairman) RCBC Realty Corporation (Regular Director/Chairman) Shayamala Corporation (Regular Director/Chairman) Sunlife Grepa Financial, Inc. (Regular Director/Chairman) Xamdu Motors, Inc. (Regular Director/Chairman) YGC Corporate Services, Inc. (Regular Director/Chairman) Y Realty, Inc. (Regular Director) Yuchengco Center, Inc. (Regular Director/Chairman)

### Terms of Office

The directors of PLDT are elected each year to serve until the next annual meeting of stockholders and until their successors are elected and qualified, except in case of death, resignation, disqualification or removal from office. The term of office of all officers is coterminous with that of the Board of Directors that elected or appointed them.

### Family Relationships

None of the directors/independent directors and officers of the Company or persons nominated to such positions has any family relationships up to the fourth civil degree either by consanguinity or affinity, except Mr. James L. Go (a director) and Ms. Anabelle L. Chua (Chief Financial Officer and Chief Risk Management Officer) who are relatives to the fourth civil degree by consanguinity, and Mr. Manuel V. Pangilinan (Chairman) and Ms. Gina Marina P. Ordoñez (Chief People Officer) who are relatives to the fourth civil degree by consanguinity.

### Legal Proceedings

The Company is not aware, and none of the directors/independent directors and officers or persons nominated for election to such positions has informed the Company, of any of the following events that occurred during the past five (5) years and up to the date of this report: (a) any bankruptcy petition filed by or against any business of which a director/independent director or officer or person nominated for election to any of such positions, was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any director/independent director or officer or person nominated for election to any of such positions, except as noted below; (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 the involvement of any director/independent director or officer or person nominated for election to any of such positions in any type of business, securities, commodities or banking activities; and (d) any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any director/independent director or officer or person nominated for election to any of such positions, has violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

The following is a description of the complaints in which our Chairman, Manuel V. Pangilinan, our directors Ray C. Espinosa, James L. Go, Artemio V. Panganiban and Ambassador Albert F. del Rosario, and Chief Financial Officer, Ms. Anabelle L. Chua, are respondents:

1. Messrs. Manuel V. Pangilinan, Ray C. Espinosa, James L. Go, Artemio V. Panganiban and Ms. Anabelle L. Chua and other members of the Board of Directors of Manila Electric Company (respectively the “Board” and “Meralco”), and the Commissioners of Energy Regulatory Board (“ERC”) except Chairman Agnes Devanadera, are respondents in a Complaint-Affidavit dated December 5, 2017 filed by the National Association of Electricity Consumers for Reforms, Inc. (“NASECORE”) with the Office of the Ombudsman (OMB) and docketed as OMB-C-C-18-002 (the “Complaint”).

The Complaint charges the respondents with the crime of Syndicated Estafa under Section 1 of Presidential Decree No. 1689 (“PD 1689”), in relation to Article 315, par. 1(b) of the Revised Penal Code, for alleged misappropriation of the bill deposits made by customers of Meralco, and failure to accrue and credit interest on the said deposits. As directed in the OMB’s Order dated January 22, 2018, the members of the Board of Meralco (the “Private Respondents”) timely filed their Counter-Affidavits on February 9, 2018.

In their Counter-Affidavits, the Private Respondents asserted that the case against them is without merit since the elements of Syndicated Estafa under PD 1689 and Article 315 paragraph 1(b) of the Revised Penal Code are not present. Private Respondents and Meralco cannot be considered as a syndicate. Neither are the elements of estafa present since the bill deposits are not received by Meralco or the Private Respondents in trust, on commission, or for administration, or with an obligation to return or make delivery of the exact same bills and coins. Nor was there any misappropriation or conversion of the bill deposits which caused damage to any person. Moreover, the bill deposits are fully accounted for in the audited financial statements and there are sufficient funds to refund the same, if necessary. There is likewise no conspiracy to commit a crime among the Private Respondents themselves, or the Private Respondents and the ERC Commissioners.

In a Resolution dated May 18, 2018, the Complaint was dismissed for insufficiency of evidence. The case was however referred to the Commission on Audit for the conduct of audit on the Bill Deposits collected by Meralco from the public consumers and to inform the OMB of Compliance thereof.

NASECORE filed a Motion for Partial Reconsideration of the Resolution dated May 18, 2018. On June 16, 2018, Meralco filed a Motion for Leave to File and Admit Comment/Opposition. The Ombudsman denied NASECORE’s Motion for Reconsideration in an Order dated July 30, 2018. No appeal was made from the resolution dismissing the complaint against Meralco directors and officers.

*NASECORE* filed an *Urgent Motion for Immediate Execution* dated September 21, 2018 praying that the Ombudsman issue a writ of execution to implement the *Resolution* dated May 18, 2018 which directed the Commission on Audit to conduct an audit. As at March 22, 2023, there has been no further action by the Ombudsman in this case. There has also been no action by the Commission on Audit on this matter.

2. Messrs. Manuel V. Pangilinan, Ray C. Espinosa, James L. Go, Artemio V. Panganiban and Ms. Anabelle L. Chua and other members of the Board of Directors and the President and CEO of Manila Electric Company, and the Commissioners of Energy Regulatory Board (“ERC”) except Chairman Agnes Devanadera, are respondents in a Complaint-Affidavit dated January 22, 2018, filed by the NASECORE and Cellphone Owners and Users of the Philippines, Inc. (“COUP”) with the OMB and docketed as OMB-C-C-18-0042 (the “Complaint”).

The Complaint charges the respondents with the crime of Syndicated Estafa under Section 1 of Presidential Decree No. 1689 in relation to Paragraph 2(a) of Article 315 of the Revised Penal Code and violation of Section 3 (e) of Republic Act No. 3019 (Anti-Graft and Corrupt Practices Act) in connection with the investments made by Meralco in its subsidiaries and affiliates and in its joint ventures with other corporations for businesses which are not related to Meralco’s electric distribution business.

The Complaint alleges that Meralco’s investments, participations, business interests, and infusion of funds in other companies, either as parent corporation or as a joint venture, are violative of its legislative franchise (RA 9209) and the EPIRA Law (RA 9136). It further alleges that Meralco allegedly conspired with the four (4) ERC Commissioners in committing Syndicated Estafa and with violating Section 3(e) of Anti-Graft and Corrupt Practices Act, to make said prohibited investments, thereby resulting to over-charging and over-recoveries by Meralco against its customers.

As directed in the OMB’s Order dated February 20, 2018, the members of the Board of Directors and the President and CEO of Meralco (the “Private Respondents”) timely filed their Counter-Affidavits on March 12, 2018. In their Counter-Affidavits, the Private Respondents strongly denied the commission of any wrongdoing as Meralco’s investment activities are allowed by and fully compliant with all applicable laws rules and regulations, and do not impact negatively on its operations or customers. They argued that its legislative franchise (RA 9209) and the EPIRA Law (RA 9136) do not prohibit, restrict or bar Meralco from making investments in other companies, including generation companies.

Meralco is likewise not required (pursuant to Section 26 of EPIRA) to plow back up to 50% of the net income derived from such investments in other companies since Meralco’s investments in generation companies and other subsidiaries or entities do not constitute related business undertakings that utilize Meralco’s rate base assets.

Meralco's investments in other companies are not sourced from its revenues, but rather, from its net profits and retained earnings, and the disposition and use of such profits by Meralco are not subject to regulation by the ERC or any other agency.

Considering the foregoing, the elements of the crime of Syndicated Estafa are not present. No fraud was committed against Meralco customers since Meralco and/or Private Respondents or any of them never committed any fraudulent act, or employed false pretenses or fraudulent means to the prejudice or detriment of any party. There is no fraud or swindling whatsoever, there is also no syndicate to speak of, and Private Respondents did not participate in or agree to any criminal design with the ERC Commissioners.

On May 4, 2018, Meralco filed a Manifestation with Motion for Early Resolution of even date. Another Motion to Resolve and Dismiss was also filed by *MERALCO* on June 2, 2021. In a Joint Resolution dated February 22, 2022, the Ombudsman has dismissed the cases. As at March 22, 2023, there has been no appeal received.

3. Ambassador Albert F. Del Rosario and other directors and officers of the former PDCP Bank ("PDCP"), and some officers of the Bangko Sentral ng Pilipinas ("BSP") and Development Bank of the Philippines ("DBP") (the "Respondents") were charged in a complaint docketed as I.S. No. 2004-631 filed by Chung Hing Wong/Unisteel/Unisco Metals, Inc. (the "Complainants") with the Department of Justice ("DOJ"), for alleged syndicated estafa, estafa thru falsification of documents, other deceits, malversation and robbery. In the complaint-affidavit, the Complainants alleged that the officers and directors of PDCP deceived the Complainants to secure a loan from PDCP through misrepresentation and with the sinister purpose of taking over the Complainants' corporation. The complaint was referred to the Ombudsman ("OMB") by the DOJ considering that some of the Respondents are public officers and the offenses charged were committed in the performance of their official functions.

In the OMB's Review and Recommendation dated November 28, 2008, the OMB approved the DOJ Resolution dated September 7, 2007 DISMISSING the complaint and referred the case back to the DOJ for appropriate action. The Complainants filed separate Motions for Reconsideration before the DOJ and OMB.

On December 16, 2009, the DOJ issued a Resolution denying the Complainants' Motion for Reconsideration for lack of merit. In response, the Complainants filed a Petition for Review with the Secretary of Justice on March 2, 2010. Mr. Del Rosario and the other Respondents filed their respective Comments to the petition. On October 9, 2014, the Secretary of Justice issued a Resolution denying the Petition for Review. In response, Complainants filed a Motion for Reconsideration which remains pending to date with the Office of the Secretary of Justice.

With respect to the Complainants' Motion for Reconsideration with the OMB, the latter issued an Order dated December 4, 2009 denying the same and affirming its Review and Recommendation of November 28, 2008. In response, the Complainants filed a Petition for Certiorari with the Court of Appeals ("CA"). In a Resolution dated July 26, 2010, the CA dismissed the petition for lack of jurisdiction. Likewise, the Complainants' Motion for Reconsideration was denied by the CA in a Resolution on January 10, 2011. Subsequently, the Complainants filed a Petition for Review with the Supreme Court ("SC") questioning the Decision of the CA. In a Resolution dated March 28, 2011, the SC denied the Complainants' Petition for Review for failure to show any reversible error in the challenged Decision of the CA. The Complainants filed a Motion for Clarification. In a Resolution dated August 24, 2011, the SC treated the motion as a Motion for Reconsideration of the dismissal of the Petition and denied the same. The said Resolution of the SC became FINAL AND EXECUTORY based on the Entry of Judgment dated October 26, 2011. The Complainants however still filed a Motion for Clarification and Motion to Refer Case to the Supreme Court en Banc. In a Resolution dated October 10, 2012, the SC ordered the said motion expunged from the records of the case as the Petition has already been denied with FINALITY and an ENTRY OF JUDGMENT and Letter of Transmittal already sent to the CA as early as October 26, 2011.

4. From November 2022 to date, Ambassador Albert F. del Rosario received from the Commission on Audit (COA) Corporate Government Sector several notices of disallowance in connection with the achievement bonus granted to certain employees of the Civil Aviation Authority of the Philippines (CAAP) in 2014. The total amount covered in the said notices of disallowance is P86,000,000 plus. Based on the COA notices, (i) the payment of the achievement bonus is disallowed because it was not in accordance with the law and certain executive order, administrative order and memorandum circular, and (ii) the same is issued to include the CAAP Board of Directors as persons liable for the transaction, which included Ambassador del Rosario in his capacity as former Secretary of the Department of Foreign Affairs. The nature of Ambassador del Rosario's participation in the transaction is "(f)or passing/approving Board Resolution No. 2014-007 adopted and approved during the 34th Regular Board Meeting on April 11, 2014, authorizing Management to grant two (2) months' salary Achievement Bonus to all CAAP employees in recognition of the milestone achievement of recovering Category 1 status." Ambassador del Rosario was represented in the said Board meeting by Ambassador Rafael E. Sequis. The above mentioned notices of disallowance are subject to appeal to the COA within six (6) months from receipt of thereof.

## **Audit; Governance, Nomination and Sustainability; Executive Compensation; Technology Strategy; Risk; and Data Privacy and Information Security Committees**

Our Board of Directors (“**Board**”) is authorized under the By-Laws to create committees, as it may deem necessary, to assist in the effective performance of specific functions and responsibilities which may be delegated by the Board. We have six Board committees, namely, the Audit; Governance, Nomination and Sustainability; Executive Compensation; Technology Strategy; Risk; and Data Privacy and Information Security Committees. Each of these committees has a Board-approved written charter that provides for such committee’s composition, membership qualifications, functions and responsibilities, conduct of meetings, and reporting procedure to the Board.

### *Audit Committee*

Our Audit Committee (“**AC**”) is composed of three members, all of whom are independent directors, and three advisors. The AC members are Retired Supreme Court Chief Justice Artemio V. Panganiban, Mr. Bernido H. Liu and Ms. Bernadine T. Siy, who is the chairperson of this committee. The three AC advisors are Mr. Kazuyuki Koza and Mr. James L. Go, who are non-independent directors, and Ms. Corazon S. de la Paz-Bernardo, a former member of our Board. All the members of our AC are financially literate, and Ms. Corazon S. de la Paz-Bernardo has expertise in accounting and financial management. She is a former Chairman and Senior Partner of Joaquin Cunanan & Company, now Isla Lipana & Co., a member firm of Pricewaterhouse Coopers (PwC).

As provided in the AC charter, the primary purpose of the AC is to assist the Board in fulfilling its oversight responsibility for:

- the integrity of PLDT’s accounting and financial reporting principles and policies, and system of internal controls, including the review of material related party transactions, and the integrity of PLDT’s financial statements and the independent audit thereof;
- PLDT’s compliance with legal and regulatory requirements;
- the audit process; and
- the performance of the internal audit organization and the external auditors (including the external auditors’ qualifications and independence).

To carry out its direct responsibility for the appointment, setting of compensation, retention and removal of the external auditor, the AC has the following duties and powers:

- review and evaluate the qualifications, performance and independence of the external auditor and its lead audit partner;
- select and appoint, remove or replace the external auditor;
- review and approve, in consultation with the head of the internal audit organization and the head of the finance organization, all audit and non-audit services to be performed by the external auditor and the fees to be paid for such services, and ensure disclosure of any allowed non-audit services in PLDT’s annual report;
- periodically review fees for non-audit services paid to the external auditor and disallow non-audit services that will conflict with the external auditor’s duties to PLDT or pose a threat to the external auditor’s independence;
- ensure that the external auditor prepares and delivers annually a statement as to its independence, discuss with the external auditor any relationships or services disclosed in such statement that may impact the objectivity, independence or quality of services of said external auditor and take appropriate action in response to such statement to satisfy itself of the external auditor’s independence;
- based on the external auditor’s statement submitted at least annually, review the external auditor’s internal quality-control procedures for any material issues raised by recent internal quality-control review or peer review of the external auditor, or by any inquiry or investigation by government or professional authorities within the preceding five years, regarding one or more independent audits carried out by the external auditor and steps taken to deal with any such issues;
- ensure that the external auditor, or its lead audit partner having the primary responsibility for the audit of PLDT’s financial accounts is rotated at least once every five years or such shorter or longer period provided under applicable laws and regulations;
- advise the external auditor that it is expected to provide the AC a timely analysis of significant/critical financial reporting issues and practices;

- obtain assurance from the external auditor that the audit was conducted in a manner consistent with certain procedures to be followed in any audit of financial statements required under applicable rules; and
- resolve disagreements between management and the external auditor regarding financial reporting.

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

#### *Audit Committee Report*

Further to our compliance with applicable corporate governance laws and rules, we confirm for 2022 that:

- Each voting member of the Audit Committee is an independent director as determined by the Board of Directors;
- We had eight joint meetings with the Audit Committees of Smart and Digitel during the year;
- We have reviewed and approved the Audit Committee Charter, amended and adopted by the Board on March 22, 2022, until the next review in 2023;
- We have discussed with the PLDT's Internal Audit Group the annual plan for their regular audits, and the results of their examinations;
- Based on a review of SGV & Co.'s performance and qualifications, including consideration of Management's recommendation, we approved the appointment of SGV & Co. as the PLDT Group's independent auditor;
- We have discussed with SGV & Co. the overall scope and plan for their integrated audit of the PLDT and Subsidiaries', or PLDT Group's, financial statements and internal controls over external financial reporting, and the results of their examinations;
- We have reviewed and approved all audit and non-audit services provided by SGV & Co. to the PLDT Group, and the related fees for such services, and concluded that the non-audit fees are not significant to impair their independence;
- We have discussed with SGV & Co. the matters required to be discussed by the prevailing applicable Auditing Standard, and we have received written disclosures and the letter from SGV & Co. as required by the prevailing applicable Independence Standards (Statement as to Independence) and have discussed with SGV & Co. its independence from the PLDT Group and the PLDT Group's Management;
- We were apprised of updates on enterprise risk management and major risk exposures through our attendance to meetings of the Risk Committee, from which we are also members;
- We have discussed with the Chief Legal Counsel, Regulatory and Tax Management Heads on the significant legal matters and updates on the Company's compliance with regulations and applicable laws;
- We have discussed with relevant Business Unit heads the status of their initiatives to address key audit observations and other significant updates on their areas;
- In the performance of our oversight responsibilities, we have reviewed and discussed the unaudited consolidated quarterly financial statements and reports in the first three quarters of 2022 and the audited consolidated financial statements of the PLDT Group as of and for the year ended December 31, 2022 with the PLDT Group's Management, which has the primary responsibility for the financial statements, and with SGV & Co., the PLDT Group's independent auditor, who is responsible for expressing an opinion on the conformity of the PLDT Group's audited financial statements with PFRS; and

Based on the reviews and discussions referred to above, in reliance on the PLDT Group's Management and SGV & Co. and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved, the inclusion of the PLDT Group's audited financial statements as of and for the year ended December 31, 2022 in the PLDT Group's Annual Report to the Stockholders and to the Philippine Securities and Exchange Commission on Form 17-A.

#### *Governance, Nomination and Sustainability Committee*

Our Governance, Nomination and Sustainability Committee ("GNSC") is composed of five voting members, all of whom are members of our Board, three non-voting members, and an advisor. Three of the voting members are independent directors, namely, Retired Supreme Court Chief Justice Artemio V. Panganiban, Ms. Bernadine T. Siy and Mr. Bernido H. Liu, and two are non-executive directors namely, Mr. Kazuyuki Kozu and Mr. Manuel V. Pangilinan who is the chairman of this committee. The three non-voting members are the Chief Governance Officer, the Chief People Officer and the Chief Sustainability Officer. The GNSC advisor is executive director, Mr. Alfredo S. Panlilio.<sup>1</sup>

<sup>1</sup> Mr. Alfredo S. Panlilio was appointed as advisor of the Governance, Nomination and Sustainability Committee on March 22, 2022.



The primary purpose of the GNSC is to assist the Board in the performance of the following functions:

- establish the Company’s corporate governance framework, principles and policies aligned with business objectives, and oversee their implementation and the implementation of continuing education and communication programs on good governance;
- develop and implement an evaluation process for the annual review of the performance of the Board, the Board Committees and the individual directors;
- implement a selection process to ensure that the Board has an effective and balanced mix of knowledge, expertise, experience and diversity in terms of, among others, age, gender and ethnicity, and review the qualifications of the persons nominated to other positions requiring appointment by the Board;
- identify persons qualified to become members of the Board and/or the Board Committees;
- assess the effectiveness of the Company’s nomination and selection process for the Board and Board Committees;
- establish the Company’s sustainability strategy, framework, program, policies and oversee their implementation; and
- oversee the Company’s social investments and commitments to making meaningful impact to communities.

#### *Executive Compensation Committee*

Our Executive Compensation Committee (“ECC”) is composed of five voting members, all of whom are members of our Board of Directors, and one non-voting member. Three of the voting members are independent directors, namely, Retired Supreme Court Chief Justice Artemio V. Panganiban, Ms. Bernadine T. Siy and Mr. Bernido H. Liu, and two are non-executive directors, namely, Mr. Kazuyuki Kozu and Mr. Manuel V. Pangilinan, who is the chairman of this committee. The non-voting member is the Chief People Officer.

The primary purpose of the ECC is to assist the Board in the performance of the following functions:

- oversee the development of a compensation philosophy or policy consistent with the strategy, culture and control environment of PLDT;
- oversee the development and administration of PLDT’s executive compensation programs, including long-term incentive plans and equity-based plans for officers and executives;
- oversee the development and administration of the Company’s performance management framework to monitor and assess the performance of Management;
- oversee the succession plan for officers, including the CEO; and
- oversee the development and implementation of professional development programs for officers.

#### *Risk Committee*

Our Risk Committee (“RC”) is composed of five voting members, all of whom are members of our Board, and one non-voting member. Three of the voting members are independent directors, namely, Ms. Bernadine T. Siy, Mr. Bernido H. Liu and Retired Supreme Court Chief Justice Artemio V. Panganiban, who is the chairman of this committee. Two members are non-executive directors, namely, Mr. Kazuyuki Kozu and Mr. James L. Go. The non-voting member is the Chief Risk Management Officer, Ms. Anabelle L. Chua.<sup>1</sup>

The primary purpose of the RC is to assist the Board in fulfilling its governance functions relating to risk management, which include the following:

- oversee management’s adoption and implementation of a system for identifying, assessing, monitoring and managing key risk areas;
- review management’s reports on PLDT’s major risk exposures; and
- review management’s plans and actions to minimize, control or manage the impact of such risks.

#### *Technology Strategy Committee*

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<sup>1</sup> Ms. Anabelle L. Chua was appointed as non-voting member of the Risk Committee on June 14, 2022.

Our Technology Strategy Committee (“TSC”) is composed of six voting members and two non-voting members. The six voting members are non-executive directors. They are Mr. Manuel V. Pangilinan, who is the chairman of this committee, former Ambassador Albert F. del Rosario, Atty. Ray C. Espinosa, Mr. James L. Go, and Mr. Kazuyuki Koza, and executive director, Mr. Alfredo S. Panlilio. The two non-voting members are Mr. Orlando B. Veja and until June 14, 2022, Mr. Oscar S. Reyes, who are members of our Advisory Board/Committee.

The primary purpose of the TSC is to assist the Board in the performance of the following functions:

- review and approve the strategic vision for the role of technology in PLDT’s overall business strategy, including the technology strategy and roadmap of PLDT;
- fulfill its oversight responsibilities for PLDT’s effective execution of its technology-related strategies; and
- ensure the optimized use and contribution of technology to PLDT’s business and strategic objectives and growth targets.

#### *Data Privacy and Information Security Committee*

Our Data Privacy and Information Security Committee (“DPISC”) is composed of four voting members, all of whom are members of our Board, and an advisor. One of the voting members, Mr. Bernido H. Liu, is an independent director, and three are non-executive directors, namely, Atty. Ray C. Espinosa, Mr. Kazuyuki Koza, and Mr. Manuel V. Pangilinan, who is the chairman of this committee. Mr. Alfredo S. Panlilio is the advisor of the DPISC.

The primary purpose of the DPISC is to assist the Board in the performance of its oversight function and provide strategic direction to governance functions relating to data privacy and information security, including to:

- promote effective data privacy and information security governance;
- review and approve the Company’s strategic plans on data privacy and information security;
- ensure accountability for compliance with regulatory standards and best practices on data privacy and information security;
- foster a culture of privacy and information security; and
- oversee management’s adoption and implementation of a system for identifying, assessing, monitoring and managing enterprise-wide data privacy and information security risks.

#### *Advisory Committee*

Our Board is supported by an Advisory Board/Committee composed of Mr. Benny S. Santoso, Mr. Orlando B. Veja, Mr. Christopher H. Young, and until June 14, 2022, Mr. Oscar S. Reyes. The Advisory Board/Committee provides guidance and suggestions, as necessary, on matters deliberated upon during Board meetings.

## Item 10. Executive Compensation and Stock Option Plan

### Executive Compensation

The following table is the list of the directors and executive officers, including the CEO, of PLDT as at February 28, 2023:

Name	Position(s)
Manuel V. Pangilinan	Director, Chairman of the Board
Manuel L. Argel, Jr.	Director
Helen Y. Dee	Director
Ray C. Espinosa	Director
James L. Go	Director
Kazuyuki Kozu	Director
Bernido H. Liu	Independent Director
Retired Supreme Court Chief Justice Artemio V. Panganiban	Independent Director
Alfredo S. Panlilio	Director, President and CEO
Albert F. del Rosario	Director
Bernadine T. Siy	Independent Director
Naoki Wakai	Director
Marife B. Zamora	Director
Anabelle L. Chua	Senior Vice President, Chief Financial Officer and Chief Risk Management Officer
Danny Y. Yu <sup>(1)</sup>	Senior Vice President, PLDT Group Controller
Emmanuel Ramon C. Lorenzana <sup>(2)</sup>	Senior Vice President, Chief Transformation and Customer Officer
Victorico P. Vargas	Leadership Transition Officer
Marilyn A. Victorio-Aquino	Senior Vice President, Chief Legal Counsel and Corporate Secretary
Gina Marina P. Ordoñez	Senior Vice President, Chief People Officer
Joseph Ian G. Gendrano <sup>(3)</sup>	Senior Vice President, Chief Technology Officer
Mary Rose L. Dela Paz	Senior Vice President, Chief Procurement Officer
Mario G. Tamayo	Senior Vice President, Network Head
Jeremiah M. Dela Cruz <sup>(4)</sup>	Senior Vice President
Alejandro O. Caeg	Senior Vice President, Consumer Sales Head
Menardo G. Jimenez, Jr.	Senior Vice President, Consumer Business Home Head
Leo I. Posadas	First Vice President and Treasurer
Melissa A. Vergel de Dios	First Vice President and Chief Sustainability Officer
Gil Samson D. Garcia	First Vice President, Financial Controllershship

<sup>(1)</sup> Appointed Senior Vice President/PLDT Group Controller effective November 17, 2022.

<sup>(2)</sup> Appointed Senior Vice President/Chief Transformation and Customer Officer effective January 1, 2023.

<sup>(3)</sup> Promoted to Senior Vice President effective August 10, 2022, and appointed Chief Technology Officer effective January 1, 2023.

<sup>(4)</sup> Appointed Senior Vice President effective April 1, 2022.

The following table below sets forth the aggregate amount of compensation paid in 2022 and 2021 and estimated amount of compensation expected to be paid in 2023 to: (1) the President and CEO and four most highly compensated officers of PLDT, as a group, namely, Marilyn A. Victorio-Aquino, Anabelle L. Chua, Gina Marina P. Ordoñez and Menardo G. Jimenez, Jr.; and (2) all other executive officers, other officers and directors, as a group.

	2023	2022	2021
	Estimate	Actual	Actual
President and CEO and four most highly compensated executive officers:		(in millions)	
Salary <sup>(1)</sup>	Php199	Php150	Php131
Bonus <sup>(2)</sup>	21	18	21
Other compensation <sup>(3)</sup>	57	349	95
	277	517	247
All other executive officers, other officers and directors as a group (excluding the President and CEO and four most highly compensated executive officers):			
Salary <sup>(1)</sup>	636	605	506
Bonus <sup>(2)</sup>	75	78	81
Other compensation <sup>(3)</sup>	202	990	590
	Php913	Php1,673	Php1,177

<sup>(1)</sup> Basic monthly salary.

<sup>(2)</sup> Includes longevity pay, mid-year bonus, 13<sup>th</sup> month and Christmas bonus.

<sup>(3)</sup> Includes Variable Pay/Short-term Incentive Plan, or STIP, and other payments. Variable Pay/STIP is based on an annual incentive system that encourages and rewards both individual and group/team performance and is tied to the achievement of Corporate/Unit/Customer Satisfaction Objectives. It covers regular officers and executives of the Company and is based on a percentage of their Guaranteed Annual Cash Compensation. Included in the figure for 2020 and 2022 is the amount of award under the Transformation Incentive Plan (TIP)

Each of the directors of the Company is entitled to a director's fee of Php250 thousand for each meeting of the Board of Directors attended. In addition, the directors who serve in the committees of the Board of Directors, namely, the Audit, Governance, Nomination and Sustainability, Executive Compensation, Technology Strategy, Risk and Data Privacy and Information Security Committees, are each entitled to a fee of Php125 thousand for each committee meeting attended.

Except for the fees mentioned above, the directors are not compensated, directly or indirectly, for their services as such directors. The aggregate amount of *per diems* paid to the directors for their attendance in Board and Board Committee meetings is included in other compensation in the above table. The total amount of *per diems* paid in 2022 and 2021 were approximately Php82 million and Php85 million, respectively. The total amount of *per diems* estimated to be paid in 2023 is approximately Php67 million.

There are no agreements between PLDT Group and any of its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under PLDT Group's retirement and incentive plans.

## Transformation Incentive Plan

As noted above, we have established the TIP to provide incentive compensation to key officers, executives and other eligible participants who are consistent performers and contributors to the Company’s strategic and financial goals.

See Note 3 – Management’s Use of Judgments, Estimates and Assumptions, Note 5 – Income and Expenses, Note 24 – Accrued Expenses and Other Current Liabilities and Note 26 – Pension and Other Employee Benefits to the accompanying audited consolidated financial statements in Item 7. “Financial Statements” for related discussion.

## Item 11. Security Ownership of Certain Beneficial Owners, Directors and Executive Officers

### Security Ownership of Certain Record and Beneficial Owners

The following table sets forth the record owners and, to the best knowledge of the Board of Directors and Management of the Company, the beneficial owners of more than five percent of the Company’s outstanding shares of Common Stock and Voting Preferred Stock, the number of shares owned by, and percentage of shareholdings of, each of them, as at February 28, 2023.

Title of Class	Name and Address of Record Owner and Relationship With Issuer	Citizenship	Name of Beneficial Owner and Relationship with Record Owner	Number of Shares Held	Percentage of Common Stock	Percentage of Voting Stock
Common	Philippine Telecommunications Investment Corporation <sup>(1)</sup> 10th Floor Net One Building, 26th Street Bonifacio Global City, Fort Bonifacio, Taguig City Major Stockholder	Philippine Corporation	Same as Record Owner	26,034,263 <sup>(2)</sup>	12.05	7.11
Common	Metro Pacific Resources, Inc. <sup>(3)</sup> c/o Corporate Secretary Unit 10-3 and 10-4 10th Floor Net One Building, 26th Street corner 3rd Avenue., Fort Bonifacio, Taguig City Major Stockholder	Philippine Corporation	Same as Record Owner	21,556,676 <sup>(2)</sup>	9.98	5.89
Common	NTT DOCOMO, INC. <sup>(4)</sup> 11-1 Nagata-Cho, 2-Chome Chiyoda Ku, Tokyo 100-6150, Japan Major Stockholder	Japanese Corporation	See Footnote 7	22,796,902 <sup>(5)</sup>	10.55	6.23
Common	NTT Communications Corporation <sup>(6)</sup> Otemachi Place West Tower 33F 2-3-1 Otemachi, Chiyoda-ku Tokyo 100-8019, Japan Major Stockholder	Japanese Corporation	See Footnote 7	12,633,487	5.85	3.45
Common	JG Summit Group <sup>(8)</sup> 43/F Robinsons Equitable Tower ADB Avenue corner Poveda Road, Ortigas Center, Pasig City Major Stockholder	Philippine Corporation	See Footnote 8	24,342,455	11.27	6.65
Common	Social Security System <sup>(9)</sup> 9/F SSS Building East Avenue, Quezon City Major Stockholder	Philippine Corporation	See Footnote 9	9,613,281	4.45	2.63
Common	PCD Nominee Corporation <sup>(10)</sup> 29/F BDO Equitable Tower 8751 Ayala Ave. cor. Paseo de Roxas St., Makati City 1226 Major Stockholder	Philippine Corporation	See Footnote 10	81,019,286	37.50	22.13
Common	J.P. Morgan Hongkong Nominees Limited <sup>(11)</sup> (various accounts) c/o HSBC Securities Services 7 <sup>F</sup> HSBC Centre 3058 5 <sup>th</sup> Ave. West BGC, Taguig City Major Stockholder	Hong Kong Corporation	See Footnote 10	14,514,602	6.72	3.97
Voting Preferred	BTF Holdings, Inc. <sup>(12)</sup> Ramon Cojuangco Building, Makati Avenue, Makati City	Philippine Corporation	Same as Record Owner	150,000,000	–	40.98

<sup>(1)</sup> Based on a resolution adopted by the Board of Directors of Philippine Telecommunications Investment Corporation, or PTIC, the Chairman of the Board of PTIC, Mr. Manuel V. Pangilinan, has the continuing authority to represent PTIC at any and all meetings of the stockholders of a corporation in which PTIC owns of record or beneficially any shares of stock or other voting security, and to sign and deliver, in favor of any person he may deem fit, a proxy or other power of attorney, with full power of delegation and substitution, authorizing his designated proxy or attorney-in-fact to vote any and all shares of stock and other voting securities owned of record or beneficially by PTIC at any and all meetings of the stockholders of the corporation issuing such shares of stock or voting securities.

<sup>(2)</sup> In addition to the 26,034,263 and 21,556,676 common shares owned of record respectively by PTIC and Metro Pacific Resources, Inc., (“MPRI”), both of which are Philippine affiliates of First Pacific Company Limited, (“First Pacific”), 7,653,703 common shares representing approximately 3.54% of the outstanding common stock of PLDT, are owned by another Philippine affiliate of First Pacific and registered under the name of PCD Nominee Corporation. The common shares owned by PTIC, MPRI and the other-Philippine affiliate of First Pacific (referred to herein as “First Pacific Group”) collectively represents 25.57% of the outstanding common stock of PLDT as of February 28, 2023.

- <sup>(3)</sup> Based on a resolution adopted by the Board of Directors of MPRI, Mr. Manuel V. Pangilinan has been appointed as proxy or duly authorized representative of MPRI to represent and vote the PLDT shares of common stock of MPRI in the Annual Meeting.
- <sup>(4)</sup> Based on publicly available information, NTT DOCOMO, INC., (“NTT DOCOMO”), is a wholly-owned subsidiary of Nippon Telegraph and Telephone Corporation (“NTT”). Based on a certification signed by a duly authorized officer of NTT DOCOMO, Mr. Toshiaki Sakurai and Mr. Nobutaka Kurata are authorized to execute for and on behalf of NTT DOCOMO, endorsements, transfers and other matters relating to the PLDT shares of common stock held by NTT DOCOMO.
- <sup>(5)</sup> In addition to the 22,796,902 common shares owned on record by NTT DOCOMO, NTT DOCOMO also owns 8,533,253 ADSs whose underlying common shares represent approximately 3.95% of the outstanding common stock of PLDT. The common shares and the underlying common shares of the ADS owned by NTT DOCOMO collectively represents 14.50% of the outstanding common stock of PLDT as of February 28, 2023.
- <sup>(6)</sup> Based on publicly available information, NTT Communications Corporation (“NTT Communications”), is a wholly-owned subsidiary of NTT. Based on a certification signed by a duly authorized officer of NTT Communications, Mr. Shuji Inaba or Mr. Satoshi Watanabe is authorized to execute for and on behalf of NTT Communications, endorsements, transfers and other matters relating to the PLDT shares of common stock held by NTT Communications.
- <sup>(7)</sup> In publicly available reports filed by NTT Communications and NTT DOCOMO, it is stated that because of NTT’s ownership of all the outstanding capital stock of NTT Communications and of NTT DOCOMO, NTT, NTT Communications and NTT DOCOMO may be considered to constitute a “group” within the meaning of Rule 18.1.5.C of the Amended Implementing Rules and Regulations of The Securities Regulation Code. Therefore, each of them may be deemed to have beneficial ownership of the 43,963,642 shares in aggregate held by NTT Communications and NTT DOCOMO, which collectively represents 20.35% of the outstanding common stock of PLDT as of February 28, 2023.
- <sup>(8)</sup> The shareholders comprising the JG Summit Group are JG Summit Holdings, Inc. (“JGS”) which owns of record 24,255,732 shares, and JG Digital Equity Ventures Inc. or JGDEV (formerly Express Holdings Inc.) which owns 86,723 shares or a total of 24,342,455 shares, representing 11.27% of the outstanding common stock of PLDT. Based on a certification signed by a duly authorized officer of JGS, under the By-Laws of JGS, each of the Chairman of JGS, Mr. James L. Go and President of JGS, Mr. Lance Y Gokongwei is authorized to vote the 24,255,732 common shares of PLDT owned by JGS and to appoint and/or sign proxies in behalf of JGS in connection with the Annual Meeting. Based on Section 2(d) of Article IV of the By-Laws of JGDEV, the Chairman and President, Mr. Lance Gokongwei is authorized to vote the PLDT common shares of JGDEV and to appoint and/or sign proxies in behalf of JGDEV.
- <sup>(9)</sup> In addition to the 9,613,281 shares owned on record by the SSS, SSS also beneficially owned 1,525,413 shares of PLDT common stock held of record by PCD as at February 28, 2023. The total beneficial shareholdings of SSS is 11,305,994 shares of PLDT common stock representing 5.16% of the outstanding common stock of PLDT as at February 28, 2023. Based on a resolution adopted by the Board of Directors of the SSS, Mr. Manuel L. Alger, Jr., as Commissioner of the SSS, has been authorized to represent and vote the shares of PLDT common stock of SSS in the Annual Meeting of stockholders of PLDT.
- <sup>(10)</sup> PCD Nominee Corporation (“PCD”), is the registered owner of shares held by participants in the Philippine Depository and Trust Co. (“PDTC”), a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. Under the PDTC procedures, when an issuer of a PDTC-eligible issue will hold a stockholders’ meeting, the PDTC will execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients.
- Based on available information, none of the owners of the PLDT common shares registered under the name of PCD, owned more than 5% of PLDT’s outstanding common stock as of February 28, 2023, except for The Hongkong and Shanghai Banking Corporation Ltd. Clients Account, Citibank N.A. and Standard Chartered Bank, which owned approximately 7.62%, 6.38% and 5.71 respectively, of PLDT’s outstanding common stock as of such date. PLDT has no knowledge if any beneficial owner of the shares under The Hongkong and Shanghai Banking Corporation Ltd Clients Account and Citibank N.A. owned more than 5% of PLDT’s outstanding common stock as of February 28, 2023.
- This account also includes 7,653,703 PLDT common shares beneficially owned by a Philippine affiliate of First Pacific, and 1,525,413 shares of PLDT common stock beneficially owned by the Social Security System.
- <sup>(11)</sup> J.P. Morgan Hong Kong Nominees Limited (formerly JP Morgan Asset Holdings (HK) Limited) holds shares as nominee of J.P. Morgan Chase Bank, successor depository under the Common Stock Deposit Agreement, dated October 14, 1994, as amended on February 10, 2003, between J.P. Morgan Chase Bank and the holders of ADRs, evidencing ADSs, representing shares of common stock of PLDT (the “Deposit Agreement”). Under the Deposit Agreement, if the depository does not receive voting instructions from a holder of ADRs, such holder will be deemed to have instructed the depository to provide a discretionary proxy to a person designated by PLDT for the purpose of exercising the voting rights pertaining to the shares of common stock underlying the ADS of such holder of ADRs, except that no discretionary proxy will be given with respect to any matter as to which substantial opposition exists or which materially and adversely affects the rights of the holders of such ADRs.
- This account also includes 8,533,253 PLDT common shares underlying ADS beneficially owned by NTT DOCOMO.
- <sup>(12)</sup> A wholly-owned company of the Board of Trustees for the Account of the Beneficial Trust Fund Created Pursuant to the Benefit Plan of PLDT Co. Based on a resolution adopted by the Board of Directors of BTF Holdings, Inc., the Chairman of the Board of PLDT has been appointed as proxy or duly authorized representative of BTF Holdings, Inc. to represent and vote the PLDT shares of voting preferred stock of BTF Holdings, Inc. in the Annual Meeting.

Except as stated above and in the related footnotes, the Board of Directors and Management of the Company have no knowledge of any other person who, as at February 28, 2023, was directly or indirectly the beneficial owner of, or who has voting power with respect to, shares comprising more than five percent of the Company’s outstanding Common Stock and Voting Preferred Stock as of February 28, 2023.

As at February 28, 2023, approximately 78.69% of the outstanding voting stock and 88.29% of the outstanding capital stock of PLDT were owned by Philippine persons.

As a result of their respective stockholdings, the FP Parties and/or NTT Communications and/or NTT DOCOMO and/or BTFHI are able to influence our actions and corporate governance, including (i) elections of our directors; and (ii) approval of major corporate actions, which require the vote of holders of common and voting preferred stocks.

Additionally, the FP Parties, NTT Communications, NTT DOCOMO and PLDT entered into a Cooperation Agreement, dated January 31, 2006, pursuant to which, among other things, certain rights of NTT Communications under the Stock Purchase and Strategic Investment Agreement dated September 28, 1999, or the Strategic Agreement, and the Shareholders Agreement dated March 24, 2000, or the Shareholders Agreement, were extended to NTT DOCOMO. As a result of the Cooperation Agreement, NTT Communications and NTT DOCOMO, in coordination with each other, have contractual rights relating to a number of major decisions and transactions that PLDT could make or enter into.

Specifically, PLDT may not take any of the following actions described without the approval of NTT DOCOMO and NTT Communications, acting in coordination with each other (however, NTT DOCOMO and NTT Communications may not withhold their consent to such actions in circumstances where PLDT proposes to invest in a business that competes with Nippon Telegraph and Telephone Corporation and its subsidiaries and where the Board of Directors has among other things, approved the transaction):

- capital expenditures in excess of US\$50 million;
- any investments, if the aggregate amount of all investments for the previous 12 months is greater than US\$25 million in the case of all investments to any existing investees and US\$100 million in the case of

all investments to any new or existing investees, determined on a rolling monthly basis; or

- any investments in a specific investee, if the cumulative value of all investments made by us in that investee is greater than US\$10 million in the case of an existing investee and US\$50 million in the case of a new investee.

PLDT also may not issue common stock or stock that is convertible into common stock except where NTT Communications and NTT DOCOMO have first been offered the opportunity to purchase their pro rata portion of PLDT's shares of common stock.

PLDT is also aware that each of NTT Communications and NTT DOCOMO has agreed (pursuant to the Shareholders Agreement in the case of NTT Communications and pursuant to the Cooperation Agreement in the case of NTT DOCOMO) to use its best efforts to procure that PLDT not take the following actions without the consent of First Pacific and certain of its affiliates, as well as other parties bound by the provisions of the Shareholders Agreement:

- new business activities other than those we currently engage in;
- merger or consolidation;
- winding up or liquidation of PLDT; or
- applying to a court to order a meeting of creditors or to sanction any compromise or arrangement between creditors and shareholders of PLDT.

As PLDT is not a party to the Shareholders Agreement, the contractual rights held by NTT Communications, NTT DOCOMO, First Pacific and certain of First Pacific's affiliates are not directly enforceable against PLDT.

Pursuant to amendments effected by the Cooperation Agreement to the Stock Purchase and Strategic Investment Agreement and the Shareholders Agreement, upon NTT Communications and NTT DOCOMO and their respective subsidiaries owning in the aggregate 20% or more of PLDT's shares of common stock and for as long as they continue to own in the aggregate at least 17.5% of PLDT's shares of common stock then outstanding, NTT DOCOMO has additional rights under the Stock Purchase and Strategic Investment Agreement and Shareholders Agreement, including that:

- NTT DOCOMO is entitled to nominate one additional NTT DOCOMO nominee to the board of directors of each of PLDT and Smart;
- PLDT must consult NTT DOCOMO no later than 30 days prior to the first submission to the board of PLDT or certain of its committees of any proposal of investment in an entity that would primarily engage in a business that would be in direct competition or substantially the same business opportunities, customer base, products or services with business carried on by NTT DOCOMO, or which NTT DOCOMO has announced publicly an intention to carry on;
- PLDT must procure that Smart does not cease to carry on its business, dispose of all of its assets, issue common shares, merge or consolidate, or effect winding up or liquidation without PLDT first consulting with NTT DOCOMO no later than 30 days prior to the first submission to the board of PLDT or Smart, or certain of its committees; and
- PLDT must first consult with NTT DOCOMO no later than 30 days prior to the first submission to the board of PLDT or certain of its committees for the approval of any transfer of Smart's common capital stock by any member of the PLDT Group to any person who is not a member of the PLDT Group.

#### Security Ownership of Directors and Executive Officers

The following are the number of PLDT common shares owned of record and/or beneficially by the directors/independent directors, CEO and other executive officers of PLDT as at February 28, 2023:

Name of Record and Address	Citizenship	Title of Class	Number of shares	Amount of Holdings (Based on par value)	Percentage of Class
Manuel V. Pangilinan Chairman of the Board	Filipino	Common	311,911 <sup>(1)</sup>	Php1,559,555	0.144366
Manuel L. Argel, Jr. Director	Filipino	Common	1	5	0.000000
Helen Y. Dee Director	Filipino	Common	25,120 <sup>(2)</sup>	125,600	0.011627
Ray C. Espinosa Director	Filipino	Common	42,743 <sup>(1)</sup>	213,715	0.019783
James L. Go Director	Filipino	Common	950,724 <sup>(1)</sup>	4,753,620	0.440036
Kazuyuki Kozu Director	Japanese	Common	1	5	0.000000

Name of Record and Address	Citizenship	Title of Class	Number of shares	Amount of Holdings	Percentage of Class
Bernido H. Liu Independent Director	Filipino	Common	1	5	0.000000
Retired Supreme Court Chief Justice Artemio V. Panganiban Independent Director	Filipino	Common	7,771 <sup>(1)</sup>	38,855	0.003597
Alfredo S. Panilio Director and President and CEO	Filipino	Common	30,505 <sup>(1)</sup>	152,525	0.014119
Albert F. del Rosario Director	Filipino	Common	182,750 <sup>(1)</sup>	913,750	0.084585
Bernadine T. Siy Independent Director	Filipino	Common	1,500 <sup>(1)</sup>	7,500	0.000694
Naoki Wakai Director	Filipino	Common	1	5	0.000000
Marife B. Zamora Director	Filipino	Common	60	300	0.000028
Anabelle L. Chua Senior Vice President, Chief Financial Officer and Risk Management Officer	Filipino	Common	24,378 <sup>(3)</sup>	121,890	0.011283
Victorico P. Vargas Leadership Transition Officer	Filipino	Common	16,465 <sup>(3)</sup>	82,325	0.007621
Marilyn A. Victorio-Aquino Senior Vice President Chief Legal Counsel and Corporate Secretary	Filipino	Common	27,395 <sup>(3)</sup>	136,975	0.012680
Danny Y. Yu <sup>(4)</sup> Senior Vice President PLDT Group Controller	Filipino	Common	-	-	-
Emmanuel Ramon C. Lorenzana <sup>(5)</sup> Senior Vice President Chief Transformation and Customer Officer	Filipino	Common	-	-	-
Gina Marina P. Ordoñez Senior Vice President Chief People Officer	Filipino	Common	5,141 <sup>(3)</sup>	25,705	0.002379
Mary Rose L. Dela Paz Senior Vice President Chief Procurement Officer	Filipino	Common	6,500 <sup>(3)</sup>	32,500	0.003008
Mario G. Tamayo Senior Vice President Network Head	Filipino	Common	6,575 <sup>(3)</sup>	32,875	0.003043
Joseph Ian G. Gendrano <sup>(6)</sup> Senior Vice President Chief Technology Officer and Head – Information Technology	Filipino	Common	897 <sup>(3)</sup>	4,485	0.00415
Alejandro O. Caeg Senior Vice President, Consumer Business – Sales	Filipino	Common	9,315 <sup>(3)</sup>	46,575	0.004311
Jeremiah M. de la Cruz <sup>(7)</sup> Senior Vice President	Filipino	Common	-	-	-
Menardo G. Jimenez, Jr. Senior Vice President, Consumer Business – Home	Filipino	Common	8,044 <sup>(1)</sup>	40,220	0.003723
Leo I. Posadas First Vice President and Treasurer	Filipino	Common	9,705 <sup>(8)</sup>	48,525	0.004492
Melissa V. Vergel De Dios First Vice President and Chief Sustainability Officer	Filipino	Common	4,025 <sup>(3)</sup>	20,125	0.001863
Gil Samson D. Garcia First Vice President and Head - Financial Controllership	Filipino	Common	33 <sup>(3)</sup>	165	0.000015

<sup>(1)</sup> Includes PLDT common shares that have been lodged with the Philippine Depository and Trust Co. (“PDTC”).

<sup>(2)</sup> Includes 2,780 shares thru RCBC Trust for the account of Michelle Y. Dee-Santos and 245 shares under the name of Helen Y. Dee, both under PCD Nominee Corporation and 21,957 shares owned by Hydee Management Corporation. As chairperson and president of Hydee Management Corporation, Ms. Dee may exercise the voting rights in respect of the 21,957 shares of Hydee Management Corporation.

<sup>(3)</sup> Lodged with the PDTC.

<sup>(4)</sup> Appointment as Senior Vice President/PLDT Group Controller effective November 17, 2022 was confirmed by the Board of Directors in its meeting held on December 15, 2022.

- <sup>(5)</sup> Appointment as Senior Vice President/Chief Transformation and Customer Officer effective January 1, 2023 was confirmed by the Board of Directors in its meeting held on December 15, 2022.
- <sup>(6)</sup> Promoted to Senior Vice President effective August 10, 2022. The appointment as Chief Technology Officer effective January 1, 2023 was approved by the Board of Directors in its meeting held on December 15, 2022.
- <sup>(7)</sup> Appointment as Senior Vice President effective April 1, 2022 was confirmed by the Board of Directors in its meeting held on December 15, 2022.
- <sup>(8)</sup> Includes 140 shares for the account of Jose Antion G. Posadas under PCD Nominee Corporation.

The aggregate number of shares of common stock directly and indirectly owned by directors and executive officers listed above, as at February 28, 2023, was 1,671,571, or approximately 0.773671% of PLDT's outstanding shares of common stock.

### **Change in Control**

There has been no change in control in respect of PLDT since 1998. We are not aware of any existing, pending or potential transaction which may result in such a change in control.

## **Item 12. Certain Relationships and Related Party Transactions**

### **Related Party Transactions**

PLDT, in the ordinary course of business, engages in transactions with some of its stockholders, its subsidiaries and affiliates, and directors and officers and their close family members.

In 2019, PLDT adopted a Material Related Party Transactions (“MRPT”) Policy in accordance with the Company’s Manual on Corporate Governance and in compliance with Philippine SEC Memorandum Circular No.10, Series of 2019 or the Rules on Material Related Party Transactions for Publicly-Listed Companies. A copy of the MRPT Policy is posted at <https://pldt.com/docs/default-source/corporate-governance-files/policies/material-related-party-transactions-policy.pdf>. This website does not form part of this annual report on Form 17-A.

Related party transactions involving an amount below the Materiality Threshold shall be covered by our Guidelines on the Proper Handling of Related Party Transactions.

For a detailed discussion of our material related party transactions, see *Note 25 – Related Party Transactions* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”.

Except for the transactions discussed in *Note 25 – Related Party Transactions* to the accompanying audited consolidated financial statements in Item 7. “Financial Statements”, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between PLDT and any: (i) director, officer, direct or indirect owner of 10% or more of the outstanding shares in PLDT; (ii) close family member of such director, officer or owner; (iii) associates of PLDT; (iv) enterprises controlling, controlled by or under common control with PLDT; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, officer or owner of 10% or more of the outstanding shares in PLDT or any close family member of such director, key officer or owner, or collectively, the Related Parties.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance: Structure, Policies and Processes**

Our Corporate Governance framework defines how we strive to create sustainable value for the Company, fulfill our commitments to our stakeholders and develop a strong corporate culture. It is grounded on the core governance principles: integrity, accountability, transparency, and fairness, and embodied in the governance structure, processes and standards set forth in PLDT’s Articles of Incorporation, By-Laws, Manual on Corporate Governance (“CG Manual”), Code of Business Conduct and Ethics (“Code of Ethics”) and Corporate Social Responsibility Statement.

The Company continuously seeks to raise the standards of its business conduct through its compliance with applicable governance rules and benchmarking with international best practices. PLDT complies with governance and sustainability standards of the Philippines as a public company listed in the Philippine Stock Exchange (“PSE”) and applicable rules and governance standards of the United States as a foreign private issuer with American Depositary Shares listed and traded in the New York Stock Exchange (“NYSE”). PLDT benchmarks with the governance standards of Hong Kong being an associated company of First Pacific Company Ltd., which is listed in the Hong Kong Stock Exchange.

#### Governance Structure

##### *Board of Directors*

Our Board of Directors (“Board”) is composed of 13 members, with 12 non-executive directors, which include three independent directors, and one executive director. All the directors are qualified and competent members with diverse and complementing skills, expertise, experience, and knowledge.



At least three of our directors, namely, Retired Supreme Court Chief Justice Artemio V. Panganiban, Ms. Bernadine T. Siy and Mr. Bernido H. Liu, are independent directors who are neither officers nor employees of PLDT or any of its subsidiaries, and who are free from any business or other relationship with PLDT or any of its subsidiaries which could, or could reasonably be perceived to, materially interfere with the exercise of independent judgment in carrying out their responsibilities as independent directors. On June 14, 2022, the Board appointed Retired Supreme Court Chief Justice Panganiban as PLDT's Lead Independent Director. The independence standards/criteria are provided in our By-Laws and CG Manual.

#### *Chairman of the Board*

Our Chairman provides leadership for the Board and ensures that the Board works effectively and performs its duties responsibly. He presides and facilitates discussions in Board meetings focusing on strategic matters, risk management, key issues and governance concerns that will affect the business operations. The Chairman ensures that the lines of communication and the flow of information between Management and the Board are maintained and ensures that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions. On June 14, 2022, the Board appointed Mr. Manuel V. Pangilinan as its Chairman at the Organizational Board meeting held virtually following the adjournment of the Company's Annual Stockholders' Meeting.

#### *Advisory Board/Committee*

Our Board is supported by an Advisory Board/Committee composed of Mr. Benny S. Santoso, Mr. Orlando B. Veal, Mr. Christopher H. Young, and until June 14, 2022, Mr. Oscar S. Reyes. The Advisory Board/Committee provides guidance and suggestions, as necessary, on matters deliberated upon during Board meetings.

The primary responsibility for ensuring good corporate governance in PLDT is vested in our Board. The Board has the authority and responsibility to exercise the corporate powers, conduct the business and control the properties of the Company. Directors are expected to perform their duties diligently and in good faith and devote sufficient time and attention for such purposes. The Board and the directors are bound to act in the best interest of the Company and for the common benefit of its stockholders and other stakeholders.

To ensure a high standard of governance for the Company, the Board performs the following functions and duties with the assistance of the Board Committees:

- *Corporate Governance.* The Board, with the assistance of the Governance, Nomination and Sustainability Committee, establishes the Company's corporate governance framework, principles and policies aligned with business objectives, and oversees their implementation and the implementation of continuing education and communication programs on good governance.
- *Determination and review of Company's Vision, Mission, and strategic objectives.* The Board, in coordination with Management, determines the Vision, Mission and strategic objectives of the Company and reviews the same annually in relation to corporate performance in its annual strategic planning session with Management.
- *Management oversight.* The Board exercises oversight on Management in its execution of the strategic direction and implementation of the policies set by the Board.
- *Sustainability, Corporate Social Responsibility and Stakeholder Engagement.* The Board, with the assistance of the Governance, Nomination and Sustainability Committee, establishes and oversees the implementation of the Company's sustainability strategy, framework, programs and policies; and oversees the Company's social investments and commitments to making meaningful impact to communities. It ensures that the Company has an investor relations program to engage with its shareholders and the investing community at large, as well as programs to interact and communicate with the communities where the Company operates. It oversees the Company's disclosure of material and reportable information regarding non-financial and sustainability matters, including those concerning the management of economic, environmental, social and governance ("EESG") aspects of the business.
- *Financial reporting, internal control, internal audit and independent audit.* The Board, with the assistance of the Audit Committee, carries out its oversight responsibilities for the Company's financial reporting, internal control system, internal audit and independent audit mechanisms, and reviews material related party transactions.
- *Enterprise risk management.* The Board, with the assistance of the Risk Committee, fulfills its oversight responsibilities for the Company's assessment and management of enterprise risks, and reviews and discusses with Management the Company's major risk exposures and the corresponding risk mitigation measures.
- *Technology.* The Board, with the assistance of the Technology Strategy Committee, reviews and approves the Company's technology strategy and roadmap, and capital expenditures for network and technology.
- *Data Privacy and Information Security.* The Board, with the assistance of the Data Privacy and Information Security Committee, oversees data privacy and information security governance, reviews and approves the Company's strategic plans on data privacy and information security, oversees the adoption and implementation

of a system for identifying, assessing, monitoring, and managing enterprise-wide data privacy and information security risks, including its framework, structure, policies, standards, and processes.

- *Succession planning, professional development, and executive compensation.* The Board, through its Executive Compensation Committee, reviews the criteria for employment, promotion, and professional development plans for Senior Management; keeps track of their performance, and evaluates their potential for other critical roles and leadership paths. A succession planning process is facilitated within the PLDT Group referred to as the critical talent program. The Board is assisted by the Executive Compensation Committee in developing the compensation philosophy or policy consistent with the strategy, culture, and control environment of the Company.
- *Selection process for directors and appointment of officers.* The Board, with the assistance of the Governance, Nomination and Sustainability Committee, implements a selection process to ensure that the Board has an effective and balanced mix of knowledge, expertise, experience, and diversity in terms of, among others, age, gender, and ethnicity, and reviews the qualifications of officers to be appointed or promoted.
- *Annual Board assessment.* The Board conducts an annual self-assessment to evaluate the performance of the Board as a whole, the Board Committees and the individual directors. Each Board Committee also conducts an annual self-assessment of its performance.

#### *Board Committees*

*Audit Committee (“AC”).* Our AC is composed of three members, all of whom are independent directors, and three advisors. The AC members are Retired Supreme Court Chief Justice Artemio V. Panganiban, Mr. Bernido H. Liu and Ms. Bernadine T. Siy, who is the chairperson of this committee. The three AC advisors are Mr. Kazuyuki Kozu and Mr. James L. Go, who are non-executive directors, and Ms. Corazon S. de la Paz-Bernardo, a former member of our Board of Directors. All the members of our AC are financially literate, and Ms. Corazon S. de la Paz-Bernardo has expertise in accounting and financial management. She is a former Chairman and Senior Partner of Joaquin Cunanan & Company, now Isla Lipana & Co., a member firm of Pricewaterhouse Coopers (“PwC”). The AC assists the Board in fulfilling its oversight responsibility for: (i) the integrity of the Company’s accounting and financial reporting principles and policies, and system of internal controls, including the integrity of financial statements and the independent audit thereof; (ii) the Company’s compliance with legal and regulatory requirements; (iii) the Company’s audit process; and (iv) the performance of the internal audit organization and the external auditor (including the external auditor’s qualifications and independence). For efficiency, the Board has determined that in lieu of creating a distinct Related Party Transaction Committee, the AC’s functions shall include the review of material related party transactions and significant unusual transactions, in accordance with the materiality threshold set in the Material Related Party Transactions Policy and the Guidelines on the Proper Handling of Related Party Transactions or by the Board. The purposes, duties and powers of the AC are set forth in the AC Charter.

*Governance, Nomination and Sustainability Committee (“GNSC”).* Our GNSC is composed of five voting members, all of whom are members of our Board of Directors, three non-voting members, and an advisor. Three of the voting members are independent directors, namely, Retired Supreme Court Chief Justice Artemio V. Panganiban, Ms. Bernadine T. Siy, and Mr. Bernido H. Liu, and two are non-executive directors, namely, Mr. Kazuyuki Kozu and Mr. Manuel V. Pangilinan, who is the chairman of this committee. The three non-voting members are the Chief Governance Officer, the Chief People Officer, and the Chief Sustainability Officer. The GNSC advisor is executive director, Mr. Alfredo S. Panlilio.<sup>1</sup> The GNSC assists the Board in the performance of its functions to: (i) establish the Company’s corporate governance framework, principles and policies aligned with business objectives, and oversee their implementation and the implementation of continuing education and communication programs on good governance; (ii) develop and implement an evaluation process for the annual review of the performance of the Board, the Board Committees and the individual directors; (iii) review and evaluate the qualifications of the persons nominated to the Board and to other positions requiring appointment by the Board; (iv) identify persons qualified to become members of the Board and/or the Board Committees; (v) assess the effectiveness of the Company’s nomination and selection process for the Board and Board Committees; (vi) establish the Company’s sustainability strategy, framework, programs, policies and oversee their implementation; and (vii) oversee the Company’s social investments and commitments to making meaningful impact to communities. The purposes, duties, and powers of the GNSC are set forth in the GNSC Charter.

*Executive Compensation Committee (“ECC”).* Our ECC is composed of five voting members, all of whom are members of our Board of Directors, and one non-voting member. Three of the voting members are independent directors, namely, Retired Supreme Court Chief Justice Artemio V. Panganiban, Ms. Bernadine T. Siy, and Mr. Bernido H. Liu, and two are non-executive directors, namely, Mr. Kazuyuki Kozu and Mr. Manuel V. Pangilinan, who is the chairman of this committee. The non-voting member is the Chief People Officer. The ECC assists the Board in the performance of its functions to: (i) oversee the development of a compensation philosophy or policy consistent with the strategy, culture and control environment of PLDT; (ii) oversee the development and administration of the Company’s executive compensation programs, including long term incentive plans and equity-based plans for officers and executives; (iii) oversee the development and administration of the Company’s performance management framework to monitor and assess the performance of Management; (iv) oversee the succession plan for officers, including the CEO; and (v) oversee the development and implementation of professional development programs for officers. The purposes, duties, and powers of the ECC are set forth in the ECC Charter.

<sup>1</sup> Mr. Alfredo S. Panlilio was appointed as advisor of the Governance, Nomination and Sustainability Committee on March 22, 2022.

*Risk Committee (“RC”).* Our RC is composed of five voting members, all of whom are members of our Board of Directors, and one non-voting member. Three of the voting members are independent directors, namely, Ms. Bernadine T. Siy, Mr. Bernido H. Liu, and Retired Supreme Court Chief Justice Artemio V. Panganiban, who is the chairman of this committee, and two are non-executive directors, namely, Mr. Kazuyuki Kozu and Mr. James L. Go. The non-voting member is the Chief Risk Management Officer.<sup>1</sup> The RC assists the Board in the performance of its functions to: (i) oversee Management’s adoption and implementation of a system for assessing, monitoring, and managing key risk areas; (ii) review Management’s reports on the Company’s major risk exposures; and (iii) review Management’s plans and actions to minimize, control or manage the impact of such risks. The purposes, duties and powers of the RC are set forth in the RC Charter.

*Technology Strategy Committee (“TSC”).* Our TSC is composed of six voting members and two non-voting members. The six voting members are non-executive directors Mr. Manuel V. Pangilinan, who serves as chairman, former Ambassador Albert F. del Rosario, Atty. Ray C. Espinosa, Mr. James L. Go, and Mr. Kazuyuki Kozu and executive director, Mr. Alfredo S. Panlilio. The two non-voting members are Mr. Orlando B. Veja and until June 14, 2022, Mr. Oscar S. Reyes who are members of our Advisory Board/Committee. The TSC assists the Board in the performance of its functions to: (i) review and approve the strategic vision for the role of technology in PLDT’s overall business strategy, including the technology strategy and roadmap of PLDT; (ii) fulfill its oversight responsibilities for PLDT’s effective execution of its technology-related strategies; and (iii) ensure the optimized use and contribution of technology to PLDT’s business and strategic objectives and growth targets. The purposes, duties, and powers of the TSC are set forth in the TSC Charter.

*Data Privacy and Information Security Committee (“DPISC”).* Our DPISC is composed of four voting members and an advisor. The four voting members are non-executive directors Mr. Manuel V. Pangilinan, who serves as chairman, Atty. Ray C. Espinosa, Mr. Kazuyuki Kozu and independent director, Mr. Bernido H. Liu. Its advisor is executive director, Mr. Alfredo S. Panlilio. The DPISC assists the Board in the performance of its function to oversee and provide strategic direction to governance functions relating to data privacy and information security, including to (i) promote effective data privacy and information security governance; (ii) review and approve the Company’s strategic plans on data privacy and information security; (iii) ensure accountability for compliance with regulatory standards and best practices on data privacy and information security; (iv) foster a culture of privacy and information security; and (v) oversee Management’s adoption and implementation of a system for identifying, assessing, monitoring and managing enterprise-wide data privacy and information security risks. The purposes, duties, and powers of the DPISC are set forth in the DPISC Charter.

*President & CEO and Management.* The President & CEO has general care, management, and administration of the business operations of the Company. He ensures that the business and affairs of the Company are managed in a sound and prudent manner and that operational, financial, and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness, and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations, and contracts. He provides leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. To enable the members of the Board to properly fulfill their duties and responsibilities, the CEO provides the Board with a balanced and understandable account of the Company’s performance, financial condition, results of operations and prospects on a regular basis. He directs Management to provide the Board/directors with adequate and timely information about the matters to be taken up in their Board meetings and, upon the request of any director or the Board, to make presentations on specific topics and respond to further inquiries in relation thereto during Board meetings. He ensures that the directors have independent access to Management. The President & CEO: (i) communicates and implements the Company’s Vision, Mission, values, and overall strategy and promotes the appropriate enhancement in the organization or its stakeholder engagement in relation to the same; and (ii) serves as the link between internal operations and external stakeholders. Management formulates, under the oversight of the Audit Committee, financial reporting and internal control systems, rules and procedures. On June 14, 2022, the Board appointed Mr. Alfredo S. Panlilio as President and CEO at the Organizational Board meeting held virtually following the adjournment of the Company’s Annual Stockholders’ Meeting.

*Corporate Secretary.* The Corporate Secretary assists the Board in the conduct of its meetings, including the preparation of the schedule and agenda of Board meetings, and ensures that all Board procedures, rules and regulations are observed by the directors, and Management provides the Board with complete and accurate information necessary for judicious decision making. The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and Board Committees, as well as other official records of the Company, and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and the Company’s stakeholders, including stockholders.

*Internal Audit Organization.* The internal audit organization determines whether the Company’s structure of risk management, control and governance processes are adequate and functioning, and provides reasonable assurance that, among others, significant financial, management, and operating information are accurate, reliable, and timely, and employees’ actions are in compliance with policies, standards, procedures, and applicable laws and regulations.

It provides a systematic, disciplined, and risk-based approach in the evaluation and improvement of the effectiveness of risk management, control, and governance processes. Internal audit examinations cover, at the minimum, the evaluation

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<sup>1</sup> Ms. Anabelle L. Chua was appointed as non-voting member of the Risk Committee on June 14, 2022.

of the adequacy and effectiveness of controls covering the Company's financial reporting, governance, operations, and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with laws, rules, regulations, and contracts. It also provides recommendations on revenue opportunities, cost savings, and operational improvements. The Chief Audit Officer/Internal Audit Head oversees and is responsible for the internal audit activities of the Company, including any portion thereof that is outsourced to a third-party service provider. He reports functionally to the AC and administratively to the President and CEO. The internal audit organization complies with the International Standards for the Professional Practice of Internal Auditing.

*External Auditor.* The Company's external auditor is appointed by the AC which reviews its qualifications, performance, and independence. To ensure objectivity in the performance of its duties, the external auditor, or its lead audit partner having the primary responsibility for the audit of PLDT's financial accounts, is subject to the rules on rotation and change, every five years, general prohibitions on hiring of staff of the external auditor; and full and appropriate disclosure to, and prior approval by, the AC of all audit and non-audit services and related fees. Approval of non-audit work by the external auditor is principally tested against the standard of whether such work will conflict with its role as an independent auditor or would compromise its objectivity or independence as such.

*Chief Governance Officer.* The Chief Governance Officer monitors compliance with the provisions and requirements of corporate governance laws, rules and regulations, reports violations and recommends the imposition of disciplinary actions for such violations, and the adoption of measures to prevent its repetition, subject to further review and approval by the Board. The Chief Governance Officer assists the Board and the GNSC in the performance of their governance functions, including the implementation of corporate governance rules and policies, proper onboarding of new directors, and conduct of corporate governance trainings for directors and officers, and collaborates with other responsible departments of the Company to: (i) monitor, review, evaluate and ensure compliance with relevant laws and regulations; (ii) ensure the integrity and accuracy of documentary submissions to regulatory agencies; and (iii) address compliance issues. Under the supervision and direction of the Chief Governance Officer, the Corporate Governance Office assists in the implementation of the corporate governance policies adopted by the Board.

*Chief Risk Management Officer.* The Chief Risk Management Officer ("CRMO") is tasked to: (i) plan the overall strategy of the different risk management units of the PLDT Group; (ii) review risk management activities and controls of the operational units; (iii) review internal and external factors that can negatively affect the PLDT Group risk profile; (iv) influence, and when necessary, challenge material risk decisions and initiatives; (v) monitor that risks are within the bounds of the risk appetite of the PLDT Group; and (vi) review and escalate critical risks to the Management Committee, the Risk Committee and the Board, as necessary, advising them on requisite actions.

*Group Enterprise Risk Management Department ("GRMD").* The GRMD provides support to the CRMO by implementing an integrated risk management program with the goal of identifying, analysing, and managing the PLDT Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and sustain competitive advantage. The implementation of the enterprise risk management ("ERM") process ensures that critical risks are well understood and effectively managed across all functions and units within the PLDT Group. This is achieved through the operationalisation of the Enterprise Risk Management Framework ("ERMF"), a standardised approach to risk identification, assessment and management. The ERMF is aligned to the ISO 31000 Risk Management Standard, COSO's Enterprise Risk Management Framework, risk considerations found in the S&P Global Corporate Sustainability Assessment, and GRI Standards. The GRMD manages execution of the Three Lines of Defense Model to ensure that all layers of the organization contribute to managing enterprise risks through the implementation of identified controls and mitigation strategies. The GRMD facilitates the risk assessment exercise of the Management Committee, implements activities to build an effective culture of risk across the organization, and communicates and reports significant risk exposures, including business risks, control issues and risk mitigation plans to the Risk Committee. The GRMD Head supervises the ERM process and spearheads the development, implementation, and improvement of ERM processes and documentation, and communicates the top risks and status of implementation of risk management strategies and action plans to the CRMO, CEO, and the Risk Committee.

*Chief Sustainability Officer.* The Chief Sustainability Officer ("CSO") heads the Corporate Sustainability Office and assists the President and CEO and the Board in overseeing the Company's overall sustainability strategy. The CSO champions the enterprise-wide adoption of sustainability as part of business strategy, operational execution, and organizational culture, and works to ensure that the Company aligns with global best practices for ESG and doing business responsibly.

*Chief Data Privacy Officer.* The Chief Data Privacy Officer ("CDPO") heads the Data Privacy Office and is tasked to: (i) ensure the PLDT Group's compliance with data privacy laws, regulations, and best practices; (ii) provide direction and coordinate closely with PLDT Group business units to ensure effective implementation of data privacy strategies including policies, procedures, processes, and compliance review; and (iii) collaborate with data privacy regulatory agencies on behalf of the PLDT Group.

*Chief Information Security Officer.* The Chief Information Security Officer ("CISO") heads the Cyber Security Operations Group and is tasked to: (i) improve, develop and implement information and cyber security-related policies, processes and technologies; (ii) ensure compliance with applicable laws, regulations and standards; (iii) manage cybercrime-related cases; (iv) collaborate with government and other private entities in the campaign against cyber threats and/or cybercrimes foreign and domestic; and (v) ensure alignment of all PLDT Group companies on information and cyber security-related practices.

## Policies and Practices

The Company promotes a culture of good corporate governance through the implementation of its CG Manual, Code of Ethics, and related corporate governance policies.

*CG Manual.* Our CG Manual, which was approved and adopted by the Board on May 12, 2017, in accordance with the Code of Corporate Governance for Publicly Listed Companies issued under Securities and Exchange Commission (“SEC”) Memorandum Circular (“MC”) No. 19, Series of 2016 (“CG Code for PLCs”), defines our corporate governance framework and structure. Together with PLDT’s Articles of Incorporation and By-Laws, it assigns and delineates functions and responsibilities, and entrusts powers, authorities, and resources for the execution of such functions and responsibilities. The CG Manual provides, among other matters, the composition and responsibilities of the Board, the Company’s duties towards its shareholders in general, its minority shareholders and its other stakeholders, and the Company’s obligation to comply with applicable disclosure rules. A copy of the CG Manual is posted at <https://pldt.com/docs/default-source/corporate-governance-files/cg-manual-/pldt-manual-on-corporate-governance.pdf>.

*Code of Ethics.* Our Code of Ethics defines the Company’s corporate governance principles of integrity, accountability, transparency, and fairness, which the Company shall observe in the conduct of its business. It sets the governance and ethical standards that shall govern and guide all business relationships of the Company, its directors, officers, and employees. A copy of the Code of Ethics is posted at <https://pldt.com/docs/default-source/policies/pldt-code-of-business-conduct-and-ethics.pdf>.

The implementation of the Code of Ethics is reinforced by enabling policies such as the Conflict of Interest Policy, Supplier/Contractor Relations Policy, Expanded Whistleblowing Policy, Gifts, Entertainment and Sponsored Travel Policy, and Policy on Gift-Giving Activities which, in conjunction with the Code of Ethics, embodies the Company’s anti-corruption policy.

*Material Related Party Transactions (“MRPT”) Policy.* PLDT’s MRPT Policy was adopted in 2019, in accordance with the Company’s CG Manual and in compliance with SEC MC No.10, Series of 2019 or the Rules on Material Related Party Transactions for Publicly Listed Companies. A copy of the MRPT Policy is posted at <https://pldt.com/docs/default-source/corporate-governance-files/policies/material-related-party-transactions-policy.pdf>.

The Company’s CG policies, including the Code of Ethics, are reviewed at least once every two years to ensure that they are appropriate for PLDT, benchmarked with global best practices, and compliant with applicable law and regulations.

PLDT’s key subsidiaries have adopted corporate governance rules and policies similar in substance and form to the foregoing corporate governance policies and suited to their particular business environments and contexts and appointed their respective corporate governance or compliance officers.

*Training and Education.* The Company provides orientation and continuous training for its Board, Management, and employees. At the start of the service of a new director, the Chairman, President & CEO, Chief Financial Officer, Corporate Secretary and Chief Governance Officer give a newly appointed director a briefing on the Company’s structure, business and the responsibilities of the Board and its Committees and how each operates. The new director is also furnished with copies of all relevant information about the Company and policies applicable to directors, including the Company’s Articles, By-Laws, Annual Report, CG Manual, Code of Ethics, and the Charters of the Board Committees. Updates on business and governance policies and requirements principally from the Philippine SEC, PSE, United States Securities and Exchange Commission (“US SEC”), and NYSE, and new laws applicable or relevant to the Company and its business, particularly on financial reporting and disclosures and corporate governance, are presented in Board meetings or furnished to the directors. For its directors and officers, the Company conducts an Annual In-House Corporate Governance Enhancement Session that provides an opportunity for leadership to engage in discussion with international and local experts on relevant topics, including emerging trends and technologies, new laws, and best business practices. For employees, the Company conducts online orientation and periodic training sessions on Company policies, including corporate governance policies, skills building, and wellness and development, supplemented with appropriate communication materials and feedback mechanisms.

*Monitoring and Evaluation.* PLDT monitors and evaluates the effectiveness of its corporate governance through the annual performance self-assessment conducted by the Board and the Board Committees, the periodic review of the effectiveness of the implementation of the Company’s corporate governance policies, the annual compliance evaluation conducted by Management and other tools employed to monitor the implementation of corporate governance policies.

- (a) Evaluation system to determine compliance with the CG Code for PLCs and CG Manual

PLDT monitors and evaluates compliance with the CG Code for PLCs and CG Manual through a cross-functional evaluation system whereby the heads of the various business and support groups/units conduct an evaluation of their group/unit’s compliance using an evaluation questionnaire consisting of the governance standards set forth in the CG Code for PLCs and CG Manual which are applicable and relevant to their respective functions. The results of the evaluation are consolidated as input to the Company’s Integrated Annual Corporate Governance Report (“IACGR”) submitted to the Philippine SEC and PSE. Based on the results of the evaluation, the Company undertakes appropriate measures to further improve its corporate governance standards.

- (b) Measures undertaken to fully comply with adopted leading practices on good corporate governance

## 2022 Activities

The following governance activities were undertaken by the PLDT Board in 2022: (i) review and approval of amendments to the Board Committee Charters of the Audit, Risk, Executive Compensation, and Technology Strategy Committees; (ii) review of the Code of Ethics and Conflict of Interest Policy, finding that these remain compliant with applicable law, regulations and best practices and are appropriate for the Company; and (iii) review of the PLDT Group Top Risks as identified by the Top Management Team. The Company submitted its IACGR in accordance with SEC MC No. 15, Series of 2017; convened virtually its Annual Stockholders' Meeting on June 14, 2022, with holders of 84.03% of the Company's total outstanding shares of Common and Voting Preferred Stocks as of the Record Date April 15, 2022 present via remote communication or represented by proxies in the meeting; conducted its online Annual In-House Corporate Governance Enhancement Session for PLDT's Board and Management on September 22, 2022 on the topics: "*The Metaverse and How it will Transform Business and Human Interaction*" by Mr. Matthew Ball, Co-founder of Ball Metaverse Research Partners, author of the "Metaverse Primer" and "*The Metaverse and How it will Revolutionize Everything*", former Head of Strategy for Amazon Studios (2016-2018); and "*Proof of Learn: A Philippine Perspective to the Metaverse*" by Ms. Sheila Marcelo, Co-founder and CEO of Proof of Learn; conducted online CG orientation and refresher training programs on Company policies including corporate governance and skills-building courses, and published the Company's Annual Report, which also contains the CSR Report and ERM Report, and the Sustainability Report for 2021.

### (c) Compliance with the CG Manual

In compliance with the respective memorandum circulars of the SEC and the PSE, PLDT filed its IACGR on May 30, 2022, and confirmed its compliance with its CG Manual that contains relevant provisions of the CG Code for PLCs and certain corporate governance standards under the US Securities Exchange Act and NYSE Listed Company Manual.

### (d) Plans to further improve the corporate governance standards of the Company

For 2023, the Company aims to continuously improve its governance standards and practices, including the strengthening of internal controls and benchmarking of the Code of Business Conduct and Ethics, in accordance with the Recommendations of the CG Code for PLCs, the mandate of the Revised Corporation Code, the results and feedback obtained from the Company's monitoring and evaluation system, and by benchmarking with recognized best practices.

## Sustainability Commitment

Part of the Company's corporate governance philosophy is its commitment to sustainability and doing business responsibly, which is one of the key drivers of the Company's leadership agenda. The PLDT Group affirms its conformity with the triple bottom line framework that integrates people, prosperity, and planet in the Company's strategy and operations. This sustainability commitment is tightly linked to what it offers as an integrated telco, and reinforces the Company's purpose of inspiring innovations and meaningful connections through generations. The inclusion of sustainability in the Company's performance and compensation program further underscores this commitment. The PLDT Group will continue to endeavor to use its leading role in the Philippine economy to drive awareness and action as stewards of the planet for the next generation.

As part of its sustainability commitment, The PLDT Group has identified twelve material topics most important to stakeholders anchored on four pillars- Connection, Conservation, Concern, and Commitment. The Company also complies with standard monitoring and reporting protocols aligned with global standards for its Sustainability Report.

Details of the PLDT Group's sustainability roadmap and information are set out in the Sustainability Report. The 2021 Sustainability Report is available at <https://cms.pldt.com/drupal/sites/default/files/irannualandsustainablereports/Sustainability%20Report%20for%202021.pdf>.

## Corporate Social Responsibility

In fulfilling our commitments to our stakeholders, we are guided by our Code of Ethics and Corporate Social Responsibility Statement ("CSR Statement"). The CSR Statement is the articulation of our belief that helping to improve the overall well-being of the Filipino people is an integral part of our business. The CSR Statement enumerates the broad responsibilities that PLDT assumes as it operates and conducts its business. A copy of the CSR Statement is posted at <https://main.pldt.com/corporate-governance-in-pldt/our-stakeholders>. Pursuant to the CSR Statement, the PLDT Group's social programs leverage its communications and digital services and the volunteer spirit of its employees to implement projects in education, livelihood, health, arts, disaster preparedness and response, environment, agriculture, internet safety and digital wellness, digital tourism and sports that aim to help Filipinos change their lives for the better. The Company's CSR programs and activities are reported in the Company's Sustainability Report released annually since 2016.

## Stakeholder Engagement

In fulfilling our commitments to our stakeholders, we are guided by our Code of Ethics and the Company's General Practice on Stakeholder Engagement ("GP on Stakeholder Engagement"). The GP on Stakeholder Engagement aims to

promote a culture of good governance by the observance of the Company's core principles of integrity, accountability, fairness and transparency in dealings with its stakeholders. Together with our Code of Ethics, the GP on Stakeholder Engagement is the articulation of our belief in empowering Filipinos across sectors through meaningful connections that can help improve their overall well-being. We believe that as we seek to enhance value for our shareholders, we have a responsibility to provide quality products and services for our customers, develop the talents and skills of our employees, work with our suppliers and business partners in an ethical and mutually beneficial manner, and enable our communities for nation-building.

*Investors/Shareholders.* PLDT fosters the values of transparency and fairness in its dealings with investors and shareholders. PLDT respects, promotes, and upholds shareholders rights such as: the right to vote; pre-emptive right; the right to inspect corporate books and records, including minutes of Board meetings and stock registries, subject to certain conditions; right to timely receive relevant information, whether in printed or digital form; right to dividends; and appraisal right. We explore and implement steps to expand opportunities for stockholders to participate in annual and special stockholders' meetings, whether virtually or in person, and for the latter, reduce excessive or unnecessary costs to attend. We make timely disclosures of material information and transactions that could potentially affect the market price of the Company's shares.

PLDT regularly conducts quarterly analysts' and investors' briefings to discuss financial and operating results, podcasts of which are posted in the Investor Relations section of the PLDT website. In addition, and as warranted, the Company conducts special briefings to discuss other important company developments. Our Investor Relations Center has regular engagements and meetings with fund managers and investors, which include access to PLDT Management. Shareholders who wish to raise matters or concerns relating to the business of the Company, their investments and rights may elevate such matters to the Corporate Secretary, the Investor Relations Officer, concerned units of PLDT's Management or the Board.

*Customers.* PLDT serves a broad range of customers from individuals, residential, micro, small and medium enterprise (SME) and large enterprise, including the public sector. We continuously endeavor to provide best-in-class experiences to fulfill our customers' needs and expectations on responsive products and services, quality of service, pricing, application, service provisioning process, repair and restoration service, and billing and payment service. We engage with our customers through various traditional and digital touchpoints and empower them to resolve their concerns through self-help channels with the end view of knowing and understanding their product and service needs, promptly addressing their concerns and identifying areas where we could further enhance customer experience.

*Employees.* PLDT respects the rights of its employees, among which are the right to self-organization, safe and healthy working conditions, professional development, and community-building social activities. We offer opportunities for leader-led, employee-owned, and digital-enabled people programs anchored on the mission to deliver best-in-class employee experience. We also provide adequate opportunity for career advancement on a performance and merit-based system. Compensation and incentives are likewise determined based on performance and accomplishment. Dedicated staff, facilities, and digital/social platforms are made available for the training, development, and engagement programs of the Company.

*Suppliers.* PLDT maintains mutually beneficial relationships with like principled suppliers that uphold PLDT's core values of fairness, accountability, integrity, and transparency in their own businesses. Suppliers undergo an accreditation process before they engage in business with PLDT. Among the criteria for accreditation are financial and technical capability, compliance with applicable laws, including those pertaining to industrial relations, environment, health and safety, intellectual property rights, cyber security, data privacy and sustainability. The Company's purchases, as a rule, are made on the basis of competitive bidding among accredited and qualified suppliers.

*Creditors.* PLDT protects the rights of its creditors by publicly disclosing all material information, such as earnings results and risk exposures relating to loan covenants. Our disclosure controls and procedures also include periodic reports to our creditors such as our latest certified financial statements, no default certification, and certification on compliance with financial ratio limits. PLDT's credit has been rated at investment grade by two major international credit-rating agencies as of yearend 2022.

*Communities.* PLDT strives to engage local communities where it operates through corporate citizenship programs that support the business while contributing to nation-building and the achievement of the United Nations Sustainable Development Goals (UN SDGs). We uphold a community engagement strategy that is inclusive, collaborative, ethical, and sustainable. Leveraging on core businesses and infrastructure, we act as enabler in the promotion of digital inclusion in communities in the areas of digital wellness, disaster resilience, education, and livelihood.

*Regulators.* PLDT operates within relevant legislative and regulatory frameworks and complies with the requirements thereunder which are applicable to it. We participate in public policy forums, conferences and hearings conducted by government and regulatory agencies on policies and regulations that have implications and affect the operations of the telecommunications industry. PLDT also participates in legislative hearings relative to initiatives and proposed legislation in the fields of ICT, corporate governance, cybersecurity, digital transformation, and labor-related matters. Our "Internet for All" advocacy and investments in network infrastructure and technologies to provide the widest coverage and superior quality of service at affordable prices are aligned with and support the Government's objectives set out in the Public Telecommunications Policy Act.

Enterprise Risk Management

*PLDT Group Top Risks.* The GRMD, under the leadership of the CRMO, promulgates and encourages the adoption of a standard risk evaluation process focused on the need to properly identify, analyse, evaluate, treat, and monitor risks that may affect the achievement of business objectives. This is achieved through the operationalisation of the Enterprise Risk Management Framework (“ERMF”), a standardised approach to risk identification, assessment and management. The ERMF is aligned to the ISO 31000 Risk Management Standard, COSO’s Enterprise Risk Management Framework, risk considerations found in the S&P Global Corporate Sustainability Assessment, and GRI Standards. A risk assessment exercise was undertaken by the Top Management Team to identify and prioritise the most important risks affecting the PLDT Group for 2022. The top risks, listed in no particular order of criticality, are: (i) prolonged pandemic, (ii) shifting political and economic conditions, (iii) complexities of competing in an evolving industry, (iv) impediments to transformation initiatives, (v) risks on the resolution of customer experience issues, (vi) supply chain constraints, (vii) challenges in future-proofing the workplace, (viii) continued cybersecurity attacks and threats to privacy, (ix) physical impacts of climate change, and (x) challenges in strengthening the Company’s sustainability practice. Risk management activities are continuously monitored and reviewed to ensure that critical risks are appropriately addressed across the organization.

## PART V – EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

#### Exhibits

See Exhibit 1 – Sustainability Report.

#### Reports on SEC Form 17-C (Current Reports)

We reported the following items on SEC Form 17-C during the last two quarters of 2022:

Items Reported	Date Filed
1. Separation from service of Mr. Dale M. Ramos, a First Vice President of the Company, due to death, effective July 10, 2022.	July 11, 2022
2. PSE Form 16-1 Update on Corporate Actions in relation to a press release entitled “PLDT boosts PH Hyperscale readiness with Jupiter Cable landing inauguration”.	July 12, 2022
3. Press Release entitled “PLDT boosts PH Hyperscale readiness with Jupiter Cable landing inauguration”.	July 12, 2022
4. Teleconference to discuss the Company’s Financial and Operating Results for the six months ended June 30, 2022, on Thursday, August 4, 2022, 3:30 p.m., Manila Time via MS Teams.	July 25, 2022
5. Press release entitled “PLDT Group announces second closing under landmark sale and leaseback towers deal”.	August 1, 2022
6. Press release regarding the Company’s unaudited consolidated financial results for the six (6) months ended June 30, 2022.	August 4, 2022
7. Cash dividend declaration on the Company’s Common Stock payable on September 5, 2022 to the holders of record on August 18, 2022.	August 4, 2022
8. Cash dividend declaration on the Company’s Series IV Cumulative Non-Convertible Redeemable Preferred Stock payable on September 15, 2022 to the holder of record on August 19, 2022.	August 4, 2022
9. Presentation materials in connection with the teleconference to discuss the Company’s Financial and Operating Results for the six months ended June 30, 2022.	August 4, 2022
10. Press release entitled “CIGNAL CABLE INVESTS IN SKY CABLE”	August 10, 2022
11. Promotion of Mr. Joseph Ian G. Gendrano from First Vice President to Senior Vice President – Head of Enterprise Business, effective August 10, 2022.	August 10, 2022
12. Cash dividend of P2,437,500.00 on all of the outstanding shares of Voting Preferred Stock for the quarter ending October 15, 2022, payable on October 15, 2022 to the holder of record on September 15, 2022.	August 24, 2022
13. Separation from service of Mr. Rafael M. Bejar, a Vice President of the Company, due to his availment of the Company’s Manpower Reduction Program, effective September 1, 2022.	September 1, 2022
14. Amendments to the By-Laws of the Company	September 15, 2022
15. Separation from service of Ms. Maria Carina De Jesus Amparo, a First Vice President of the Company, due to voluntary resignation, effective September 30, 2022.	September 26, 2022
16. Press Release entitled “PLDT Group achieves 75% closing of landmark sale and leaseback towers deal”	October 3, 2022
17. Service by PLDT of a Notice of Material Breach and Demand for Payment on DITO Telecommunity Corporation.	October 6, 2022
18. Separation from service of Ms. Aileen D. Regio, a First Vice President of the Company.	October 21, 2022
19. PSE Form 4-30 PLDT builds \$75M PH link of Asia Direct Cable, boosts Intra-Asia Connectivity	October 21, 2022
20. Press release entitled “PLDT builds \$75M PH link of Asia Direct Cable, boosts Intra-Asia Connectivity”.	October 21, 2022
21. Teleconference to discuss the Company’s Financial and Operating Results for the nine months ended September 30, 2022.	October 24, 2022
22. Clarification of news article entitled “PLDT selling more towers next year” as posted in philSTAR.com on October 28, 2022.	October 28, 2022
23. Press release regarding the Company’s unaudited consolidated financial results for the nine (9) months ended September 30, 2022.	November 3, 2022
24. PSE Form 4-30 Material Transactions – Unaudited Consolidated Financial Results for the nine (9) months ended September 30, 2022.	November 3, 2022



<b>Items Reported</b>	<b>Date Filed</b>
25. Cash dividend declaration on the Company's Series IV Cumulative Non-Convertible Redeemable Preferred Stock payable on December 15, 2022 to the holder of record on November 18, 2022.	November 3, 2022
26. Presentation materials in connection with the teleconference to discuss the Company's Financial and Operating Results for the nine months ended September 30, 2022	November 3, 2022
27. Extension of the effective date of retirement from employment of Atty. Marilyn A. Victorio-Aquino, the incumbent Chief Legal Counsel and Corporate Secretary of the Company, from January 1, 2023 to December 31, 2023.	November 3, 2022
28. Clarification of the news article entitled "PLDT increasing budget to keep data center in Laguna on track" as posted in BusinessWorld (Online Edition) on November 28, 2022.	November 28, 2022
Appointment of the following:	December 15, 2022
a. Joseph Ian G. Gendrano as Chief Technology Officer, effective on January 1, 2023.	
b. Danny Y. Yu SVP/PLDT Group Controller effective November 17, 2022	
c. Emmanuel Ramon C. Lorenzana - Senior Vice President/Chief Transformation and Customer Officer	
30. Cash dividend declaration on the Company's Voting Preferred Stock payable on January 15, 2023, to the holder of record on December 29, 2022.	December 15, 2022
31. Press release entitled "PLDT Group announces new tower sale and leaseback transaction".	December 15, 2022
32. Press release regarding "Elevated CAPEX Spend"	December 16, 2022
33. Amendment of Press release regarding "Elevated CAPEX Spend"	December 16, 2022
Reply to the Securities and Exchange Commission's letter dated December 19, 2022 regarding the Company's disclosures on the following:	December 20, 2022
1. Appointment of chief technology officer and appointment of new officers	
2. Elevated CAPEX spend	
34. Notice of Special Briefing	December 20, 2022
35. Official Statement of PLDT Inc.	December 21, 2022
36. Reply to the Securities and Exchange Commission's letter dated December 20, 2022.	December 21, 2022
37. Press release entitled "PLDT CORE BUSINESS AND FUNDAMENTALS REMAIN VERY STRONG AMIDST CAPEX CHALLENGE".	December 22, 2022
38. Clarification of the news article entitled "PLDT to borrow up to P45 billion to pay dividends, trim debt" as published by The Philippine Star via philstar GLOBAL on December 22, 2022.	December 23, 2022
39. Supplemental clarification of matters relating to the news articles published in the December 17 and 19, 2022 issues of the Philippine Daily Inquirer	December 23, 2022
40. Reply to the Exchange's letter dated December 22, 2022 requesting PLDT Inc. (the "Company") to clarify matters and/or confirm the veracity of the statements in relation to the Company's Special Briefing held on December 21, 2022.	December 23, 2022
41. Clarification of the Biz Buzz column entitled "Biz Buzz: MVP's closed-door briefing" posted in Inquirer.net on December 23, 2022.	December 27, 2022
42. Press release entitled "PLDT remains committed to transparency, encourages investing public to focus on company's official public statements and disclosures".	December 28, 2022



SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code of the Philippines, this annual report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on March 23, 2023.

PLDT Inc.  
Registrant

By:

ALFREDO S. PANLILIO

Principal Executive Officer and  
Principal Operating Officer

MARILYN A. VICTORIO-AQUINO

Corporate Secretary and Chief Legal Counsel

DANNY Y. YU

Principal Financial Officer and  
PLDT Group Controller

GIL SAMSON D. GARCIA

Principal Accounting Officer and  
Head – Financial Controllership

MAR 23 2023

SUBSCRIBED AND SWORN to before me this \_\_\_ day of March 2023, affiants exhibiting to me their Passports, as follows:

Name	Passport No.	Date of Expiry	Place of Issue
Alfredo S. Panlilio	P7044634B	June 24, 2031	DFA, Manila
Marilyn A. Victorio-Aquino	P7750864A	June 29, 2028	DFA, Manila
Danny Y. Yu	P8373079A	August 15, 2028	DFA, Manila
Gil Samson D. Garcia	P6003906B	December 21, 2030	DFA, NCR East

Notary Public

ALEX AARON A. RIOS

Notary Public for the City of Makati  
Until December 31, 2023  
Appointment No. M-189  
Roll of Attorneys No. 51139

IBP Lifetime No. 1031694 – 02/16/16

PTR O.R. NO. 9568346 - 01/05/2023 Makati City  
9/F, MGO Bldg. Legazpi St. Legazpi Vill., Makati City, MM

Doc. No. 443  
Page No. 50  
Book No. XI;  
Series of 2023.

PLDT INC.

SEC FORM 17-A

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\* These schedules have been omitted because they are either not required, not applicable or the information required to be presented is included in PLDT’s consolidated financial statements or the notes to consolidated financial statements.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

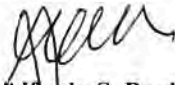
The management of PLDT Inc. and Subsidiaries (the PLDT Group) is responsible for the preparation and fair presentation of our consolidated financial statements, including the schedules attached therein, as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of our consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the PLDT Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

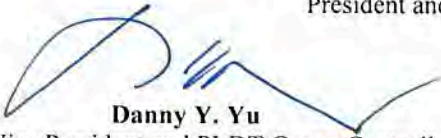
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the PLDT Group's consolidated financial statements in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



**Alfredo S. Panlilio**  
President and Chief Executive Officer



**Danny Y. Yu**  
Senior Vice President and PLDT Group Controller

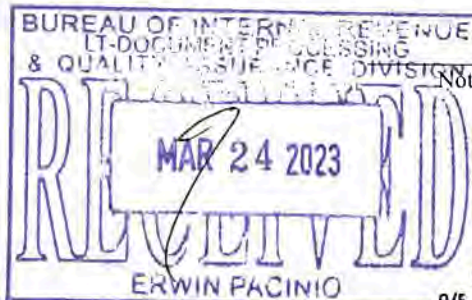


**Gil Samson D. Garcia**  
First Vice President  
and Head – Financial Controllership

SUBSCRIBED AND SWORN to before me this MAR 23, 2023 day of \_\_\_\_\_ 2023 affiants exhibiting to me their Passport, as follows:

<u>Name</u>	<u>Passport No.</u>	<u>Date of Expiry</u>	<u>Place of Issue</u>
Alfredo S. Panlilio	P7044634B	June 24, 2031	DFA, Manila
Danny Y. Yu	P8373079A	August 15, 2028	DFA, Manila
Gil Samson D. Garcia	P6003906B	December 21, 2030	DFA, NCR East

Doc. No. 441 :  
Page No. 90 :  
Book No. XI :  
Series of 2023.



Notary Public  
**ALEX AARON A. RIOS**  
Notary Public for the City of Makati  
Until December 31, 2023  
Appointment No. M-189  
Roll of Attorneys No. 51139  
IBP Lifetime No. 1031694 - 02/16/16  
PTR O.R. NO. 9568346 - 01/05/2023 Makati City  
9/E, MGO Bldg. Legazpi St. Legazpi Vill., Makati City, MM



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors  
PLDT Inc.  
Ramon Cojuangco Building  
Makati Avenue, Makati City

### Opinion

We have audited the consolidated financial statements of PLDT Inc. and its subsidiaries (the PLDT Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the PLDT Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

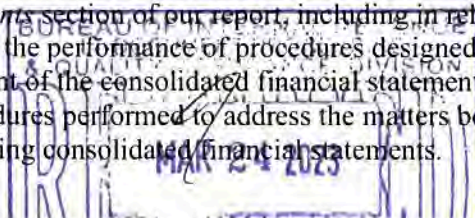
### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the PLDT Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.





### ***Revenue recognition***

At December 31, 2022, the Group recognized revenues amounting to Php205,245 million as disclosed in Notes 3, 4 and 5 to the consolidated financial statements. The Group derives revenues from wireless and fixed line telecommunications services, which includes bundled offers such as telecommunications services and handsets provided to a large number of subscribers.

Auditing management's revenue recognition process over bundled offers was complex due to the complexity of the arrangements involving multiple deliverables and elements which required the identification of separate performance obligations, allocation of transaction prices to the performance obligations using amounts that reflect their estimated standalone selling prices and the subsequent recognition of revenue either over time or at a point in time upon the satisfaction of the performance obligations, that are judgmental in nature. In addition, auditing the information technology (IT) systems used to capture accurate and complete information to recognize substantial amounts of the wireless and fixed line service revenues was especially challenging due to the significant volume of data and transactions processed through various systems and the heavy reliance on automated processes and controls over the capture, measurement and recording of transactions.

### ***Audit Response***

We obtained an understanding of the PLDT Group's revenue recognition process, involving our IT professionals to assist us in evaluating the design and testing of the effectiveness of controls around the capture, measurement and recording of wireless and fixed line revenues. For example, we evaluated the design and tested the operating effectiveness of controls around access rights, system development, program changes and IT dependent business controls to establish that changes to the system were appropriately authorized, developed, and implemented including those over: set-up of customer accounts, pricing data, segregation of duties and the linkage to usage data that drives revenue recognition.

To test revenue recognition, among other procedures, we compared the customer billing data to the details in the billing systems for wireless and fixed line postpaid revenues on a sample basis. We also tested the recognition of revenue based on actual usage and inspected the reconciliation of the ending balance of unearned income for prepaid revenues between the subledger and the general ledger. In addition, we obtained a sample of contracts and (a) assessed whether performance obligations within the contracts with customers have been identified (b) tested the allocation of the transaction price to the performance obligations (c) evaluated management's estimate and underlying assumptions on the standalone selling price for each performance obligation included within the sample of contracts to available published market prices and (d) assessed the PLDT Group's timing of revenue recognition based on when the performance occurs and control of the related goods or services is transferred to the customer. We also assessed the adequacy of the Group's disclosures in respect to the accounting policies on revenue recognition.

### ***Valuation of pension assets***

At December 31, 2022, the Group has pension assets amounting to Php16,291 million that are netted against accrued pension benefit obligations. As explained in Notes 3 and 26 to the consolidated financial statements, the Company updates the estimates used to measure the unquoted investments of Php13,509 million within the plan assets every year-end to reflect the actual return on plan assets.

IRR  
MAR 24 2023



Auditing the valuation of the pension assets was complex due to the significant and judgmental nature of the assumptions used in the discounted cash flow model to measure the fair value of the significant unquoted equity investments included in the plan assets. These significant assumptions included revenue growth rate, direct costs, capital expenditure, discount rate and long-term growth rate as inputs.

#### *Audit Response*

We obtained an understanding of the process, assessed the design and tested controls that address the risks of material misstatement relating to the valuation of the plan assets. For example, we tested controls over management's review of the plan asset calculations, including the significant assumptions used in the discounted cash flow model.

To test the valuation of the pension assets, our audit procedures included, among others, evaluating the methodology, the significant assumptions discussed above and the underlying data used by the PLDT Group. We compared the significant assumptions discussed above to historical data, the business plans of the underlying entities, the industry and market outlook and other relevant external data. In addition, we involved our internal specialist to assist us in assessing management's discounted cash flow valuation model and in testing the parameters used in determining the discount rate and long-term growth rate against market data. We also performed sensitivity analyses over the significant assumptions to evaluate the changes in the value of the unquoted investments that would result from changes in the assumptions.

#### ***Recoverability of goodwill***

At December 31, 2022, the Group's goodwill attributable to the Wireless and Fixed Line cash-generating units (CGUs) were Php56,571 million and Php6,370 million, respectively. As discussed in Notes 3 and 15 to the consolidated financial statements, goodwill is tested for impairment at least annually at the corresponding CGUs and more frequently whenever there is an indication that such CGUs may be impaired.

Auditing management's annual goodwill impairment test was complex due to the significant judgement required to determine the fair value of the CGUs and sensitivity of the fair value estimate to the significant assumptions, such as revenue growth rate, capital expenditures, discount rate and the long-term growth rate. These assumptions were based on management's expectation about future market conditions which includes inherent uncertainty.

#### *Audit Response*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's goodwill impairment review process, including controls over management's review of the significant assumptions described above.

To test the estimated recoverable value of the Group's reporting units, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Group in its analysis. We compared the significant assumptions used by management to current industry and economic trends and evaluated whether changes to the Group's business model, product mix and other factors would affect the significant assumptions. In addition, we involved our internal specialist to assist us in assessing management's discounted cash flow valuation model and in testing the parameters used in determining the discount rate and long-term growth rate against market data. We assessed whether there were any potential sources of contrary information, including historical forecast accuracy, and performed sensitivity analyses over the significant assumptions to evaluate the changes in the recoverable value that would result from changes in the assumptions.



### ***Estimating useful lives of property and equipment***

At December 31, 2022, the Group's property and equipment was Php292,745 million. As explained in Notes 3 and 9 to the consolidated financial statements, the Group reviews its estimates of useful lives annually or as and when needed if expectations differ from previous estimates due to changes in expectation of physical wear and tear, technical or commercial obsolescence and legal or other limitations on the continuing use of the assets.

Auditing the Group's estimated useful lives of property and equipment was complex and required significant judgment because the determination of the estimated useful lives considers a number of factors and assumptions including the collective assessment of industry practice, internal technical evaluation and experience with similar assets.

### ***Audit Response***

We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the Group's process of estimating the useful lives of property and equipment. For example, we tested controls over management's assessment which includes consideration for industry data and practice, market outlook and other relevant data. To test whether the estimated useful life of property and equipment used by management was reasonable, our audit procedures included, among others, obtaining an understanding of the Group's technology roadmap plan and strategy related to asset replacement and assessing the reasonableness by considering external sources such as telecommunication technology growth, changes in market demand and current economic and market outlooks. We assessed whether there were any potential sources of contrary information by performing benchmarking analysis on the estimated useful lives of property and equipment against other public companies within the telecommunication industry.

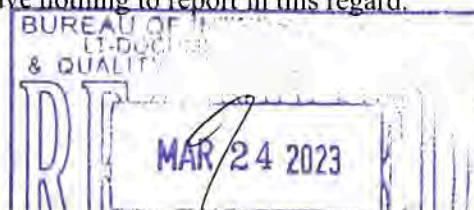
### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. We obtained the SEC Form 17-A prior to the date of this auditor's report, and we expect the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2022 to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express or any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the PLDT Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the PLDT Group or to cease operations, or has no realistic alternative but to do so.

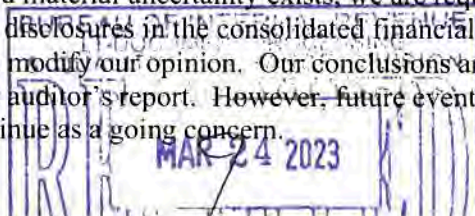
Those charged with governance are responsible for overseeing the PLDT Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 PLDT Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PLDT Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the PLDT Group to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the PLDT Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

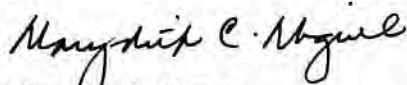
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Marydith C. Miguel.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel

Partner

CPA Certificate No. 65556

Tax Identification No. 102-092-270

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 65556-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

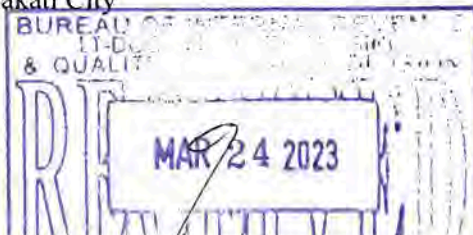
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-055-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564666, January 3, 2023, Makati City

March 23, 2023

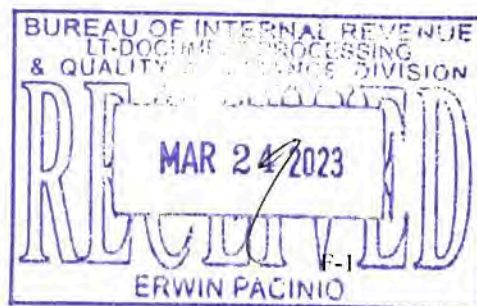




**PLDT INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

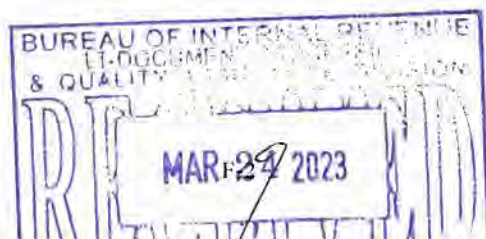
**AS AT DECEMBER 31, 2022 AND 2021  
AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**



**PLDT INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As at December 31, 2022 and 2021**  
**(in million pesos)**

	2022	2021
<b>ASSETS</b>		
<b>Noncurrent Assets</b>		
Property and equipment (Notes 9 and 22)	292,745	302,736
Right-of-use assets (Note 10)	28,863	20,081
Investments in associates and joint ventures (Note 11)	51,546	53,364
Financial assets at fair value through profit or loss (Note 12)	432	339
Debt instruments at amortized cost – net of current portion (Note 13)	596	400
Investment properties (Notes 6 and 14)	1,015	929
Goodwill and intangible assets (Note 15)	64,549	62,535
Deferred income tax assets – net (Note 7)	17,636	13,385
Derivative financial assets – net of current portion (Note 28)	81	48
Prepayments – net of current portion (Notes 19, 25 and 26)	81,053	94,777
Contract assets – net of current portion (Note 5)	662	566
Other financial assets – net of current portion (Note 28)	3,489	3,099
Other non-financial assets – net of current portion	166	138
<b>Total Noncurrent Assets</b>	<b>542,833</b>	<b>552,397</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 16)	25,211	23,907
Short-term investments (Note 28)	383	2,241
Trade and other receivables (Note 17)	26,255	21,790
Inventories and supplies (Note 18)	3,568	3,662
Current portion of contract assets (Note 5)	1,571	1,685
Current portion of derivative financial assets (Note 28)	—	93
Current portion of debt instruments at amortized cost (Note 13)	—	207
Current portion of prepayments (Notes 19 and 25)	14,696	12,707
Current portion of other financial assets (Notes 20 and 28)	206	7,064
Current portion of other non-financial assets	668	575
	<b>72,558</b>	<b>73,931</b>
Assets classified as held-for-sale (Notes 9 and 10)	8,771	—
<b>Total Current Assets</b>	<b>81,329</b>	<b>73,931</b>
<b>TOTAL ASSETS</b>	<b>624,162</b>	<b>626,328</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Non-voting serial preferred stock (Note 20)	360	360
Voting preferred stock (Note 20)	150	150
Common stock (Note 20)	1,093	1,093
Treasury stock (Note 20)	(6,505)	(6,505)
Capital in excess of par value (Note 20)	130,312	130,312
Retained earnings (Note 20)	18,799	34,243
Other comprehensive loss (Note 6)	(35,482)	(36,437)
<b>Total Equity Attributable to Equity Holders of PLDT</b>	<b>108,727</b>	<b>123,216</b>
Noncontrolling interests (Note 6)	5,234	4,249
<b>TOTAL EQUITY</b>	<b>113,961</b>	<b>127,465</b>

*See accompanying Notes to Consolidated Financial Statements.*

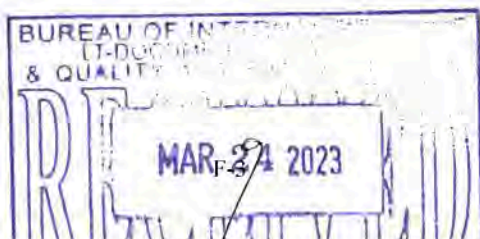




**PLDT INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** *(continued)*  
**As at December 31, 2022 and 2021**  
**(in million pesos)**

	2022	2021
<b>Noncurrent Liabilities</b>		
Interest-bearing financial liabilities – net of current portion (Note 21)	217,288	241,075
Lease liabilities – net of current portion (Note 10)	31,958	17,131
Deferred income tax liabilities – net (Note 7)	204	169
Derivative financial liabilities – net of current portion (Note 28)	190	100
Customers' deposits (Note 28)	2,313	2,270
Pension and other employee benefits (Note 26)	1,745	7,760
Deferred credits and other noncurrent liabilities (Notes 5 and 22)	9,501	6,084
<b>Total Noncurrent Liabilities</b>	<b>263,199</b>	<b>274,589</b>
<b>Current Liabilities</b>		
Accounts payable (Note 23)	105,187	99,718
Accrued expenses and other current liabilities (Notes 24 and 27)	93,545	106,113
Current portion of interest-bearing financial liabilities (Note 21)	32,292	11,482
Current portion of lease liabilities (Note 10)	10,477	4,555
Dividends payable (Note 20)	1,821	1,708
Current portion of derivative financial liabilities (Note 28)	960	115
Income tax payable	982	583
<b>Total Current Liabilities</b>	<b>245,264</b>	<b>224,274</b>
Liabilities associated with assets classified as held-for-sale (Note 10)	1,738	—
<b>TOTAL LIABILITIES</b>	<b>247,002</b>	<b>224,274</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>624,162</b>	<b>626,328</b>

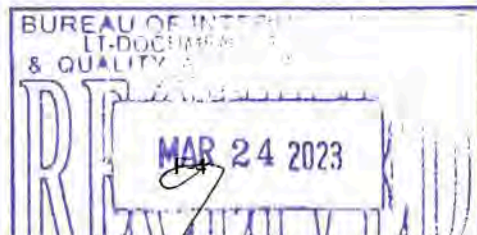
*See accompanying Notes to Consolidated Financial Statements.*



**PLDT INC. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS**  
For the Years Ended December 31, 2022, 2021 and 2020  
(in million pesos, except earnings per common share amounts which are in pesos)

	2022	2021	2020
<b>REVENUES FROM CONTRACTS WITH CUSTOMERS</b>			
Service revenues (Note 5)	196,227	185,751	173,634
Non-service revenues (Note 5)	9,018	7,506	7,370
	<b>205,245</b>	<b>193,257</b>	<b>181,004</b>
<b>EXPENSES</b>			
Depreciation and amortization (Notes 9 and 10)	98,714	52,169	47,480
Selling, general and administrative expenses (Note 5)	85,304	78,303	75,255
Cost of sales and services (Note 5)	14,517	13,341	12,295
Asset impairment (Note 5)	6,107	4,985	7,646
Interconnection costs	6,104	3,698	2,146
	<b>210,746</b>	<b>152,496</b>	<b>144,822</b>
	<b>(5,501)</b>	<b>40,761</b>	<b>36,182</b>
<b>OTHER INCOME (EXPENSES) – NET (Note 5)</b>	<b>19,010</b>	<b>(6,607)</b>	<b>(3,161)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>13,509</b>	<b>34,154</b>	<b>33,021</b>
<b>PROVISION FOR INCOME TAX (Note 7)</b>	<b>2,774</b>	<b>7,478</b>	<b>8,441</b>
<b>NET INCOME</b>	<b>10,735</b>	<b>26,676</b>	<b>24,580</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of PLDT (Note 8)	10,485	26,367	24,284
Noncontrolling interests	250	309	296
	<b>10,735</b>	<b>26,676</b>	<b>24,580</b>
<b>Earnings Per Share Attributable to Common Equity Holders of PLDT (Notes 4 and 8)</b>			
Basic	48.26	121.76	112.12
Diluted	48.26	121.76	112.12

See accompanying Notes to Consolidated Financial Statements.



**PLDT INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Years Ended December 31, 2022, 2021 and 2020**  
**(in million pesos)**

	2022	2021	2020
<b>NET INCOME</b>	<b>10,735</b>	<b>26,676</b>	<b>24,580</b>
<b>OTHER COMPREHENSIVE LOSS – NET OF TAX (Note 6)</b>			
Foreign currency translation differences of subsidiaries	(207)	(329)	(27)
Net transactions on cash flow hedges:	<b>(2,544)</b>	<b>(725)</b>	<b>(306)</b>
Net fair value losses on cash flow hedges (Note 28)	<b>(3,228)</b>	<b>(967)</b>	<b>(433)</b>
Income tax related to fair value adjustments charged directly to equity (Note 7)	<b>684</b>	<b>242</b>	<b>127</b>
Fair value changes of financial assets at fair value through other comprehensive income (loss) (Note 25)	—	(2)	37
<b>Net other comprehensive loss to be reclassified to profit or loss in subsequent years</b>	<b>(2,751)</b>	<b>(1,056)</b>	<b>(296)</b>
Share in the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method (Note 11)	(6)	23	(37)
<b>Actuarial gains (losses) on defined benefit obligations:</b>	<b>2,500</b>	<b>2,908</b>	<b>(3,957)</b>
Remeasurement in actuarial gains (losses) on defined benefit obligations (Note 26)	<b>3,332</b>	<b>3,879</b>	<b>(5,640)</b>
Income tax related to remeasurement adjustments (Note 7)	<b>(832)</b>	<b>(971)</b>	<b>1,683</b>
Revaluation increment on investment properties:	—	—	—
Depreciation of revaluation increment in investment properties transferred to property and equipment (Note 9)	—	—	(1)
Income tax related to revaluation increments charged directly to equity (Note 7)	—	—	1
Fair value adjustment on sale of property and equipment:	—	(108)	—
Fair value adjustment on sale of property and equipment (Note 26)	—	(144)	—
Income tax related to fair value adjustment on sale of property and equipment	—	36	—
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent years	<b>2,494</b>	<b>2,823</b>	<b>(3,994)</b>
<b>Total Other Comprehensive Income (Loss) – Net of Tax</b>	<b>(257)</b>	<b>1,767</b>	<b>(4,290)</b>
Tax adjustments due to Corporate Recovery and Tax Incentives for Enterprises, or CREATE, Act	—	(2,546)	—
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>10,478</b>	<b>25,897</b>	<b>20,290</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of PLDT	<b>10,218</b>	<b>25,582</b>	<b>20,000</b>
Noncontrolling interests	<b>260</b>	<b>315</b>	<b>290</b>
	<b>10,478</b>	<b>25,897</b>	<b>20,290</b>

*See accompanying Notes to Consolidated Financial Statements.*

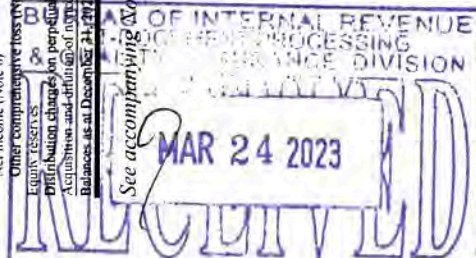




**PLDT INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2022, 2021 and 2020**  
**(in million pesos)**

	Preferred Stock	Common Stock	Treasury Stock	Treasury Shares under Employee Benefit Trust	Capital in Excess of Par Value	Other Equity Reserves	Retained Earnings	Other Comprehensive Loss	Total Equity Attributable to Equity Holders of PLDT	Noncontrolling Interests	Total Equity
Balances as at January 1, 2022	510	1,093	(6,505)	—	130,312	—	34,243	(36,437)	123,216	4,249	127,465
Cash dividends (Note 20)	—	—	—	—	—	—	(25,338)	—	(25,338)	(58)	(25,396)
Total comprehensive income (loss)	—	—	—	—	—	—	10,485	(267)	10,218	260	10,478
Net income (Note 8)	—	—	—	—	—	—	10,485	—	10,485	250	10,735
Other comprehensive income (loss) (Note 6)	—	—	—	—	—	—	—	(267)	(267)	10	(257)
Distribution charges on perpetual notes (Note 20)	—	—	—	—	—	—	—	—	—	—	—
Transfer of pension	—	—	—	—	—	—	—	—	—	—	—
Closing of other comprehensive income (loss) cashflow hedges to retained earnings (Note 6)	—	—	—	—	—	—	(83)	—	(83)	—	(83)
Acquisition and dilution of noncontrolling interests	—	—	—	—	—	—	(1,222)	1,222	—	—	—
Balances as at December 31, 2022	510	1,093	(6,505)	—	130,312	—	18,799	(35,482)	108,727	5,234	113,961
Balances as at January 1, 2021	510	1,093	(6,505)	(21)	130,312	19	25,652	(35,652)	115,408	4,257	119,665
Treasury shares under employee benefit trust (Note 20)	—	—	—	21	—	—	(17,776)	—	(17,776)	—	(17,776)
Cash dividends (Note 20)	—	—	—	—	—	—	26,367	(785)	25,582	315	25,897
Total comprehensive income (loss)	—	—	—	—	—	—	26,367	(785)	25,582	309	26,676
Net income (Note 8)	—	—	—	—	—	—	26,367	(785)	25,582	6	(779)
Other comprehensive income (loss) (Note 6)	—	—	—	—	—	(19)	—	—	(19)	—	(19)
Equity reserves	—	—	—	—	—	—	—	—	—	—	—
Distribution charges on perpetual notes (Note 20)	—	—	—	—	—	—	—	—	—	—	—
Acquisition and dilution of noncontrolling interests	—	—	—	—	—	—	—	—	—	(236)	(236)
Balances as at December 31, 2021	510	1,093	(6,505)	—	130,312	—	34,243	(36,437)	123,216	4,249	127,465
Balances as at January 1, 2020	510	1,093	(6,505)	(304)	130,312	276	18,063	(31,368)	111,987	4,303	116,290
Treasury shares under employee benefit trust (Note 20)	—	—	—	373	—	—	—	—	373	—	373
Cash dividends (Note 20)	—	—	—	—	—	—	(16,695)	—	(16,695)	(90)	(16,785)
Total comprehensive income (loss)	—	—	—	—	—	—	24,284	(4,284)	20,000	290	20,290
Net income (Note 8)	—	—	—	—	—	—	24,284	—	24,284	296	24,580
Other comprehensive loss (Note 6)	—	—	—	—	—	(257)	—	(4,284)	(4,284)	(6)	(4,290)
Equity reserves	—	—	—	—	—	—	—	—	—	—	—
Distribution charges on perpetual notes (Note 20)	—	—	—	—	—	—	—	—	—	—	—
Acquisition and dilution of noncontrolling interests	—	—	—	—	—	—	—	—	—	(236)	(236)
Balances as at December 31, 2020	510	1,093	(6,505)	(21)	130,312	19	25,652	(35,652)	115,408	4,257	119,665

See accompanying Notes to Consolidated Financial Statements.

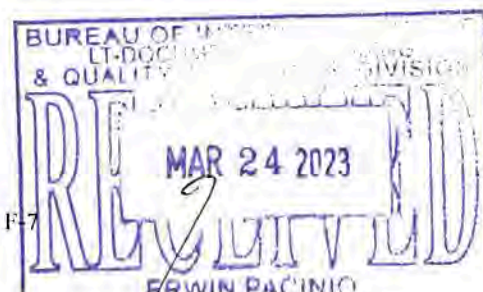




**PLDT INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2022, 2021 and 2020**  
**(in million pesos)**

	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	13,509	34,154	33,021
Adjustments for:			
Depreciation and amortization (Notes 9 and 10)	98,714	52,169	47,480
Interest on loans and other related items – net (Note 5)	9,112	8,900	8,736
Asset impairment (Note 5)	6,107	4,985	7,646
Foreign exchange losses (gains) – net (Notes 5 and 28)	4,685	3,890	(1,488)
Equity share in net losses of associates and joint ventures (Notes 5 and 11)	3,304	1,101	2,328
Accretion on lease liabilities (Notes 5, 10 and 29)	2,064	1,170	1,125
Pension benefit costs (Notes 5 and 26)	1,749	2,213	2,218
Incentive plan (Notes 5 and 26)	1,272	1,186	1,134
Accretion on financial liabilities (Notes 5 and 21)	375	239	146
Amortization of intangible assets (Notes 5 and 15)	228	2,822	2,496
Impairment of investments (Note 11)	50	60	60
Investment derecognized	—	—	599
Gains on disposal of property and equipment (Notes 5 and 9)	(148)	(884)	(3,369)
Interest income (Note 5)	(653)	(656)	(1,210)
Gains on dilution of shares (Notes 5 and 11)	(660)	(826)	(394)
Losses (gains) on derivative financial instruments – net (Notes 5 and 28)	(2,322)	(1,400)	378
Income from prescription of preferred shares redemption liability (Note 20)	(7,839)	—	—
Gain on sale and leaseback of telecom towers (Notes 5 and 9)	(24,563)	—	—
Others	(3,613)	(2,254)	(3,072)
Operating income before changes in assets and liabilities	101,371	106,869	97,834
Decrease (increase) in:			
Prepayments	12,218	(34,002)	(18,894)
Contract assets	(209)	(38)	160
Trade and other receivables	(8,366)	(3,713)	(585)
Other financial and non-financial assets	208	(120)	324
Inventories and supplies	850	57	(1,017)
Increase (decrease) in:			
Customer's deposits	44	(101)	166
Pension and other employee benefits	(6,847)	(3,846)	(249)
Other noncurrent liabilities	(68)	(95)	5,220
Accounts payable	(18,306)	29,382	(2,813)
Accrued expenses and other current liabilities	(507)	(301)	7,178
Net cash flows generated from operations	80,388	94,092	87,324
Income taxes paid	(4,188)	(2,122)	(2,248)
Net cash flows from operating activities	76,200	91,970	85,076

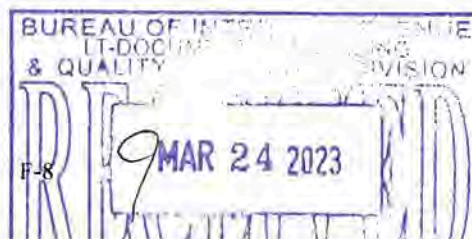
*See accompanying Notes to Consolidated Financial Statements.*



**PLDT INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**  
**For the Years Ended December 31, 2022, 2021 and 2020**  
**(in million pesos)**

	2022	2021	2020
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Proceeds from:			
Disposal of property and equipment (Note 9)	60,833	1,217	5,830
Maturity of short-term investments	8,700	2,518	4,375
Disposal of investments in associates and joint ventures (Note 11)	2,458	359	—
Disposal of investment in debt securities (Note 13)	182	993	150
Disposal of financial assets at fair value through profit or loss	—	482	2,020
Collection of financial assets at fair value through other comprehensive income	—	170	2,534
Dividends received	—	—	316
Interest received	636	714	1,106
Payments for:			
Purchase of investment in debt securities (Note 13)	(173)	(404)	(1,194)
Settlements of notes receivable	(200)	—	—
Interest capitalized to property and equipment (Notes 5, 9 and 29)	(1,748)	(1,582)	(1,597)
Acquisition of investments in associates and joint ventures (Note 11)	(3,514)	(1,754)	(579)
Purchase of short-term investments	(6,368)	(3,847)	(5,147)
Purchase of property and equipment (Note 9)	(93,803)	(102,395)	(76,503)
Decrease (increase) in other financial and non-financial assets	(9)	(111)	20
Net cash flows used in investing activities	(33,006)	(103,640)	(68,669)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>			
Proceeds from:			
Availments of short-term debt (Note 21)	16,000	—	10,000
Return of preferred shares redemption fund (Note 20)	7,839	—	—
Availments of long-term debt (Notes 21 and 29)	5,000	51,500	61,271
Collections from derivative financial instruments (Notes 28 and 29)	87	—	—
Payments for:			
Settlements of derivative financial instruments (Notes 28 and 29)	—	(25)	(430)
Debt issuance costs (Notes 21 and 29)	(62)	(397)	(927)
Distribution charges on perpetual notes (Note 20)	(236)	(236)	(236)
Short-term debt (Note 21)	(6,000)	—	(10,000)
Obligations under lease liabilities (Notes 10 and 29)	(8,331)	(6,547)	(5,781)
Interest – net of capitalized portion (Notes 5, 21 and 29)	(9,013)	(8,922)	(8,348)
Long-term debt (Notes 21 and 29)	(22,353)	(22,565)	(28,365)
Cash dividends (Notes 20 and 29)	(25,235)	(17,712)	(16,721)
Net cash flows from (used in) financing activities	(42,304)	(4,904)	463
<b>NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	414	244	(1,002)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,304</b>	<b>(16,330)</b>	<b>15,868</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (Note 16)</b>	<b>23,907</b>	<b>40,237</b>	<b>24,369</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 16)</b>	<b>25,211</b>	<b>23,907</b>	<b>40,237</b>

See accompanying Notes to Consolidated Financial Statements.





## PLDT INC. AND SUBSIDIARIES

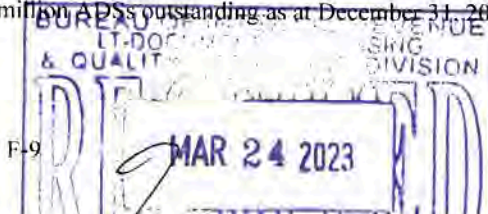
### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### I. Corporate Information

PLDT Inc. (formerly Philippine Long Distance Telephone Company), which we refer to as PLDT or the Parent Company, was incorporated under the old Corporation Law of the Philippines (Act 1459, as amended) on November 28, 1928, following the merger of four telephone companies under common U.S. ownership. PLDT has a perpetual corporate term pursuant to Section 11 of the Revised Corporation Code of the Philippines (Republic Act No. 11232), which entitles existing corporations to have a perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital stock, notifies the Philippine Securities and Exchange Commission, or Philippine SEC, that the corporation elects to retain its specific corporate term pursuant to its articles of incorporation. While PLDT's amended Articles of Incorporation states that its corporate term is limited to 50 years from the date of incorporation on November 28, 1928, and another term of 50 years from November 28, 1978, PLDT has not elected to retain such specific corporate term. In 1967, effective control of PLDT was sold by the General Telephone and Electronics Corporation, then a major shareholder since PLDT's incorporation, to a group of Filipino businessmen. In 1981, in furtherance of the then existing policy of the Philippine government to integrate the Philippine telecommunications industry, PLDT purchased substantially all of the assets and liabilities of the Republic Telephone Company, which at that time was the second largest telephone company in the Philippines. In 1998, certain subsidiaries of First Pacific Company Limited, or First Pacific, and its Philippine affiliates (collectively the First Pacific Group and its Philippine affiliates), acquired a significant interest in PLDT. On March 24, 2000, NTT Communications Corporation, or NTT Communications, through its wholly-owned subsidiary NTT Communications Capital (UK) Ltd., became PLDT's strategic partner with approximately 15% economic and voting interest in the issued and outstanding common stock of PLDT at that time. Simultaneous with NTT Communications' investment in PLDT, the latter acquired 100% of Smart Communications, Inc., or Smart. On March 14, 2006, NTT DOCOMO, Inc., or NTT DOCOMO, acquired from NTT Communications approximately 7% of PLDT's then outstanding common shares held by NTT Communications with NTT Communications retaining ownership of approximately 7% of PLDT's common shares. Since March 14, 2006, NTT DOCOMO has made additional purchases of shares of PLDT, and together with NTT Communications beneficially owned approximately 20% of PLDT's outstanding common stock as at December 31, 2022. NTT Communications and NTT DOCOMO are part of the group of companies of Nippon Telegraph and Telephone Corporation. On February 28, 2007, Metro Pacific Asset Holdings, Inc., a Philippine affiliate of First Pacific, completed the acquisition of an approximately 46% interest in Philippine Telecommunications Investment Corporation, or PTIC, a shareholder of PLDT. This investment in PTIC represented an attributable interest of approximately 6% of the then outstanding common shares of PLDT and thereby raised First Pacific Group's and its Philippine affiliates' beneficial ownership to approximately 28% of PLDT's outstanding common stock as at that date. Since then, First Pacific Group's beneficial ownership interest in PLDT decreased by approximately 2%, mainly due to the holders of Exchangeable Notes, which were issued in 2005 by a subsidiary of First Pacific and exchangeable into PLDT shares owned by First Pacific Group, who fully exchanged their notes. First Pacific Group and its Philippine affiliates had beneficial ownership of approximately 26% in PLDT's outstanding common stock as at December 31, 2022. On October 26, 2011, PLDT completed the acquisition of a controlling interest in Digital Telecommunications Phils., Inc., or Digitel, from JG Summit Holdings, Inc., or JGSHI, and its affiliates, or JG Summit Group. As payment for the assets acquired from JGSHI, PLDT issued approximately 27.7 million common shares. In November 2011, JGSHI sold 5.81 million and 4.56 million PLDT shares to a Philippine affiliate of First Pacific and NTT DOCOMO, respectively, pursuant to separate option agreements that JGSHI had entered into with a Philippine affiliate of First Pacific and NTT DOCOMO, respectively. As at December 31, 2022, the JG Summit Group beneficially owned approximately 11% of PLDT's outstanding common shares.

On October 16, 2012, BTF Holdings, Inc., or BTFHI, a wholly-owned company of the Board of Trustees for the Account of the Beneficial Trust Fund, or PLDT Beneficial Trust Fund, created pursuant to PLDT's Benefit Plan, subscribed to 150 million newly issued shares of Voting Preferred Stock of PLDT, or Voting Preferred Shares, at a subscription price of Php1.00 per share for a total subscription price of Php150 million pursuant to a subscription agreement between BTFHI and PLDT dated October 15, 2012. As a result of the issuance of Voting Preferred Shares, the voting power of the NTT Group (NTT DOCOMO and NTT Communications), First Pacific Group and its Philippine affiliates, and JG Summit Group was reduced to 12%, 15% and 7%, respectively, as at December 31, 2022. See *Note 20 – Equity – Preferred Stock – Voting Preferred Stock*.

The common shares of PLDT are listed and traded on the Philippine Stock Exchange, Inc., or PSE. On October 19, 1994, an American Depositary Receipt, or ADR, facility was established, pursuant to which Citibank N.A., as the depository, issued American Depositary Shares, or ADSs, with each ADS representing one PLDT common share with a par value of Php5.00 per share. Effective February 10, 2003, PLDT appointed JP Morgan Chase Bank as successor depository for PLDT's ADR facility. The ADSs are listed on the New York Stock Exchange, or NYSE, in the United States and are traded on the NYSE under the symbol "PHI". There were approximately 16.4 million ADSs outstanding as at December 31, 2022.



## PLDT INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Corporate Information

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The common shares of PLDT are listed and traded on the Philippine Stock Exchange, Inc., or PSE. On October 19, 1994, an American Depositary Receipt, or ADR, facility was established, pursuant to which Citibank N.A., as the depositary, issued American Depositary Shares, or ADSs, with each ADS representing one PLDT common share with a par value of Php5.00 per share. Effective February 10, 2003, PLDT appointed JP Morgan Chase Bank as successor depositary for PLDT's ADR facility. The ADSs are listed on the New York Stock Exchange, or NYSE, in the United States and are traded on the NYSE under the symbol "PHI". There were approximately 16.4 million ADSs outstanding as at December 31, 2022.

PLDT and our Philippine-based fixed line and wireless subsidiaries operate under the jurisdiction of the Philippine National Telecommunications Commission, or NTC, which jurisdiction extends, among other things, to approving major services offered and certain rates charged to customers.

We are the largest and most diversified telecommunications company in the Philippines which delivers data and multi-media services nationwide. We have organized our business into business units based on our products and services and have three reportable operating segments which serve as the bases for management's decision to allocate resources and evaluate operating performance. Our principal activities are discussed in *Note 4 – Operating Segment Information*.

Our registered office address is Ramon Cojuangco Building, Makati Avenue, Makati City, Philippines. Information on our structure is provided in *Note 2 – Summary of Significant Accounting Policies – Basis of Consolidation*. Information on other related party relationships of the PLDT Group is provided in *Note 25 – Related Party Transactions*.

Our consolidated financial statements as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 were approved and authorized for issuance by the Board of Directors on March 23, 2023 as reviewed by the Audit Committee on March 21, 2023.

### **Amendments to the By-Laws of PLDT**

On March 25, 2021, the Board of Directors approved the amendments to the By-Laws of PLDT to conform with the provision of Republic Act No. 11232, known as the Revised Corporation Code of the Philippines. On September 9, 2022, the Amended By-Laws of PLDT was approved by the Philippine SEC.

## **2. Summary of Significant Accounting Policies**

### **Basis of Preparation**

Our consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards, or PFRSs, as issued by the Philippine Financial and Sustainability Reporting Standards Council, or FSRSC.

Our consolidated financial statements have been prepared under the historical cost basis, except for financial instruments at fair value through profit or loss, or FVPL, and investment properties that are measured at fair values.

Our consolidated financial statements are presented in Philippine Peso, PLDT's functional currency, and all values are rounded to the nearest million, except when otherwise indicated.

Our consolidated financial statements provide comparative information in respect of the previous period.

## Basis of Consolidation

Our consolidated financial statements include the financial statements of PLDT and the following subsidiaries (collectively, the “PLDT Group”) as at December 31, 2022 and 2021:

Name of Subsidiary	Place of Incorporation	Principal Business Activity	2022		2021	
			Percentage of Ownership			
			Direct	Indirect	Direct	Indirect
<b>Wireless</b>						
Smart:	Philippines	Cellular mobile services	100.0	—	100.0	—
Smart Broadband, Inc., or SBI, and Subsidiary	Philippines	Internet broadband distribution services	—	100.0	—	100.0
Primeworld Digital Systems, Inc., or PDSI	Philippines	Internet broadband distribution services	—	100.0	—	100.0
I-Contacts Corporation	Philippines	Operations support servicing business	—	100.0	—	100.0
Far East Capital Limited, or FECL <sup>(a)</sup>	Cayman Islands	Cost effective offshore financing and risk management activities for Smart	—	100.0	—	100.0
PH Communications Holdings Corporation	Philippines	Investment company	—	100.0	—	100.0
Connectivity Unlimited Resource Enterprise	Philippines	Cellular mobile services	—	100.0	—	100.0
Francom Holdings, Inc.	Philippines	Investment company	—	100.0	—	100.0
Chikka Holdings Limited, or Chikka, and Subsidiaries, or Chikka Group <sup>(a)</sup>	British Virgin Islands	Content provider, mobile applications development and services	—	100.0	—	100.0
Wifun, Inc.	Philippines	Software developer and selling of WiFi access equipment	—	100.0	—	100.0
PLDT Global, Inc. <sup>(b)</sup>	Philippines	Cross-border digital platforms and other allied services	100.0	—	100.0	—
ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines <sup>(a)</sup>	Philippines	Satellite information and messaging services	88.5	11.5	88.5	11.5
Digitel Mobile Philippines, Inc., or DMPI, (a wholly-owned subsidiary of Digitel)	Philippines	Cellular mobile services	—	99.6	—	99.6
<b>Fixed Line</b>						
PLDT Clark Telecom, Inc., or ClarkTel	Philippines	Telecommunications services	100.0	—	100.0	—
PLDT Subic Telecom, Inc., or SubicTel	Philippines	Telecommunications services	100.0	—	100.0	—
PLDT Global Corporation, or PLDT Global, and Subsidiaries	British Virgin Islands	Telecommunications services	100.0	—	100.0	—
Smart-NTT Multimedia, Inc. <sup>(a)</sup>	Philippines	Data and network services	100.0	—	100.0	—
PLDT-Philcom, Inc., or Philcom, and Subsidiaries, or Philcom Group	Philippines	Telecommunications services	100.0	—	100.0	—
Talas Data Intelligence, Inc.	Philippines	Business infrastructure and solutions; intelligent data processing and implementation services and data analytics insight generation	100.0	—	100.0	—
Multisys Technologies Corporation, or Multisys <sup>(c)</sup>	Philippines	Software development and IT solutions services	—	50.7	—	—

<sup>(a)</sup> Ceased commercial operations.

<sup>(b)</sup> On June 30, 2021, the Philippine SEC approved the amendment of Telesat, Inc.’s Articles of Incorporation, resulting to the adoption of (i) a new corporate name — “PLDT Global Inc.”; and (ii) a revised primary purpose stating that the Company will now be in the business of providing various cross-border digital platforms and other allied services for global customers, especially for overseas/offshore Filipinos.

<sup>(c)</sup> On July 29, 2022, PLDT Global Investments Holdings, Inc., or PGIH, acquired additional 227 common shares of Multisys, thereby increasing its ownership from 45.73% to 50.72%.



Name of Subsidiary	Place of Incorporation	Principal Business Activity	2022		2021	
			Percentage of Ownership			
			Direct	Indirect	Direct	Indirect
ePLDT, Inc., or ePLDT:	Philippines	Information and communications infrastructure for internet-based services, e-commerce, customer relationship management and IT related services	100.0	—	100.0	—
IP Converge Data Services, Inc., or IPCDSI, and Subsidiary, or IPCDSI Group	Philippines	Information and communications infrastructure for internet-based services, e-commerce, customer relationship management and IT related services	—	100.0	—	100.0
Curo Teknika, Inc., or Curo	Philippines	Managed IT outsourcing	—	100.0	—	100.0
ABM Global Solutions, Inc., or AGS, and Subsidiaries, or AGS Group <sup>(a)</sup>	Philippines	Internet-based purchasing, IT consulting and professional services	—	100.0	—	100.0
ePDS, Inc., or ePDS <sup>(a)</sup>	Philippines	Bills printing and other related value-added services, or VAS	—	100.0	—	100.0
netGames, Inc. <sup>(a)</sup>	Philippines	Gaming support services	—	57.5	—	57.5
MVP Rewards Loyalty Solutions, Inc., or MRSI <sup>(a)</sup>	Philippines	Full-services customer rewards and loyalty programs	—	100.0	—	100.0
VITRO, Inc., or Vitro <sup>(d)</sup>	Philippines	Information and communications infrastructure for internet-based services, e-commerce, customer relationship management and IT related services	—	100.0	—	—
Digitel	Philippines	Telecommunications services	99.6	—	99.6	—
Digitel Information Technology Services, Inc. <sup>(a)</sup>	Philippines	Internet services	—	99.6	—	99.6
PLDT-Maratel, Inc., or Maratel	Philippines	Telecommunications services	98.0	—	98.0	—
Bonifacio Communications Corporation, or BCC	Philippines	Telecommunications, infrastructure and related VAS	75.0	—	75.0	—
Pacific Global One Aviation Company, Inc., or PG1 <sup>(e)</sup>	Philippines	Air transportation business	—	—	65.3	—
Pilipinas Global Network Limited, or PGNL, and Subsidiaries	British Virgin Islands	International distributor of Filipino channels and content	64.6	—	64.6	—
<b>Others</b>						
PGIH	Philippines	Investment company	100.0	—	100.0	—
PLDT Digital Investments Pte. Ltd., or PLDT Digital, and Subsidiaries	Singapore	Investment company	100.0	—	100.0	—
Mabuhay Investments Corporation, or MIC <sup>(f)</sup>	Philippines	Investment company	67.0	—	67.0	—
PLDT Global Investments Corporation, or PGIC <sup>(g)</sup>	British Virgin Islands	Investment company	—	—	—	100.0
PLDT Communications and Energy Ventures, Inc., or PCEV	Philippines	Investment company	—	99.9	—	99.9

<sup>(d)</sup> On February 2, 2022, the Philippine SEC approved the incorporation of Vitro, a wholly-owned subsidiary of ePLDT.

<sup>(e)</sup> On February 28, 2022, PLDT signed a Deed of Assignment and other related agreements, under which other investors acquired a total of Php44.7 million worth of equity interest in PG1 from PLDT. As a result, PLDT's ownership was diluted from 65.3% to 47.6%. Consequently, PLDT accounted for its remaining interest in PG1 as an investment in associate.

<sup>(f)</sup> Ceased commercial operations. On August 9, 2022, the Philippine SEC approved MIC's application for amendment of its Articles of Incorporation to shorten its corporate term until September 30, 2023.

<sup>(g)</sup> PGIC is a wholly-owned subsidiary of PG1 after the execution on March 31, 2022 of Instrument of Transfer between PLDT Global (the former parent company of PGIC) and PG1 of the ordinary shares in PGIC. As at February 28, 2022, PLDT lost its control over PG1 and accounted for its remaining interest as investment in associate.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which PLDT obtains control, and continue to be consolidated until the date that such control ceases. We control an investee when we are exposed, or have rights, to variable returns from our involvement with the investee and when we have the ability to affect those returns through our power over the investee.

The financial statements of our subsidiaries are prepared for the same reporting period as PLDT. We prepare our consolidated financial statements using uniform accounting policies for like transactions and other events with similar circumstances.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of PLDT and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction and impact is presented as part of other equity reserves.

If PLDT loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any noncontrolling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

### **Corona Virus, or COVID-19, Pandemic**

On March 8, 2020, Presidential Proclamation No. 922 was issued, declaring a State of Public Health Emergency throughout the Philippines due to COVID-19. In a move to contain the COVID-19 pandemic, on March 12, 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region, or NCR, effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months from March 17, 2020 (at midnight), unless earlier lifted or extended as circumstances may warrant, and imposed an enhanced community quarantine, or ECQ, throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended as circumstances may warrant. On March 24, 2020, Republic Act No. 11469, otherwise known as the "Bayanihan to Heal As One Act", was signed into law, declaring a state of national emergency over the entire country, and authorizing the President of the Philippines to exercise certain powers necessary to address the COVID-19 pandemic. On April 7, 2020, the Office of the President of the Philippines released a memorandum extending the ECQ over the entire Luzon island until April 30, 2020. On May 1, 2020, the Government further extended the ECQ over, among others, certain portions of Luzon, including Metro Manila, until May 15, 2020, while easing restrictions in other parts of the country. On May 11, 2020, the Inter-Agency Task Force for the Management of Emerging Infectious Diseases, or IATF, placed high-risk local government units under modified ECQ, or MECQ, from May 16, 2020 until May 31, 2020, where certain industries were allowed to operate under strict compliance with minimum safety standards and protocols. On May 27, 2020, the IATF reclassified various provinces, Highly Urbanized Cities, or HUCs, and independent component cities, or ICCs, depending on the risk-level. Meanwhile, on May 28, 2020, the Government placed Metro Manila under general community quarantine, or GCQ, allowing for the partial reopening of certain businesses and public transportation while continuing to limit general movements. Pursuant to the declaration of the President on August 2, 2020, the NCR and the provinces of Laguna, Cavite, Rizal and Bulacan were placed under MECQ from August 4, 2020 until August 18, 2020. On August 17, 2020, the President placed Metro Manila, Bulacan, Cavite, Rizal, Nueva Ecija, Batangas, Quezon Province, Iloilo City, Cebu City, Lapu-Lapu City, Mandaue City, Talisay City, the municipalities of Minglanilla and Consolacion in Cebu under GCQ. The rest of the country was placed under modified GCQ, or MGCQ, effective August 19, 2020. The period of GCQ for Metro Manila was extended until November 30, 2020. On December 1, 2020, by order of the President, the Executive Secretary issued a Memorandum, advising that the President, taking into consideration the recommendation of the IATF, had approved the community quarantine classification of provinces, HUCs, and ICCs from December 1 to 31, 2020 as indicated therein. Under said Memorandum, all HUCs of the NCR, the Municipality of Pateros, Batangas, Iloilo City, Tacloban City, Iligan City, Lanao del Sur Province, Davao City and Davao del Norte Province were placed under GCQ, while the rest of the areas listed thereunder were placed under MGCQ, without prejudice to the declaration of localized ECQ in critical areas.

On September 15, 2020, Republic Act No. 11494 or the "Bayanihan to Recover As One Act" took effect, providing for COVID-19 response and recovery interventions and providing mechanisms to accelerate the recovery and bolster the resiliency of the Philippine economy, providing funds therefore and for other purposes. Apart from authorizing the President to exercise powers necessary to undertake certain COVID-19 response and recovery interventions, Republic Act No. 11494 also affirmed the existence of a continuing national emergency, in view of unabated spread of the COVID-19 virus and the ensuing economic disruption therefrom.



On September 16, 2020, Presidential Proclamation No. 1021 was issued, extending the State of Calamity throughout the Philippines due to COVID-19 for a period of one-year effective September 13, 2020 to September 12, 2021, unless earlier lifted or extended as circumstances may warrant.

On September 3, 2021, the IATF approved the shift in the policy in classifying provinces, HUC, and ICCs for purposes of community quarantine, wherein the new classification framework focuses on the imposition of granular lockdown measures and having an alert-level system (alert level 1 to 4), with each alert level limiting restrictions only to identified high-risk activities. The National Capital Region was designated as the pilot area of implementation, effective September 16, 2021. Effective October 20, 2021, the pilot area of implementation of the alert level systems was expanded to selected provinces, HUCs and ICCs outside of NCR. On November 11, 2021, the President issued Executive Order No. 151, Series of 2021, approving the nationwide implementation of the Alert Level System for COVID-19 Response. On March 24, 2022, the IATF, through IATF Resolution No. 165, Series of 2022, adopted the policy of including component cities and municipalities in the Alert Level System for purposes of alert level classification.

On September 12, 2022, President Ferdinand Marcos, Jr. issued Proclamation No. 57, s. 2022, further extending the declared state of calamity due to COVID-19 throughout the Philippines, effective September 13, 2022 to December 31, 2022, unless earlier lifted or extended as circumstances may warrant. On the same date, the Office of the President of the Philippines, through the Executive Secretary, issued Executive Order No. 3, Series of 2022, which, allowed the voluntary wearing of face masks in open spaces and non-crowded outdoor areas with good ventilation provided that not-fully vaccinated individuals, senior citizens and immunocompromised individuals are highly encouraged to wear their masks, and physical distancing will be observed at all times. Said Executive Order also provided that face masks shall continue to be worn in indoor private or public establishments, including in public transportation by land, air, or sea, and in outdoor settings where physical distancing cannot be maintained.

On October 28, 2022, Executive Order No. 7, Series of 2022 was issued, repealing Executive Order No. 3, Series of 2022. Executive Order No. 7, Series of 2022 provides that the wearing of face masks in indoor and outdoor settings shall be voluntary except in the following settings: (a) Healthcare facilities, including, but not limited to, clinics, hospitals, laboratories, nursing homes and dialysis clinics; (b) Medical transport vehicles, such as ambulance and paramedic rescue vehicles, and (c) Public transportation by land, air or sea. Said Executive Order also provides that mask wearing is still encouraged for the elderly, individuals with comorbidities, immunocompromised individuals, pregnant women, unvaccinated individuals, and symptomatic individuals. It also provides that the minimum public health standards to effectively prevent and minimize the spread of COVID-19 in the country shall continue to be implemented consistent with the principles of shared accountability, evidence-based decision-making, socioeconomic equity and rights-based approach.

These and other measures have affected and caused disruption to businesses and economic activities, and their impacts on businesses continue to evolve. See *Leases, COVID-19 Related Rent Concessions, Note 3 – Estimating allowance for expected credit losses* and *Note 5 – Income and expenses – Contract balances*.

Precautionary measures at our stores such as provision for foot bath, regular sanitization and disinfection, temperature check, wearing of face masks and face shields, installation of commercial-grade air filters, and other observance of social distancing are in place. PLDT Home rolled out Call to Apply service, a virtual and convenient way to apply for a PLDT Home service, transact and talk to any PLDT Sales and Service Centers representatives, as well as the QR codes that directed customers to an online service application platform. In cases where our service teams need to enter customers' homes or business premises, we have equipped them with protective gear such as face masks and gloves. Members of our service teams have also been trained in the proper health protocols for before, during, and after site visits, including maintaining proper social distances with customers at all times.

We have implemented limited access to our corporate premises. We have allowed a hybrid of work-from-home and work on-site arrangements. To ensure minimal disruption to our operations, we have taken steps to ensure that employees working from home are properly equipped with the appropriate digital equipment, including internet connection. For the employees that work on-site, we have taken steps to try and minimize their risk of exposure to the COVID-19 disease. We have also rolled-out the vaccination program, which also covers booster doses, for our employees and their dependents and household members who were enrolled in the program.

Total expenses related to our COVID-19 measures amounted to Php450 million, Php942 million and Php903 million for the years ended December 31, 2022, 2021 and 2020, respectively.

### **Sun Prepaid Rebranding to Smart Prepaid**

On October 21, 2020, Smart and DMPI entered into a Rebranding Agreement wherein Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. The brand consolidation under Smart aims to capitalize on Smart's robust mobile data network to provide superior mobile data experience to all Sun subscribers and achieve cost efficiency in brand management.

Post-rebranding, the ownership of Sun Prepaid subscribers remains under DMPI. Under the terms of the agreement, Smart will settle a fixed fee representing DMPI's proportionate share on the distributed subscriber revenues. This transaction was eliminated in our consolidated financial statements.

On April 25, 2022, the Sun Postpaid subscribers were also rebranded to Smart Postpaid subscribers. This aims to provide a better postpaid experience, access to the fastest mobile data network, bigger packages and the latest devices to all Sun subscribers.

As a result of the rebranding, PLDT reassessed the useful life of the Sun Trademark arising from the acquisition of Digitel in 2011 amounting to Php4,505 million. The Sun Trademark, which had been previously projected to be of continued use and accordingly estimated to be with indefinite life, was amortized over a period of 12 months starting August 2020. Total amortization of the Sun Trademark amounted to nil, Php2,628 million and Php1,877 million for the years ended December 31, 2022, 2021 and 2020, respectively. See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Estimating useful lives of intangible assets with finite lives* and *Note 15 – Goodwill and Intangible Assets – Amortization of Sun Cellular Trademark*.

### **Sale of PLDT Prepaid HOME WiFi, or PHW, Subscribers to Smart**

On January 29, 2021, PLDT and Smart entered into a Sale/Purchase Agreement on the transfer of PLDT's 748 thousand PHW subscribers to Smart to consolidate fixed wireless services under Smart in order to optimize shared resources for wireless broadband, have seamless upgrades and cross-selling of products for simplified customer experience and to better manage network costs and wireless network capacity.

The agreement took effect on February 1, 2021 and the PHW subscribers were transferred on March 1, 2021 after complying with the NTC's required 30-day notice to subscribers. The initial purchase price for the transfer, together with the PHW inventories and unearned revenues, amounted to Php1,455 million, exclusive of value-added tax. The transaction price was based on December 31, 2020 balances.

The parties also agreed that any difference between these values as at December 31, 2020 and the values as of cut-off date would have to be confirmed between Smart and PLDT. The final purchase price amounted to Php1,336 million, plus value-added tax, and was reviewed by an independent party, Isla Lipana & Co., an independent auditing firm, and confirmed to be made on an arm's length basis. This transaction was eliminated in our consolidated financial statements.

### **Loss of Control of PLDT over PG1**

On February 28, 2022, PLDT signed a Deed of Assignment under which investors led by Philex Mining Corporation, Metro Pacific Corporation, or MPIC, and Roxas Holdings, Inc. separately acquired a total of Php44.7 million worth of equity interest of PG1 from PLDT. In addition, PG1 appointed a new director bringing the total number of directors to nine. As a result, PLDT's ownership was diluted from 65.3% to 47.6% and retained four out of nine total board seats which resulted in a loss of control. Consequently, PLDT accounted for its remaining interest in PG1 as an investment in associate. A gain on deconsolidation amounting to Php376.7 million was recognized as part of "Other Income (Expenses) – Net" in our consolidated income statement. See *Note 11 – Investments in Associates and Joint Ventures – Investments in Associates – Investment in PG1*.

### **Investment of PGIH in PCEV**

On March 22, 2022, the PGIH Board of Directors approved the investment of US\$20 million in the common stock of PCEV at a subscription price of Php13 thousand per share to participate in the growth of the Voyager business.

On April 11, 2022, PGIH remitted US\$20 million, or Php1,031 million, to PCEV as deposit for future subscription pending the application of PCEV for capital increase with the Philippine SEC.

### **Investment in Class C Convertible Preference Shares in Voyager Innovations Holdings Pte. Ltd., or VIH**

On April 7, 2022, PCEV participated in the new round of fundraise for VIH amounting to US\$62 million. Leading the round was the new investor SIG Venture Capital. Also participating in the round were the other existing shareholders KKR, Tencent, IFC, IFC EAF and IFC Financial Institutions Growth Fund, as well as new investors including Singapore-based global investor EDBI and investment holding company, First Pacific. Thereafter, PCEV's ownership in VIH was diluted from 38.45% to 36.82%.

VIH raised US\$210 million in new funds propelling VIH's valuation to nearly US\$1.4 billion. VIH used the fresh funds to support the launch and acceleration of digital banking services powered by Maya Bank and other new services such as crypto, to be seamlessly integrated and offered across Maya's consumer and enterprise platforms.

On August 12, 2022, a new investor signed a subscription agreement with VIH resulting in further dilution of PCEV's equity interest from 36.82% to 36.63%. See related disclosures on gain on dilution on *Note 5 – Other Income (Expenses)*.

### **Smart Broadband, Inc.'s Franchise Extended for another 25 Years**

On April 8, 2022, the Philippine President approved Republic Act No. 11678, an act renewing for another 25 years the franchise granted to SBI. This allows SBI to continue constructing, installing, establishing, maintaining, leasing and operating wire and/or wireless telecommunication systems throughout the Philippines. SBI's original franchise under Republic Act No. 8337 expired on November 11, 2022, and the renewal for another 25 years will expire on November 11, 2047.

### **Acquisition of Additional Interest in Multisys Technologies Corporation, or Multisys**

On July 29, 2022, PGIH acquired additional 227 common shares of Multisys from its existing holder, representing a 4.99% interest, for a total consideration of Php248 million, of which Php100 million was paid on the same day. In August 2022, PGIH paid Php136 million of the balance consideration. The remaining balance of Php12 million is still outstanding as at December 31, 2022. As of and following this acquisition, PGIH owns 2,307 common shares representing 50.72% equity interest in Multisys which is considered a controlling interest, and in accordance with the Restated Shareholders' Agreement that the parties signed on the same date, PGIH is entitled to nominate three out of the five directors in Multisys who shall manage and control the operations of Multisys. Consequently, the results of operations and financial position of Multisys are consolidated with the PLDT Group effective in the fourth quarter of this year.

See *Note 11 – Investments in Associates and Joint Ventures – Investments in Associates – Acquisition of Additional Interest in Multisys/Business Combination*.

### **Proposed Acquisition of Sky Cable Corporation, or Sky**

On March 16, 2023, PLDT entered into a Sale and Purchase Agreement with Sky Vision Corporation, ABS-CBN Corporation and Lopez, Inc. for the proposed acquisition by PLDT of 100% of Sky's total issued and outstanding capital stock, for a total purchase price of Php6,750 million. The closing of the transaction shall be subject to compliance with certain conditions precedent which include, among others, the termination or cessation of operations by Sky of its pay TV and cable businesses, obtaining all applicable government approvals and clearances, obtaining all required consents and corporate actions, and payment of the purchase price.

### **Amended Standards**

The accounting policies adopted are consistent with those of the previous financial year, except that we have adopted the following amended standards starting January 1, 2022.

- Amendments to Philippine Accounting Standards, or PAS, 16, *Property, Plant and Equipment, Proceeds Before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments have no material impact on our consolidated financial statements.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts: Cost of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

We analyzed all contracts existing at January 1, 2022 and determined that none of them would be identified as onerous applying the provisions of the current standards.

- Amendments to Philippine Financial Reporting Standards, or PFRSs, 3, *Business Combinations, Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37 or Philippine Interpretation to International Financial Reporting Interpretations Committee 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

We do not have any identified contingent assets, hence these amendments have no material impact on our consolidated financial statements.

#### *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of PFRS, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the “10 percent” test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

- Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

These amendments have no material impact on our consolidated financial statements.

## Summary of Significant Accounting Policies

The following is the summary of significant accounting policies we applied in preparing our consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### *Business Combinations and Goodwill*

Business combinations are accounted for using the acquisition 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 noncontrolling interest in the acquiree. For each business combination, we elect whether to measure the components of the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in selling, general and administrative expenses.

When we acquire a business, we assess the financial assets and 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, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. The fair value of previously held equity interest is then included in the amount of total consideration transferred.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument within the scope of PFRS 9 is measured at fair value with the changes in fair value recognized in profit or loss. In accordance with PFRS 9, other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, we reassess whether we correctly identified all of the assets acquired and all of the liabilities assumed and review the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain on a bargain purchase is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, we report in our consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which is no longer than one year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, we also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

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 our cash-generating units, or 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 acquired in a business combination has yet to be allocated to identifiable CGUs because the initial accounting is incomplete, such provisional goodwill is not tested for impairment unless indicators of impairment exist and we can reliably allocate the carrying amount of goodwill to a CGU or group of CGUs that are expected to benefit from the synergies of the business combination.

Where goodwill has been allocated to 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 disposed operation and the portion of the CGU retained.

## ***Investments in Associates***

An associate is an entity in which we have 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 of those policies. The existence of significant influence is presumed to exist when we hold 20% or more, but less than 50% of the voting power of another entity. Significant influence is also exemplified when we have one or more of the following: (a) a representation on the board of directors or the equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions with the investee; (d) interchange of managerial personnel with the investee; or (e) provision of essential technical information.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The cost of the investments includes directly attributable transaction costs. The details of our investments in associates are disclosed in *Note 11 – Investments in Associates and Joint Ventures – Investments in Associates*.

Under the equity method, an investment in an associate is carried at cost plus post acquisition changes in our share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized nor individually tested for impairment. Our consolidated income statements reflect our share in the financial performance of our associates. Where there has been a change recognized directly in the equity of the associate, we recognize our share in such change and disclose this, when applicable, in our consolidated statement of comprehensive income and consolidated statement of changes in equity. Unrealized gains and losses resulting from our transactions with and among our associates are eliminated to the extent of our interests in those associates.

Our share in the profits or losses of our associates is included under “Other income (expenses)” in our consolidated income statement. This is the profit or loss attributable to equity holders of the associate and therefore is profit or loss after tax and net of noncontrolling interest in the subsidiaries of the associate.

When our share of losses exceeds our interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that we have an obligation or have made payments on behalf of the investee.

Our reporting dates and that of our associates are identical and our associates’ accounting policies conform to those used by us for like transactions and events in similar circumstances. When necessary, adjustments are made to bring such accounting policies in line with our policies.

After application of the equity method, we determine whether it is necessary to recognize an additional impairment loss on our investments in associates. We determine at the end of each reporting period whether there is any objective evidence that our investment in associate is impaired. If this is the case, we calculate the amount of impairment as the difference between the recoverable amount of our investment in the associate and its carrying value and recognize the amount in our consolidated income statements.

Upon loss of significant influence over the associate, we measure and recognize any retained investment at its fair value. Any difference between the carrying amounts of our investment in the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in our consolidated financial statements.

## ***Joint Arrangements***

Joint arrangements are arrangements with respect to which we have joint control, established by contracts requiring unanimous consent from the parties sharing control for decisions about the activities that significantly affect the arrangements’ returns. They are classified and accounted for as follows:

- Joint operation – when we have rights to the assets, and obligations for the liabilities, relating to an arrangement, we account for each of our assets, liabilities and transactions, including our share of those held or incurred jointly, in relation to the joint operation in accordance with the PFRS applicable to the particular assets, liabilities and transactions.
- Joint venture – when we have rights only to the net assets of the arrangements, we account for our interest using the equity method, the same as our accounting for investments in associates.

The financial statements of the joint venture are prepared for the same reporting period as our consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies of the joint venture in line with our policies. The details of our investments in joint ventures are disclosed in *Note 11 – Investments in Associates and Joint Ventures – Investments in Joint Ventures*.

Adjustments are made in our consolidated financial statements to eliminate our share of unrealized gains and losses on transactions between us and our joint venture. Our investment in the joint venture is carried at equity method until the date on which we cease to have joint control over the joint venture.

Upon loss of joint control over the joint venture, we measure and recognize our retained investment at fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate with no remeasurement.

### ***Current Versus Noncurrent Classifications***

We present assets and liabilities in our consolidated statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the period.

The terms of the liquidity that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

### ***Foreign Currency Transactions and Translations***

Our consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. The Philippine Peso is the currency of the primary economic environment in which we operate. This is also the currency that mainly influences the revenue from and cost of rendering products and services. Each entity in our Group determines its own functional currency and items included in the separate financial statements of each entity are measured using that functional currency.

The functional and presentation currency of the entities under the PLDT Group (except for the subsidiaries discussed below) is the Philippine Peso.

Transactions in foreign currencies are initially recorded by entities under our Group at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange prevailing at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognized in our consolidated income statement except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising from transactions of non-monetary items measured at fair value is treated in line with the recognition of this gain or loss on the change in fair value of the items (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

The functional currency of the FECL Group, PLDT Global and certain of its subsidiaries, PGNL and certain of its subsidiaries, Chikka and certain of its subsidiaries and PGIC is the U.S. Dollar; the functional currency of iCommerce Investments Pte. Ltd., or iCommerce, Chikka Pte. Ltd., or CPL, and ABM Global Solutions Pte. Ltd., or AGSPL, is the Singaporean Dollar; the functional currency of PT Advance Business Microsystems Global Solutions, or AGS Indonesia, is the Indonesian Rupiah; and the functional currency of PLDT Malaysia Sdn Bhd is the Malaysian Ringgit. As at the reporting date, the assets and liabilities of these subsidiaries are translated into Philippine Peso at the rate of exchange prevailing at the end of the reporting period, and income and expenses of these subsidiaries are translated monthly using the weighted average exchange rate for the month. The exchange differences arising on translation are recognized as a separate component of other comprehensive income as cumulative translation adjustments. Upon disposal of these subsidiaries, the amount of deferred cumulative translation adjustments recognized in other comprehensive income relating to subsidiaries is recognized in our consolidated income statement.

When there is a change in an entity's functional currency, the entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change. The entity translates all assets and liabilities into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as the new historical cost. Exchange differences arising from the translation of a foreign operation previously recognized in other comprehensive income are not reclassified from equity to profit or loss until the disposal of the operation.

Foreign exchange gains or losses of the Parent Company and our Philippine-based subsidiaries are treated as taxable income or deductible expenses in the period such exchange gains or losses are realized.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate as at reporting date.

### ***Noncurrent Assets Held-for-Sale***

We classify non-current assets as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held -or-sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Additional disclosures are provided in *Note 9 – Property and Equipment – Sale and Leaseback of Telecom Towers* and *Note 10 – Leases*. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.



## ***Financial Instruments***

### ***Financial Instruments – Initial recognition and subsequent measurement***

#### *Classification of financial assets*

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and our business model for managing the financial assets. We classify our financial assets into the following measurement categories:

- Financial assets measured at amortized cost;
- Financial assets measured at FVPL;
- Financial assets measured at financial instruments at fair value through other comprehensive income, or FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss; and
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

#### *Contractual cash flows characteristics*

In order for us to identify the measurement of our debt financial assets, a solely payments of principal and interest, or SPPI, test needs to be initially performed in order to determine whether the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Once a debt financial asset passed the SPPI test, business model assessment, which identifies our objective of holding the financial assets – hold to collect or hold to collect and sell, will be performed. Otherwise, if the debt financial asset failed the test, such will be measured at FVPL.

In making the assessment, we determine whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the SPPI test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Business model*

Our business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Our business model does not depend on management's intentions for an individual instrument.

Our business model refers to how we manage our financial assets in order to generate cash flows. Our business model determines whether cash flows will result from collecting contractual cash flows, collecting contractual cash flows and selling financial assets or neither.

#### *Financial assets at amortized cost*

A financial asset is measured at amortized cost if: (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate, or EIR, method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Other income (expenses) – net' in our consolidated income statements and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Asset impairment' in our consolidated income statements.

Our financial assets at amortized cost include debt instruments at amortized cost, cash and cash equivalents, short-term investments, trade and other receivables, and portions of other financial assets as at December 31, 2022 and 2021. See *Note 13 – Debt Instruments at Amortized Cost*, *Note 16 – Cash and Cash Equivalents*, *Note 17 – Trade and Other Receivables* and *Note 28 – Financial Assets and Liabilities*.

#### *Financial assets at FVOCI (debt instruments)*

A financial asset is measured at FVOCI if: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss, or ECL, model.

As at December 31, 2022 and 2021, there were no financial assets at FVOCI (debt instruments) with recycling of cumulative gains or losses.

#### *Financial assets at FVPL*

Financial assets at FVPL are measured at fair value. Included in this classification are derivative financial assets, equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in our consolidated income statements as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in our consolidated income statements.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, we may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the PLDT Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

Our financial assets at FVPL include portions of short-term investments, derivative financial assets, equity investments and redemption trust fund as at December 31, 2022 and 2021. See *Note 12 – Financial Assets at FVPL* and *Note 28 – Financial Assets and Liabilities*.

#### *Classification of financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities are subsequently measured at amortized cost, except for the following:

- Financial liabilities measured at FVPL;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when we retain continuing involvement;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and
- Contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- If a host contract contains one or more embedded derivatives; or
- If a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in our own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Our financial liabilities at FVPL include forward foreign exchange contracts, long-term principal only-currency swaps, interest rate swaps, long-term foreign currency options and liability from redemption of preferred stock as at December 31, 2022 and 2021. See *Note 20 – Equity – Redemption of Preferred Stock*, *Note 24 – Accrued Expenses and Other Current Liabilities* and *Note 28 – Financial Assets and Liabilities*.

Our other financial liabilities include interest-bearing financial liabilities, lease liabilities, customers' deposits, dividends payable, certain accounts payable and certain accrued expenses and other current liabilities and certain deferred credits and other noncurrent liabilities, (except for statutory payables) as at December 31, 2022 and 2021. See *Note 10 – Leases*, *Note 21 – Interest-bearing Financial Liabilities*, *Note 22 – Deferred Credits and Other Noncurrent Liabilities*, *Note 23 – Accounts Payable*, *Note 24 – Accrued Expenses and Other Current Liabilities* and *Note 28 – Financial Assets and Liabilities*.

#### *Reclassifications of financial instruments*

We reclassify our financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively and any previously recognized gains, losses or interest shall not be restated. We do not reclassify our financial liabilities.

We do not reclassify our financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at FVPL.

#### *Offsetting of Financial Instruments*

Financial assets and 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 assets and settle the liabilities simultaneously. We assess that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### *Impairment of Financial Assets*

We recognize ECL for debt instruments that are measured at amortized cost and FVOCI.

No ECL is recognized on financial assets at FVPL.

ECLs are measured in a way that reflects the following:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

*Stage 1: 12-month ECL – not credit impaired*

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

*Stage 2: Lifetime ECL – not credit-impaired*

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

*Stage 3: Lifetime ECL – credit-impaired*

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

***Loss Allowances***

Loss allowances are recognized based on 12-month ECL for debt instruments that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- The financial instrument has a low risk of default;
- The counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfill its contractual cash flow obligations.

We consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’, or when the exposure is less than 30 days past due.

The loss allowances recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 and 3 due to the financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in probability of defaults, or PDs, loss given defaults, or LGDs, and exposure at defaults, or EADs, in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Unwinding of discount within ECL due to passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

### ***Write-off Policy***

We write-off a financial asset measured at amortized cost, in whole or in part, when the asset is considered uncollectible, and we have exhausted all practical recovery efforts and concluded that we have no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. We write-off an account when all of the following conditions are met:

- The asset is in past due for over 90 days, or is already an item-in-litigation with any of the following:
  - a) No properties of the counterparty could be attached
  - b) The whereabouts of the client cannot be located
  - c) It would be more expensive for the Group to follow-up and collect the amount, hence we have ceased enforcement activity, and
  - d) Collections can no longer be made due to insolvency or bankruptcy of the counterparty;
- Expanded credit arrangement is no longer possible;
- Filing of legal case is not possible; and
- The account has been classified as ‘Loss’.

### ***Simplified Approach***

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to ‘Trade and other receivables’ and ‘Contract assets’. We have established a provision matrix for billed trade receivables and a vintage analysis for contract assets and unbilled trade receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### ***Derecognition of Financial Assets and Liabilities***

#### *Financial assets*

A financial asset (or where applicable as part of a financial asset or part of a group of similar financial assets) is primarily derecognized when: (1) the right to receive cash flows from the asset has expired; or (2) we have transferred the right to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either: (a) we have transferred substantially all the risks and rewards of the asset; or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When we have transferred the right to receive cash flows from an asset or have entered into a “pass-through” arrangement and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of our continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that we could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of our continuing involvement is the amount of the transferred asset that we may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of our continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When 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 carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated income statement.

The financial liability is also derecognized when equity instruments are issued to extinguish all or part of the financial liability. The equity instruments issued are recognized at fair value if it can be reliably measured, otherwise, it is recognized at the fair value of the financial liability extinguished. Any difference between the fair value of the equity instruments issued and the carrying value of the financial liability extinguished is recognized in consolidated income statement.

### ***Derivative Financial Instruments and Hedge Accounting***

#### *Initial recognition and subsequent measurement*

We use derivative financial instruments, such as long-term currency swaps, foreign currency options, forward currency contracts and interest rate swaps to hedge our risks associated with foreign currency fluctuations and interest rates. Such 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 fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of long-term currency swaps, foreign currency options, forward currency contracts and interest rate swap contracts is determined using applicable valuation techniques. See *Note 28 – Financial Assets and Liabilities*.

Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting are taken directly to the “Other income (expense) – Gains (losses) on derivative financial instruments – net” in our consolidated income statements.

For the purpose of hedge accounting, hedges are classified as: (1) fair value hedges when hedging the exposure to changes in the fair value of a recognized financial asset or liability or an unrecognized firm commitment (except for foreign currency risk); or (2) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized financial asset or liability, a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or (3) hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, we formally designate and document the hedge relationship to which we wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how we will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated. In a situation when that hedged item is a forecast transaction, we assess whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect our consolidated income statements.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

#### *Fair value hedges*

The change in the fair value of a hedging instrument is recognized in our consolidated income statements as financing cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in our consolidated income statements.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in our consolidated income statements.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in our consolidated income statements.

### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statements. See *Note 28 – Financial Assets and Liabilities* for more details.

Amounts taken to other comprehensive income are transferred to our consolidated income statement when the hedged transaction affects our consolidated income statement, such as when the hedged financial income or financial expense is recognized or when a forecast transaction occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred to our consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment occurs.

We use an interest rate swap agreement to hedge our interest rate exposure and a long-term principal only-currency swap, and long-term foreign currency options agreement to hedge our foreign exchange exposure on certain outstanding loan balances. See *Note 28 – Financial Assets and Liabilities*.

### *Current versus noncurrent classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Where we expect to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.

Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as effective hedging instruments are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

We recognize transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

### ***Property and Equipment***

Property and equipment, except for land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment losses. Land is stated at cost less any impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing component parts of the property and equipment when the cost is incurred, if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized as expense as incurred. The present value of the expected cost for the decommissioning of the asset after use is included in the cost of the asset if the recognition criteria for a provision are met.

Depreciation and amortization commence once the property and equipment are available for their intended use and are calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives used in depreciating our property and equipment are disclosed in *Note 9 – Property and Equipment*.

The residual values, estimated useful lives, and methods of depreciation and amortization are reviewed at least at each financial year-end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated income statement when the asset is derecognized.

Property under construction is stated at cost less any impairment in value. This includes cost of construction, plant and equipment, capitalizable borrowing costs and other direct costs associated to construction. Property under construction is not depreciated until such time that the relevant assets are completed and available for its intended use.

Property under construction is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for operational use.

### ***Borrowing Costs***

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Capitalization of borrowing costs shall be suspended during extended periods in which it suspends active development of a qualifying asset. Borrowing costs are capitalized until the assets are substantially completed for their intended use or sale.

All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### ***Asset Retirement Obligations***

We are legally required under various lease agreements to dismantle the installation in leased sites and restore such sites to their original condition at the end of the lease contract term. We recognize the liability measured at the present value of the estimated costs of these obligations and capitalize such costs as part of the balance of the related item of property and equipment. The amount of asset retirement obligations is accreted and such accretion is recognized as interest expense. See *Note 10 – Leases* and *Note 22 – Deferred Credits and Other Noncurrent Liabilities*.

### ***Investment Properties***

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in our consolidated income statement in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an amount evaluation performed by a Philippine SEC accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized when they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in our consolidated income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, we account for such property in accordance with the policy stated under property and equipment up to the date of change in use. The difference between the carrying amount of the owner-occupied property and its fair value at the date of change is accounted for as revaluation increment recognized in other comprehensive income. On subsequent disposal of the investment property, the revaluation increment recognized in other comprehensive income is transferred to retained earnings.



### ***Intangible Assets***

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired from business combinations is initially recognized at fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed at the individual asset level as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At the minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in our consolidated income statements.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the CGU level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The estimated useful lives used in amortizing our intangible assets are disclosed in *Note 15 – Goodwill and Intangible Assets*.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in our consolidated income statements when the asset is derecognized.

Internally generated intangibles are not capitalized, and the related expenditures are charged against operations in the period in which the expenditures are incurred.

### ***Inventories and Supplies***

Inventories and supplies, which include cellular and landline phone units, materials, spare parts, terminal units and accessories, are valued at the lower of cost and net realizable value.

Costs incurred in bringing inventories and supplies to its present location and condition are accounted for using the weighted average cost method. Net realizable value is determined by either estimating the selling price in the ordinary course of business, less the estimated cost to sell or determining the prevailing replacement costs.

### ***Impairment of Non-Financial Assets***

We assess at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when the annual impairment testing for an asset is required, we make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use, or VIU. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the VIU, 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. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recognized in our consolidated income statements.

For assets, excluding goodwill and intangible assets with indefinite useful life, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, we make an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in our consolidated income statements. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining economic useful life.

The following assets have specific characteristics for impairment testing:

*Property and equipment, right-of-use, or ROU, assets, and intangible assets with finite useful lives*

For property and equipment and ROU assets, we assess for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage. For intangible assets with finite useful lives, we assess for impairment whenever there is an indication that the intangible assets may be impaired. See *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions – Impairment of non-financial assets*, *Note 9 – Property and Equipment*, *Note 10 – Leases* and *Note 15 – Goodwill and Intangible Assets* for further disclosures relating to impairment of non-financial assets.

*Investments in associates and joint ventures*

We determine at the end of each reporting period whether there is any objective evidence that our investments in associates and joint ventures are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and joint ventures, and its carrying amount. The amount of impairment loss is recognized in our consolidated income statements. See *Note 11 – Investments in Associates and Joint Ventures* for further disclosures relating to impairment of non-financial assets.

*Goodwill*

Goodwill is tested for impairment annually as at December 31 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. When the recoverable amount of the CGU, or group of CGUs, is less than the carrying amount of the CGU, or group of CGUs, to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

See *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions – Impairment of non-financial assets* and *Note 15 – Goodwill and Intangible Assets* for further disclosures relating to impairment of non-financial assets.

*Intangible asset with indefinite useful life*

Intangible asset with indefinite useful life is not amortized but is tested for impairment annually either individually or at the CGU level, as appropriate. We calculate the amount of impairment as being the difference between the recoverable amount of the intangible asset or the CGU, and its carrying amount and recognize the amount of impairment in our consolidated income statements. Impairment losses relating to intangible assets can be reversed in future periods.

See *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions – Impairment of non-financial assets* and *Note 15 – Goodwill and Intangible Assets* for further disclosures relating to impairment of non-financial assets.

***Investment in Debt Securities***

Investment in debt securities consists of time deposits and government securities which are carried at amortized cost using the EIR method. Interest earned from these securities is recognized under “Other income (expenses) – net – Interest income” in our consolidated income statements.

***Cash and Cash Equivalents***

Cash includes cash on hand and in banks. Cash equivalents, which include temporary cash investments, are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and for which there is an insignificant risk of change in value.

***Short-term Investments***

Short-term investments are money market placements, which are highly liquid with maturities of more than three months but less than one year from the date of acquisition.

## ***Fair Value Measurement***

We measure financial instruments such as derivatives, financial assets at FVPL, assets classified as held-for-sale and non-financial assets such as investment properties, at fair value at each reporting date. The fair values of investment properties are disclosed in *Note 14 – Investment Properties*. The fair values of the pension plan assets are disclosed in *Note 26 – Pension and Other Employee Benefits*. The fair values of financial instruments measured at amortized cost are disclosed in *Note 28 – Financial Assets and Liabilities*.

Fair value is the estimated 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: (i) in the principal market for the asset or liability; or (ii) 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 us.

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.

We use 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 our consolidated 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: (i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities; (ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and (iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in our consolidated financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

We determine the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted FVPL financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, we analyze the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per our accounting policies. For this analysis, we verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

We, in conjunction with our external valuers, also compare the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations. For the purpose of fair value disclosures, we have 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.

### ***Revenues from contracts with customers***

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which we expect to be entitled to in exchange for those goods or services. PFRS 15 prescribes a five-step model to be followed in the recognition of revenue, wherein we take into consideration the performance obligations which we need to perform in the agreements we have entered into with our customers. Revenue is measured by allocating the transaction price, which includes variable considerations, to each performance obligation on a relative stand-alone selling price basis, taking into account contractually defined terms of payment and excluding value-added tax, or VAT, or overseas communication tax, or OCT, where applicable. Transaction prices are adjusted for the effects of a significant financing component if we expect, at contract inception, that the period between the transfer of the promised goods or services to the customer and when the customer pays for that good or service will be more than one year.

When allocating the total contract transaction price to identified performance obligations, a portion of the total transaction price may relate to service performance obligations which were not satisfied or are partially satisfied as of end of the reporting period. In determining the transaction price allocated, we do not include nonrecurring charges and estimates for usage, nor do we consider arrangements with an original expected duration of one year or less.

Remaining performance obligations are associated with our wireless and fixed line subscription contracts. As at December 31, 2022, excluding the performance obligations for contracts with original expected duration of less than one year, the aggregate amount of the transaction price allocated to remaining performance obligations was Php47,049 million, of which we expect to recognize approximately 55% in 2023 and 45% in 2024 and onwards. As at December 31, 2021, excluding the performance obligations for contracts with original expected duration of less than one year, the aggregate amount of the transaction price allocated to remaining performance obligations was Php38,595 million, of which we recognized approximately 62% in 2022 and expect to recognize 38% in 2023 and onwards.

When determining our performance obligations, we assess our revenue arrangements against specific criteria to determine if we are acting as principal or agent. We consider both the legal form and the substance of our agreement, to determine each party's respective roles in the agreement. We are a principal and record revenue on a gross basis if we control the promised goods or services before transferring them or rendering those to the customer. However, if our role is only to arrange for another entity to provide the goods or services, then we are an agent and will need to record revenue at the net amount that we retain for our agency services.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenues from contracts with customers are provided in *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Identifying performance obligations*.

Our revenues are principally derived from providing the following telecommunications services: cellular voice and data services in the wireless business; and local exchange, international and national long distance, data and other network, and information and communications services in the fixed line business.

Services may be rendered separately or bundled with goods or other services. The specific recognition criteria are as follows:

i. **Single Performance Obligation (POB) Contracts**

Postpaid service arrangements include fixed monthly charges (including excess of consumable fixed monthly service fees) generated from cellular voice, short messaging services, or SMS, and data services through the postpaid plans of Smart Signature, and Infinity brands, from local exchange services primarily through landline and related services, and from fixed line and other network services primarily through broadband and leased line services, which we recognize on a straight-line basis over the customer's subscription period. Services provided to postpaid subscribers are billed throughout the month according to the billing cycles of subscribers. Services availed by subscribers in addition to these fixed fee arrangements are charged separately at their stand-alone selling prices and recognized as the additional service is provided or as availed by the subscribers.

Our prepaid service revenues arise from the usage of airtime load from channels and prepaid cards provided from Prepaid Home WiFi, Sulit Talk, Landline Plus products, Smart, TNT and SmartBro. Proceeds from over-the-air reloading channels and prepaid cards are initially recognized as contract liability and realized upon actual usage of the airtime value for voice, SMS, mobile data and other VAS, prepaid unlimited and bucket-priced SMS and call subscriptions, net of bonus credits from load packages purchased, such as free additional call minutes, SMS, data allocation or airtime load, or upon expiration, whichever comes earlier.

We also consider recognizing revenue from the expected expiry of airtime load in proportion to the pattern of rights exercised by the customer if we expect to be entitled to that expired amount. If we do not expect to be entitled to an expired amount based on historical experience with the customers, then we recognize the expected expired amount as revenue when the likelihood of the prepaid customer exercising its remaining rights becomes remote.

Interconnection fees and charges arising from the actual usage of airtime value or subscriptions are recorded as incurred.

Revenue from international and national long-distance calls carried via our network is generally based on rates which vary with distance and type of service (direct dial or operator-assisted, paid or collect, etc.). Revenue from both wireless and fixed line long distance calls is recognized as the service is provided. In general, non-refundable upfront fees, such as activation fees, that do not relate to the transfer of a promised good or service, are deferred and recognized as revenue throughout the estimated average length of the customer relationship, and the related incremental costs incurred are similarly deferred and recognized as expense over the same period, if such costs generate or enhance resources of the entity and are expected to be recovered.

Activation fees for both voice and data services are also considered as a single performance obligation together with monthly service fees, recognized over the customer subscription period. Activation fees for both voice and data services are also considered as a single performance obligation together with monthly services fees, recognized over the customer subscription period.

ii. Bundled Contracts

In revenue arrangements, which involve bundled sales of mobile devices and accessories (non-service component), and telecommunication services (service component), the total transaction price is allocated based on the relative stand-alone selling prices of each distinct performance obligation. Stand-alone selling price is the price at which we sell the good or service separately to a customer. However, if goods or services are not currently offered separately, we use the adjusted market or cost-plus margin method to determine the stand-alone selling price to be used in the transaction price allocation. We adjust the transaction price for the effects of the time value of money if the timing of the payment and delivery of goods or services do not coincide, effects of which are considered as containing a significant financing component.

Activation services and installation services for voice and data services that are not a distinct performance obligation are considered together with monthly voice and data services as a single performance obligation, recognized over the customer subscription period since the subscriber cannot benefit from the installation services on its own or together with other resources that are readily available to the subscriber. The related incremental costs are recognized in the same manner in our consolidated income statements, if such costs are expected to be recovered. On the other hand, custom built installation services provided to data services subscribers are considered a distinct separate performance obligation and is recognized when services are rendered.

Revenues from the sale of non-service component are recognized at the point in time when the goods are delivered while revenues from telecommunication services component are recognized over on a straight-line basis over the contract period when the services are provided to subscribers.

*Significant Financing Component*

The non-service component included in contracts with customers have significant financing component considering the period between the time of the transfer of control over the mobile device and the customer's payment of the price of the mobile device, which is more than one year.

The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. We concluded that there is a significant financing component for those contracts where the customer elects to pay in arrears considering the length of time between the transfer of mobile device to the customer and the customer's payment, as well as the prevailing interest rates in the market adjusted with customer credit spread.

### *Customer Loyalty Program*

We launched a new customer loyalty program called Giga Points. Points are earned through subscription of promo, purchase of load, and payment of bill for postpaid subscribers. Points are also earned through other activities such as daily login in the Giga App. These points can be used to redeem items such as giga promos, bill rebates, content subscription, discounts, exclusive tickets, and more.

Our contract with customer for revenue related activity includes a promise to provide future telco services or rights to third party services in the form of earning points. The Company considers this revenue related earning as performance obligation and the transaction price is allocated to each performance obligation. For earnings on non-revenue activity, the Company recognizes a financial liability upon redemption of the points from third party partners.

### iii. International and Domestic Long Distance Contracts

Interconnection revenues for call termination, call transit and network usages are recognized in the period in which the traffic occurs. Revenues related to local, long distance, network-to-network, roaming and international call connection services are recognized when the call is placed, or connection is provided, and the equivalent amounts charged to us by other carriers are recorded under interconnection costs in our consolidated income statements. Inbound revenue and outbound charges are based on agreed transit and termination rates with other foreign and local carriers.

#### *Variable consideration*

We assessed that a variable consideration exists in certain interconnection agreements where there is a monthly aggregation period and the rates applied for the total monthly traffic will depend on the total traffic for the month. We also consider whether contracts with carriers contain volume commitment or tiering arrangement whereby the rate being charged will change upon meeting certain volume of traffic. We estimate the amount of variable consideration to which we are entitled and include in the transaction price some or all of the amount of variable consideration estimated arising from these agreements, unless the impact is not material.

### iv. Others

Revenues from VAS include streaming and downloading of games, music, video contents, loan services, messaging services, applications and other digital services which are only arranged for by us on behalf of third-party content providers. The amount of revenue recognized is net of content provider's share in revenue. Revenue is recognized at a point in time upon service availability. We act as an agent for certain VAS arrangements.

Revenue from server hosting, co-location services and customer support services are recognized over the period that the services are performed.

### ***Contract Balances***

#### *Contract assets*

A contract asset is recognized when a performance obligation is satisfied, but the payment is conditional not only on the passage of time. The other conditions attached to realizing that recognized contract asset usually relate to the entity's fulfillment of other performance obligations in the contract. Refer to accounting policies on impairment of financial assets in section Financial instruments – initial recognition and subsequent measurement.

#### *Trade receivables*

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies on impairment of financial assets in section Financial instruments – initial recognition and subsequent measurement.

### *Contract liabilities and unearned revenues*

A contract liability is the obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before we transfer goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities and unearned revenues are recognized as revenue when we perform under the contract.

### *Incremental costs to obtain contracts*

We often give commissions and incentives to sales agents for meeting certain volumes of new connections and corresponding value of plans contracted. These costs are incremental costs to obtain a contract as we would have not incurred these costs if the contract had not been obtained. These costs are capitalized as an asset if these are expected to be recovered. Any capitalized incremental costs to obtain would be amortized and recognized as expense over customer subscription period. The capitalized incremental costs are subject to regular impairment assessment.

### ***Interest income***

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR.

### ***Dividend income***

Revenue is recognized when our right to receive the payment is identified.

### ***Expenses***

Expenses are recognized as incurred.

### ***Provisions***

We recognize a provision when we have a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When we expect some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain to be received if the entity settles the obligation. The expense relating to any provision is presented in our consolidated income statements, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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 in our consolidated income statements.

### ***Retirement Benefits***

PLDT and certain of its subsidiaries are covered under Republic Act No. 7641 otherwise known as “The Philippine Retirement Law”.

### *Defined benefit pension plans*

PLDT has separate and distinct retirement plans for itself and majority of its Philippine-based operating subsidiaries, administered by the respective Funds’ Trustees, covering permanent employees. Retirement costs are separately determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries.

Retirement costs consist of the following:

- Service cost;
- Net interest on the net defined benefit asset or obligation; and
- Remeasurements of net defined benefit asset or obligation.

Service cost (which includes current service costs, past service costs and gains or losses on curtailments and non-routine settlements) is recognized as part of “Selling, general and administrative expenses – Compensation and employee benefits” account in our consolidated income statements. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit asset or obligation is the change during the period in the net defined benefit asset or obligation that arises from the passage of time which is determined by applying the discount rate based on the government bonds to the net defined benefit asset or obligation. Net defined benefit asset is recognized as part of “Advances and other noncurrent assets” and net defined benefit obligation is recognized as part of “Pension and other employee benefits” in our consolidated statements of financial position.

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 obligation) are recognized immediately in other comprehensive income in the period in which they occur. Remeasurements are not classified to profit or loss in subsequent periods.

The net defined benefit asset or obligation comprises the present value of the defined benefit obligation (using a discount rate based on government bonds, as explained in *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions – Estimating pension benefit costs and other employee benefits*), net of the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets held by a long-term employee benefit fund or qualifying insurance policies and are not available to our creditors nor can they be paid directly to us. Fair value is based on market price information and in the case of quoted securities, the published bid price and in the case of unquoted securities, the discounted cash flow using the income approach. The value of any defined benefit asset recognized is restricted to the asset ceiling which is the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. See *Note 26 – Pension and Other Employee Benefits – Defined Benefit Pension Plans* for more details.

#### *Defined contribution plans*

Smart maintains a defined contribution plan that covers all regular full-time employees under which it pays fixed contributions based on the employees’ monthly salaries and provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of Republic Act No. 7641.

Accordingly, Smart accounts for its retirement obligation under the higher of the defined benefit obligation related to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. Smart and certain of its subsidiaries determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense (income) and other expenses (income) related to the defined benefit plan are recognized in our consolidated income statement.

The defined contribution liability, on the other hand, is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in our other comprehensive income.



When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in our profit or loss. Gains or losses on the settlement of the defined benefit plan are recognized when the settlement occurs. See *Note 26 – Pension and Other Employee Benefits – Defined Contribution Plans* for more details.

Employee benefit costs include current service cost, net interest on the net defined benefit obligation, and remeasurements of the net defined benefit obligation. Past service costs and actuarial gains and losses are recognized immediately in our consolidated income statement.

The long-term employee benefit liability comprises the present value of the defined benefit obligation (using a discount rate based on government bonds) at the end of the reporting period and is determined using the projected unit credit method. See *Note 26 – Pension and Other Employee Benefits – Other Long-term Employee Benefits* for more details.

### ***Other Long-term Employee Benefits***

#### *Transformation Incentive Plan, or TIP*

In 2017, the Board of Directors of PLDT approved the TIP which intended to provide incentive compensation to key officers, executives and other eligible participants who are consistent performers and contributors to the Company's strategic and financial goals, based on the achievement of telco core income targets. The program was divided into two cycles. Cycle 1 covered the performance period from 2017 to 2019, was in the form of PLDT common shares of stocks and later modified to a mix of equity shares and cash grants, and was released in three annual grants. Cycle 2 covered the performance period from 2020 to 2021, was settled in cash and was released in 2022. TIP was administered by the Executive Compensation Committee, or ECC.

#### *Long-term Incentive Plan, or LTIP*

On December 23, 2021, the ECC approved the LTIP covering the years 2022 to 2026, covering two cycles, based on the achievement of telco core income targets, with additional performance metrics on Customer Experience and Sustainability to impact the LTIP pay-out. Cycle 1 covers performance period from 2022 to 2024. Payout will be split at the end of the 2nd year and at the end of the 3rd year, based on the achievement of performance targets. Cycle 2 covers performance period from 2025 and 2026, and is subject to the ECC's further evaluation and approval of the final terms.

This other long-term employee benefit liability was recognized and measured using the projected unit credit method and was amortized on a straight-line basis over the vesting period.

Please see *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Estimating pension benefit cost and other employee benefits*.

### ***Leases***

We assess at contract inception whether the contract is, or contains, a lease that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

*As a Lessee.* We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and ROU assets representing the right to use assets to the underlying assets.

- ROU assets

We recognize ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless it is reasonably certain that we obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment. Refer to the accounting policies in impairment of non-financial assets section.

- Lease liabilities

At the commencement date of the lease, we recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets

We apply the short-term lease recognition exemption to our short-term leases of machinery and equipment (i.e., those leases that have a lease term ending within 12 months or less from the commencement date and do not contain a purchase option). We also apply the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below Php250 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense in our consolidated income statement on a straight-line basis over the lease term.

- COVID-19 Related Rent Concessions

Beginning April 1, 2021, we applied the practical expedient where rent concessions as a result of the COVID-19 pandemic that meets all of the criteria below shall not be considered as a lease modification and accounted for any change in lease payments resulting from the COVID-19 related rent concession in the same way we would account for a change that is not a lease modification, i.e., as a variable lease payment. We continued to apply this for rent concessions beyond June 30, 2021.

- a) The rent concession is a direct consequence of COVID-19;
- b) The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- c) Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- d) There is no substantive change to other terms and conditions of the lease.

Lessors have granted forgiveness on lease payments as an effect of the COVID-19 pandemic. The rent concessions for PLDT amounted to Php288 thousand, Php3 million and Php15 million for the years ended December 31, 2022, 2021 and 2020, respectively. The rent concessions for Smart and DMPI amounted to nil for each of the years ended December 31, 2022 and 2021 and Php122 million for the year ended December 31, 2020.

*As a Lessor.* Leases in which we do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in our consolidated income statements due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the bases as rental income.

*Sale and Leaseback.* If we transfer an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, we account for the transfer contract and the lease by applying the requirements of PFRS 16. We first apply the requirements for determining when a performance obligation is satisfied in PFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset.

For transfer of an asset that satisfies the requirements of PFRS 15 to be accounted for as a sale of the asset, we measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by us. Accordingly, we recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the transfer of an asset does not satisfy the requirements of PFRS 15 to be accounted for as a sale of the asset, we continue to recognize the transferred asset and recognize a financial liability equal to the transfer proceeds. We account for the financial liability applying PFRS 9.

## ***Income Taxes***

### *Current income tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. 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 period where we operate and generate taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in our consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### *Deferred income tax*

Deferred income tax is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred income tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, 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 assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits from excess minimum corporate income tax, or MCIT, over regular corporate income tax, or RCIT, and unused net operating loss carry over, or NOLCO. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized, except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the end of the reporting period.

Deferred income tax relating to items recognized in “Other comprehensive income” account is included in our consolidated statements of comprehensive income and not in our consolidated income statements.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in our consolidated income statement.

## ***VAT***

Revenues, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in our consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in our consolidated statements of financial position to the extent of the recoverable amount.

## ***Contingencies***

Contingent liabilities are not recognized in our consolidated financial statements. Unless the possibility of an outflow of resources embodying economic benefits is probable and measurable, they are disclosed in the notes to our consolidated financial statements. On the other hand, contingent assets are not recognized in our consolidated financial statements but are disclosed in the notes to our consolidated financial statements when an inflow of economic benefits is probable.

## ***Segment Information***

PLDT and its subsidiaries are organized into three business segments. Such business segments are the bases upon which we report our primary segment information. Financial information on business segments is presented in *Note 4 – Operating Segment Information*.

## ***Events After the End of the Reporting Period***

Post year-end events up to the date of approval of the Board of Directors that provide additional information about our financial position at the end of the reporting period (adjusting events) are reflected in our consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to our consolidated financial statements when material.

## ***Equity***

Preferred and common stocks are measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as capital in excess of par value in our consolidated statement of changes in equity and consolidated statements of financial position.

Treasury stocks are our own equity instruments which are reacquired and recognized at cost and presented as reduction in equity. No gain or loss is recognized in our consolidated income statements on the purchase, sale, reissuance or cancellation of our own equity instruments. Any difference between the carrying amount and the consideration upon reissuance or cancellation of shares is recognized as capital in excess of par value in our consolidated statement of changes in equity and consolidated statements of financial position.

Change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction and any impact is presented as part of capital in excess of par value in our consolidated statement of changes in equity.

Retained earnings represent our net accumulated earnings less cumulative dividends declared.

Other comprehensive income comprises of income and expense, including reclassification adjustments that are not recognized in our consolidated income statement as required or permitted by PFRS.

## ***Standards Issued But Not Yet Effective***

The standards that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are listed below. We will adopt these standards and amendments to existing standards which are relevant to us when these become effective.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

The amendments will have no significant impact on our consolidated financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements, Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- a. Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- b. Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

We are currently assessing the impact of the amendments to our disclosures on accounting policies.

- Amendments to PAS 12, *Income Taxes, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. Early application is permitted.

The amendments will have no impact on our consolidated financial statements.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

The amendments clarify:

- a. That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current;
- b. That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- c. That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. We are currently assessing the impact the amendments will have on current practice.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

The amendments will have no significant impact on our consolidated financial statements.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

1. A specific adaptation for contracts with participation features (the variable fee approach); and
2. A simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FSRSC, amended the mandatory effective date of IFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of IFRS 17 by two years after its effective date as decided by the International Accounting Standards Board.

IFRS/PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

The standard will have no significant impact on our consolidated financial statements.

### **3. Management's Use of Accounting Judgments, Estimates and Assumptions**

The preparation of our consolidated financial statements in conformity with PFRS requires us to make judgments, estimates and assumptions that affect the reported amounts of our revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of each reporting period. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments and estimates 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.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements. Selected critical judgments and estimates applied in the preparation of the consolidated financial statements are discussed below:

#### ***Judgments***

In the process of applying our accounting policies, management has made judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in our consolidated financial statements.

## *Revenue Recognition*

### *Identifying performance obligations*

We identify performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and our promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Revenues earned from multiple element arrangements offered by our fixed line and wireless businesses are split into separately identifiable performance obligations based on their relative stand-alone selling price in order to reflect the substance of the transaction. The transaction price represents the best evidence of stand-alone selling price for the services we offer since this is the observable price we charge if our services are sold separately. We account for customer contracts in accordance with PFRS 15 and have concluded that the service (telecommunication service) and non-service components (handset or equipment) may be accounted for as separate performance obligations. The handset or equipment is delivered first, followed by the telecommunication service (which is provided over the contract/lock-in period of generally two years). Revenue attributable to the separate performance obligations are based on the allocation of the transaction price relative to the stand-alone selling price.

Installation fees for voice and data services that are not custom built for the subscribers are considered as a single performance obligation together with monthly service fees, recognized over the customer subscription period since the subscriber cannot benefit from the installation services on its own or together with other resources that are readily available to the subscriber. On the other hand, installation fees of data services that are custom built for the subscribers are considered as a separate performance obligation and is recognized upon completion of the installation services. Activation fees for both voice and data services are also considered as a single performance obligation together with monthly service fees, recognized over the customer subscription period.

### *Principal versus agent consideration*

We enter into contracts with our customers involving multiple deliverable arrangements. We determined that we control the goods before they are transferred to customers, and we have the ability to direct the use of the inventory. The following factors indicate that we control the goods before they are being transferred to customers.

- We are primarily responsible for fulfilling the promise to provide the specified equipment;
- We bear inventory risk on our inventory before it has been transferred to the customer; and
- We have discretion in establishing the prices for the other party's goods or services and, therefore, the benefit that we can receive from those goods or services is not limited. It is incumbent upon us to establish the price of our services to be offered to our subscribers.

Based on the foregoing, we are considered the principal in our contracts with other service providers except for certain VAS arrangements. We have the primary obligation to provide the services to the subscriber.

### *Timing of revenue recognition*

We recognize revenues from contracts with customers over time or at a point in time depending on our evaluation of when the customer obtains control of the promised goods or services and based on the extent of progress towards completion of the performance obligation. For the telecommunication service which is provided over the contract period of two or more years, revenue is recognized monthly as we provide the service because control is transferred over time. For the device which is sold at the inception of the contract, revenue is recognized at the time of delivery because control is transferred at a point in time.

### *Identifying methods for measuring progress of revenue recognized over time*

We determine the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

Revenue from telecommunication services is recognized through the use of input method wherein recognition is over time based on the customer subscription period since the customer simultaneously receives and consumes the benefits as the seller renders the services.

#### *Significant financing component*

We concluded that the handset component included in contracts with customers has a significant financing component considering the period between the time of the transfer of control over the handset and the customer's payment of the price of the handset, which is more than one year.

In determining the interest to be applied to the amount of consideration, we concluded that the interest rate is the market interest rate adjusted with credit spread to reflect the customer credit risk that is commensurate with the rate that would be reflected in a separate financing transaction between us and our customer at contract inception.

#### *Estimation of stand-alone selling price*

We assessed that the service and non-service components represent separate performance obligations and thus, the amount of revenues should be recognized based on the allocation of the transaction price to the different performance obligations based on their stand-alone selling prices. The stand-alone selling price is the price at which we sell the good or service separately to a customer. However, if goods or services are not currently offered separately, we use the adjusted market or cost-plus margin method to determine the stand-alone selling price to be used in the revenue allocation.

In terms of allocation of transaction price between performance obligations, we assessed that allocating the transaction price using the stand-alone selling prices of the services and handset will result in more revenue allocated to non-service component. The stand-alone selling price is based on the price in which we regularly sell the non-service and service component in a separate transaction.

#### *Financial Instruments*

##### *Evaluation of business models in managing financial instruments*

We determine our business model at the level that best reflects how we manage groups of financial assets to achieve our business objective. Our business model is not assessed on an instrument-by-instrument basis, but a higher level of aggregated portfolios and is based on observable factors such as:

- a. How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- b. The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- c. The expected frequency, value and timing of sales are also important aspects of our assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from our original expectations, we do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

We have determined that for cash and cash equivalents, short-term investments, investment in debt securities and other long-term investments, and trade and other receivables, the business model is to collect the contractual cash flows until maturity.

PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio and those sales are more than insignificant in value, of financial assets carried at amortized cost, we should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.



### *Definition of default and credit-impaired financial assets*

We define a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*

For trade receivables and all other financial assets subject to impairment, default occurs when the receivable becomes 90 days past due, except for trade receivables from Corporate subscribers, which are determined to be in default when the receivables become 120 days past due.

- *Qualitative criteria*

The counterparty meets unlikeliness to pay criteria, which indicates the counterparty is in significant financial difficulty. These are instances where:

- a. The counterparty is experiencing financial difficulty or is insolvent;
- b. The counterparty is in breach of financial covenant(s);
- c. An active market for that financial assets has disappeared because of financial difficulties;
- d. Concessions have been granted by us, for economic or contractual reasons relating to the counterparty's financial difficulty;
- e. It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
- f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments, except FVPL, held by us and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the ECL models throughout our expected loss calculation.

### *Significant increase in credit risk*

At each reporting date, we assess whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. We consider reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

Using our judgment and, where possible, relevant historical experience, we may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that we consider are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, we consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the counterparty.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within our investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the PLDT Group.

### *Determination of functional currency*

The functional currencies of the entities under the PLDT Group are the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue from and cost of rendering products and services.

The presentation currency of the PLDT Group is the Philippine Peso. Based on the economic substance of the underlying circumstances relevant to the PLDT Group, the functional currency of all entities under the PLDT Group is the Philippine Peso, except for (a) FECL Group, PLDT Global and certain of its subsidiaries, PGNL and certain of its subsidiaries, Chikka and certain of its subsidiaries and PGIC, which use the U.S. Dollar; (b) iCommerce, CPL and AGSPL, which use the Singaporean Dollar; (c) AGS Indonesia, which uses the Indonesian Rupiah; and (d) PLDT Malaysia Sdn Bhd, which use the Malaysian Ringgit.

### *Determining the lease term of contracts with renewal and termination options – Company as a Lessee*

Upon adoption of PFRS 16, we applied a single recognition and measurement approach for all leases, except for short-term leases and leases of ‘low-value’ assets. See Section *Leases* for the accounting policy.

We determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

We, as the lessee, have the option, under some of our lease agreements to lease the assets for additional terms. We apply judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, we consider all relevant factors that create an economic incentive for us to exercise the renewal. After the commencement date, we reassess the lease term if there is a significant event or change in circumstances that is within our control and affects our ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy).

We included the renewal period as part of the lease term for leases such as poles and leased circuits due to the significance of these assets to our operations. These leases have a non-cancellable period (i.e., one to 30 years) and there will be a significant negative effect on our provision of services if a replacement is not readily available. Furthermore, the periods covered by termination options are included as part of these lease term only when they are reasonably certain not to be exercised.

See *Note 10 – Leases* for information on potential future payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Total depreciation of ROU assets amounted to Php5,716 million, Php5,388 million and Php4,940 million for the years ended December 31, 2022, 2021 and 2020, respectively. Total lease liabilities amounted to Php42,435 million and Php21,686 million as at December 31, 2022 and 2021, respectively. See *Note 10 – Leases* and *Note 28 – Financial Assets and Liabilities*.

### *Sale and Leaseback of Telecom Towers*

The accounting for sale and leaseback transaction depends on whether the transfer of the asset qualifies as a sale. We applied judgment to determine whether the transfer of asset is accounted for as a sale based on the requirements for determining when a performance obligation is satisfied in PFRS 15. We also applied estimates and judgment in determining many aspects, among others, the passive telecom assets and land lease as unit of accounts, the fair value of the towers sold, the measurement of the ROU assets retained by us and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

### *Assets classified as held-for-sale*

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

Smart and DMPI entered into sale and purchase agreements with certain tower companies in connection with the sale of telecom towers and related passive telecom infrastructure. The closing of the agreements will be on a staggered basis depending on the satisfaction of closing conditions based on the number of towers transferred and is expected to be completed in 2023. With this agreement, we believe that certain conditions were met that qualified the related assets to be reclassified as held-for-sale.

*Accounting for investments in MediaQuest Holdings, Inc., or MediaQuest, through Philippine Depositary Receipts, or PDRs*

ePLDT made various investments in PDRs issued by MediaQuest in relation to its direct interest in Satventures, Inc., or Satventures, and indirect interest in Cignal TV, Inc., or Cignal TV.

Based on our judgment, at the PLDT Group level, ePLDT's investments in PDRs gives ePLDT a significant influence over Satventures and Cignal TV as evidenced by provision of essential technical information and material transactions among PLDT, Smart, Satventures and Cignal TV, and thus are accounted for as investments in associates using the equity method.

See related discussion on *Note 11 – Investments in Associates and Joint Ventures – Investments in Associates – Investment of ePLDT in MediaQuest PDRs*.

*Accounting for investment of PCEV in Maya Bank, Inc., or Maya Bank*

The shareholders' agreement of Voyager Finserve Corporation, or VFC, and Paymaya Finserve Corporation, or PFC, (collectively known as the Bank Holdcos) requires affirmative vote of at least one director nominated by both PCEV and VIH to direct the relevant activities of the Bank HoldCos. The Bank HoldCos were incorporated for the sole purpose of holding shares or equity investments in Maya Bank. Because of the contractual arrangement between the parties, the investments in the Bank HoldCos are accounted as joint venture.

See *Note 11 – Investments in Associates and Joint Ventures – Investments in Associates – Investment of PCEV in Maya Bank*.

*Assessment of loss of control over PG1*

PLDT assesses the consequences of changes in the ownership interest in a subsidiary that may result in a loss of control as well as the consequence of losing control of a subsidiary during the reporting period. Whether or not PLDT retains control over the subsidiary depends on an evaluation of a number of factors that indicate if there are changes to one or more of the three elements of control. When PLDT has less than majority of the voting rights or similar rights to an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including, among others, representation on its board of directors, voting rights, and other rights of other investors, including their participation in significant decisions made in the ordinary course of business.

As a result of the acquired equity interest of Philex Mining Corporation, MPIC, and Roxas Holdings, Inc. in PG1, PLDT's ownership interest was diluted to 47.6%. In addition, PG1 appointed a new director bringing the total number of PG1 directors to nine. PLDT retained four out of nine total board seats. Consequently, as at February 28, 2022, PLDT lost its control over PG1 and accounted for its remaining interest as investment in associate. See *Note 11 – Investments in Associates and Joint Ventures – Investments in Associates – Investment of PLDT in PG1*.

As at December 31, 2022 and 2021, PLDT holds 47.6% and 65.3% interest over PG1, respectively.

*Accounting for investments in Vega Telecom Inc., or VTI, Bow Arken Holdings Company, or Bow Arken, and Brightshare Holdings, Inc., or Brightshare*

On May 30, 2016, PLDT acquired a 50% equity interest in each of VTI, Bow Arken and Brightshare. See related discussion on *Note 11 – Investments in Associates and Joint Ventures – Investments in Joint Ventures*. Based on the Memorandum of Agreement, PLDT and Globe Telecom, Inc., or Globe, each has the right to appoint half the members of the Board of Directors of each of VTI, Bow Arken and Brightshare, as well as the (i) co-Chairman of the Board; (ii) co-Chief Executive Officer and President; and (iii) co-Controller where any matter requiring their approval shall be deemed passed or approved if the consents of both co-officers holding the same position are obtained. All decisions of each Board of Directors may only be approved if at least one director nominated by each of PLDT and Globe votes in favor of it.

Based on these rights, PLDT and Globe have joint control over VTI, Bow Arken and Brightshare, which is defined in PFRS 11, *Joint Arrangements*, as a contractually agreed sharing of control of an arrangement and exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Consequently, PLDT and Globe classified the joint arrangement as a joint venture in accordance with PFRS 11 given that PLDT and Globe each has the right to 50% of the net assets of VTI, Bow Arken and Brightshare and their respective subsidiaries.

Accordingly, PLDT accounted for the investment in VTI, Bow Arken and Brightshare using the equity method of accounting in accordance with PAS 28. Under the equity method of accounting, the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. See *Note 11 – Investments in Associates and Joint Ventures – Investment in Joint Ventures – Investments of PLDT in VTI, Bow Arken and Brightshare*.

#### *Material partly-owned subsidiaries*

Our consolidated financial statements include additional information about subsidiaries that have non-controlling interest, or NCI, that are material to us, see *Note 6 – Components of Other Comprehensive Loss*. We determined material partly-owned subsidiaries as those with balance of NCI greater than 5% of the total equity as at December 31, 2022 and 2021.

#### *Material associates and joint ventures*

Our consolidated financial statements include additional information about associates and joint ventures that are material to us. See *Note 11 – Investments in Associates and Joint Ventures*. We determined material associates and joint ventures are those investees where our carrying amount of investments is greater than 5% of the total investments in associates and joint ventures as at December 31, 2022 and 2021.

#### *Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates*

We assess whether we have any uncertain tax position and applies significant judgment in identifying uncertainties over our income tax treatments. We determined based on our assessment that it is probable that our income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

#### *CREATE Act*

On March 26, 2021, the Philippine President signed into law Republic Act No. 11534, or the CREATE Act, which introduced reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation, or on April 11, 2021.

The CREATE Act provides for the following reduction in corporate income tax rates, among others:

- Lower corporate income tax from 30% to 25%, retroactive to July 1, 2020, for both domestic and foreign corporations;
- Lower corporate income tax of 20% for small and medium domestic corporations (with net taxable income of Php5 million and below, and with total assets of not more than Php100 million excluding land); and
- Lower MCIT from 2% to 1% effective July 1, 2020 until June 30, 2023.

The CREATE Act was not considered substantially enacted as at December 31, 2020 and its passage into law on March 26, 2021 is considered as a non-adjusting subsequent event for 2020. Accordingly, current and deferred taxes as at and for the year ended December 31, 2020 were computed and measured using the applicable tax rates as at December 31, 2020 (i.e. 30% RCIT / 2% MCIT) for financial reporting purposes.

Under the CREATE Act, the lower regular corporate income tax rate of 25% applies retroactively to July 1, 2020.

- Based on the provisions of BIR Revenue Regulations (RR) No. 05-2021 dated April 8, 2021, the applicable statutory tax rate for the calendar year ended December 31, 2020 is 27.5%. This resulted in a reduction of provision for current income tax amounting to Php485 million, which was reflected as an adjustment in the 2020 Annual Income Tax Returns; and
- Deferred income tax assets and liabilities as at December 31, 2020 are remeasured using the applicable statutory tax rate of 25% under the CREATE Act. This resulted in lower net deferred income tax assets and liabilities as at December 31, 2020 of Php3,125 million and additional provision for deferred income tax of Php579 million.

The above adjustments in income tax provision were recognized in the first quarter of 2021. Meanwhile, the tax rates provided for under the CREATE Act were used for the years ended December 31, 2022 and 2021.

### ***Estimates and Assumptions***

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in our consolidated financial statements within the next financial year are discussed below. We based our estimates and assumptions on parameters available when our consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond our control. Such changes are reflected in the assumptions when they occur.

#### *Leases – Estimating the incremental borrowing rate, or IBR*

In calculating the present value of lease payments, we use the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

We use benchmark rates from partner banks based on the tenor of our loan borrowings plus a spread adjustment based on our credit worthiness.

Our lease liabilities amounted to Php42,435 million and Php21,686 million as at December 31, 2022 and 2021, respectively. See *Note 10 – Leases*.

#### *Loss of control over VIH – Fair value measurement of interest retained*

A deemed disposal occurs where the proportionate interest of PLDT in a subsidiary is reduced other than by an actual disposal, for example, by the issuance of shares to a third-party investor by the subsidiary. When PLDT no longer has control, the remaining interest is measured at fair value as at the date the control was lost. In determining the fair value of PLDT's retained interest in VIH, we take into account recent transactions and all the facts and circumstances surrounding the transactions such as timing, transaction size, transaction frequency, and motivations of the investors. We carefully assess the accounting implications of the stipulation in the shareholders' agreements and consider whether such a transaction has been made at arm's length. See *Note 11 – Investments in Associates and Joint Ventures – Investments in Associates – Investment of PCEV in VIH*.

#### *Impairment of non-financial assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. In the case of goodwill and intangible assets with indefinite useful life, at a minimum, such assets are subject to an impairment test annually and whenever there is an indication that such assets may be impaired. This requires an estimation of the VIU of the CGUs to which these assets are allocated. The VIU calculation requires us to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows. See *Note 15 – Goodwill and Intangible Assets – Impairment Testing of Goodwill* for the key assumptions used to determine the VIU of the relevant CGUs.

Determining the recoverable amount of property and equipment, ROU assets, investments in associates and joint ventures, goodwill and intangible assets, prepayments and other noncurrent assets, requires us to make estimates and assumptions in the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause us to conclude that property and equipment, ROU assets, investments in associates and joint ventures, intangible assets and other noncurrent assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on our financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions of future market conditions. While we believe that our assumptions are appropriate and reasonable, significant changes in our assumptions may materially affect our assessment of recoverable values and may lead to future impairment charges under PFRS.

See *Note 4 – Operating Segment Information*, *Note 5 – Income and Expenses – Asset Impairment*, and *Note 9 – Property and Equipment*.

The carrying values of our property and equipment, ROU assets, investments in associates and joint ventures, investment properties, goodwill and intangible assets, and prepayments are separately disclosed in *Note 9 – Property and Equipment*, *Note 10 – Leases*, *Note 11 – Investments in Associates and Joint Ventures*, *Note 14 – Investment Properties*, *Note 15 – Goodwill and Intangible Assets* and *Note 19 – Prepayments*, respectively.

#### *Estimating useful lives of property and equipment*

We estimate the useful lives of each item of our property and equipment based on the periods over which our assets are expected to be available for use. Our estimation of the useful lives of our property and equipment is also based on our collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each assets are reviewed every year-end and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of our assets. It is possible, however, that future results of operations could be materially affected by changes in our estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of our property and equipment would increase our recorded depreciation and decrease the carrying amount of our property and equipment.

In 2019, Smart shortened its estimated useful lives of certain network, technology and other equipment, the most significant of which were the 2G technology-related equipment in preparation for the shutdown of said technology. The shutdown was part of our strategy to address increasing demand for data and data centric applications by moving to faster speed long-term evolution, or LTE, and 5G technologies. As a result, Smart recognized additional depreciation expense of Php87 million, Php1,397 million and Php1,458 million for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2020, Smart shortened its estimated useful lives of certain network, technology and other equipment, the most significant of which are the 3G technology-related equipment in preparation for the shutdown of said technology. The shutdown is the next phase of our strategy to migrate to faster speed LTE and 5G technologies. Smart also shortened the estimated useful lives of certain network equipment as a result of transformation and cost re-engineering initiatives. The management re-evaluated these 3G technology-related equipment in May 2022, and it was determined that the number of 3G devices in the market continued to decline resulting to low 3G traffic. Furthermore, the demands of the subscribers are shifting to LTE and 5G which offers faster high-speed data services. The remaining number of the 3G subscribers are negligible and will not result to further re-assessment of the EUL for the 3G technology assets. As a result, Smart recognized additional depreciation expense of Php9,421 million, Php1,406 million and Php3,035 million for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2020, PLDT shortened its estimated useful lives of certain network equipment resulting from the Asymmetric Digital Subscriber Line migration projects from copper to fiber-to-the home to improve better quality of service for its existing broadband subscribers and address the growing demand for higher internet speed brought about by work from home and online classes. As a result, PLDT recognized additional depreciation expense of Php1,028 million for the year ended December 31, 2020.

In 2021, Smart accelerated the depreciation of certain equipment as a result of its Technology Group initiatives such as IT and Tech refresh programs, core modernization and support replacements. As a result, Smart recognized additional depreciation expense of Php1,138 million in the fourth quarter of 2021.

In 2022, Smart conducted an enterprise-wide network asset physical verification activity wherein certain assets have been identified, which are expected not to be utilized moving forward and will have to be decommissioned and possibly to be dismantled. As a result, Smart recognized additional depreciation expense of Php3,044 million.

In 2022, certain softwares and related services were upgraded as a result of IT system updates for the data link repository program of the data transformation. These replaced software and services that are to expire in 2023 to support various projects like e-load, rating and charging Online Charging System, System Application Products, value-added services and software and services related to Trident. As a result, we recognized additional depreciation expense of Php2,122 million.

In 2022, PLDT embarked on the re-development of its Makati Offices to transform both Ramon Cojuangco Building and Makati General Office into a modern, ecologically sustainable, and open campus-type headquarters. Part of the renovation is the moveout and modernization of network equipment. As a result, PLDT and Smart recognized additional depreciation expense of Php1,798 million and Php46 million, respectively, in the second quarter of 2022.

In addition, PLDT accelerated the depreciation of certain network equipment as a result of technology transformation and modernization program to continuously enable the delivery and fulfillment of more advanced, more resilient and much more intelligent network to provide best quality of customer experience and continuously meet the intensified demands on infrastructure and is expected to grow exponentially in the future. The following are the 2022 PLDT initiatives:

- PLDT have stopped selling copper facilities to subscribers and stopped investing on infrastructure to Vectored Very High-Speed Digital Subscribers, or VVDSL, and migrating to Fiber Optic facilities as new offering to new subscribers. As a result, PLDT recognized additional depreciation expense amounting to Php9,711 million in 2022.
- PLDT continued network upgrades, and fortification of fiber optic cables to utilize better physical routes to increase the reach, capacity and network compatibility with higher bandwidth transport equipment by replacing the old existing aerial and underground fiber cables that are no longer viable as they cannot deliver and meet service requirements for our subscribers. As a result, PLDT recognized additional depreciation expense amounting to Php3,215 million in 2022.
- PLDT replaced the legacy Optical Line Terminal, or OLT, which delivers internet connectivity to our subscriber with OLT that has more advanced and much higher capacity fiber access equipment. As a result, PLDT recognized additional depreciation expense amounting to Php786 million in 2022.
- Both PLDT and Smart carried out the modernization of some key core network equipment and facilities through significant upgrades and expansion of hardware for more flexibility and better equipped for other functionalities. As a result, PLDT and Smart recognized additional depreciation expenses amounting to Php525 million and Php1,334 million, respectively, in 2022.
- Furthermore, both PLDT and Smart laid out the Transport Network Transformation, a new system ready to serve the traffic of existing and incoming subscribers of fixed and wireless business with enhanced reliability, footprint and operational simplicity. This replaced the legacy network system that resulted in PLDT and Smart recognizing additional depreciation expenses amounting to Php14,128 million and Php5,074 million, respectively, in 2022.

The total depreciation and amortization of property and equipment amounted to Php92,998 million, Php46,781 million and Php42,540 million for the years ended December 31, 2022, 2021 and 2020, respectively. Total carrying values of property and equipment, net of accumulated depreciation and amortization, amounted to Php292,745 million and Php302,736 million as at December 31, 2022 and 2021, respectively. See *Note 4 – Operating Segment Information* and *Note 9 – Property and Equipment*.

#### *Estimating useful lives of intangible assets with finite lives*

Intangible assets with finite lives are amortized over their expected useful lives using the straight-line method of amortization. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in our consolidated income statements.

In October 2020, we implemented the rebranding of Sun Prepaid into Smart Prepaid. As a result, the “*Sun Cellular*” trademark of DMPI which had been previously projected to be of continued use and accordingly estimated to have an indefinite life was subsequently treated as having a finite life and was amortized over a period of 12 months starting August 2020. See *Note 2 – Summary of Significant Accounting Policies – Sun Prepaid Rebranding to Smart Prepaid* and *Note 15 – Goodwill and Intangible Assets – Amortization of Sun Cellular Trademark*.

The total amortization of intangible assets with finite lives amounted to Php228 million, Php2,822 million and Php2,496 million for the years ended December 31, 2022, 2021 and 2020, respectively. Total carrying values of intangible assets with finite lives amounted to Php1,388 million and Php1,156 million as at December 31, 2022 and 2021, respectively. See *Note 4 – Operating Segment Information*, *Note 5 – Income and Expenses – Selling, General and Administrative Expenses* and *Note 15 – Goodwill and Intangible Assets*.

### *Investment Properties*

We carry our investment properties at fair value, with changes in fair value being recognized in the consolidated income statement. Investment properties have been determined based on appraisal performed by an independent firm of appraisers, an industry specialist in valuing these types of investment properties.

The valuation for land was based on a market approach valuation technique while the valuation for building and land improvements was based on a cost approach valuation technique using current material and labor costs for improvements based on external and independent reviewers. See *Note 14 – Investment Properties*.

### *Recognition of deferred income tax assets*

We review the carrying amounts of deferred income tax assets at the end of each reporting period and reduce these to the extent that these are no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Our assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting years. This forecast is based on our past results and future expectations on revenues and expenses as well as future tax planning strategies. Based on this, management expects that we will generate sufficient taxable income to allow all or part of our deferred income tax assets to be utilized.

Based on the above assessment, our consolidated unrecognized deferred income tax assets amounted to Php748 million and Php901 million as at December 31, 2022 and 2021, respectively. Total consolidated benefit from deferred income tax amounted to Php4,175 million for the year ended December 31, 2022, while total consolidated provision for deferred income tax amounted to Php2,348 million and Php3,989 million for the years ended December 31, 2021 and 2020, respectively. Total consolidated recognized net deferred income tax assets amounted to Php17,636 million and Php13,385 million as at December 31, 2022 and 2021, respectively. See *Note 4 – Operating Segment Information* and *Note 7 – Income Taxes*.

### *Estimating allowance for ECLs*

#### *a. Measurement of ECLs*

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the EIR. The cash shortfall is the difference between the cash flows due to us in accordance with the contract and the cash flows that we expect to receive; and
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of *estimated* future cash flows discounted by the EIR.

We leverage existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allow us to identify whether the credit risk of financial assets has significantly increased.

#### *b. Inputs, assumptions and estimation techniques*

- *General approach for cash in bank, short-term investments, debt securities, financial assets at FVOCI and advances and other noncurrent assets*

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition. We consider the probability of our counterparty to default its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized and time value of money. We consider the impact of the COVID-19 pandemic on the operations and financial standing of the counterparties during our assessment on significant increase in credit risk. Based on our assessment, there is no significant increase in credit risk and the ECL for these financial assets under general approach are measured on a 12-month basis.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.



- *Simplified approach for trade and other receivables and contract assets*

The simplified approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECL. For trade receivables and contract assets, we use the simplified approach for calculating ECL. We have considered similarities in underlying credit risk characteristics and behavior in determining the groupings of various customer segments.

We used historically observed default rates and adjusted these historical credit loss experience with forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

There have been no significant changes in the estimation techniques used for calculating ECL on trade and other receivables and contract assets.

- *Incorporation of forward-looking information*

We incorporated forward-looking information into both our assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and our measurement of ECL.

To do this, management considered a range of relevant forward-looking macro-economic assumptions and probability weights for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

The macro-economic factors are aligned with information used by us for other purposes such as strategic planning and budgeting.

The probability weights used in the calculation of ECLs cover a range of possible outcomes and consider the severity of the impact of COVID-19 and the expected timing/duration of the recovery from the pandemic.

We have identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past three to eight years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

We have not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where we are not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Total provision for expected credit losses for trade and other receivables amounted to Php5,156 million, Php3,737 million and Php6,446 million for the years ended December 31, 2022, 2021 and 2020, respectively. Trade and other receivables, net of allowance for expected credit losses, amounted to Php26,255 million and Php21,790 million as at December 31, 2022 and 2021, respectively. See *Note 5 – Income and Expenses* and *Note 17 – Trade and Other Receivables*.

Total impairment losses for contract assets amounted to Php227 million, Php253 million and Php266 million for the years ended December 31, 2022, 2021 and 2020, respectively. Contract assets, net of allowance for expected credit losses, amounted to Php2,233 million and Php2,251 million as at December 31, 2022 and 2021, respectively. See *Note 5 – Income and Expenses – Contract Balances*.

- *Grouping of instruments for losses measured on collective basis*

A broad range of forward-looking information were considered as economic inputs such as the gross domestic product, or GDP, inflation rate, unemployment rates, export rates, G20 GDP and G20 inflation rates. For expected credit loss provisions modelled on a collective basis, grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the PLDT Group to be statistically acceptable. Where sufficient information is not available internally, then we have considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below.

Trade receivables – Groupings for collective measurement

- a. Retail subscribers;
- b. Corporate subscribers;
- c. Foreign administrations and domestic carriers; and
- d. Dealers, agents and others

The following credit exposures are assessed individually:

- All stage 3 assets, regardless of the class of financial assets; and
- The cash and cash equivalents, investment in debt securities and financial assets at FVOCI, and other financial assets.

*Estimating pension benefit costs and other employee benefits*

The cost of defined benefit and present value of the pension obligation are determined using the projected unit credit method. An actuarial valuation includes making various assumptions which consists, among other things, discount rates, rates of compensation increases and mortality rates. Further, our accrued benefit cost is affected by the fair value of the plan assets. Key assumptions used to estimate fair value of the unlisted equity investments included in the plan assets consist of revenue growth rate, direct costs, capital expenditures, discount rates and terminal growth rates. See *Note 26 – Pension and Other Employee Benefits*. Due to complexity of valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions. While we believe that our assumptions are reasonable and appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our cost for pension and other retirement obligations. All assumptions are reviewed every year-end.

Net consolidated pension benefit costs amounted to Php1,749 million, Php2,213 million and Php2,218 million for the years ended December 31, 2022, 2021 and 2020, respectively. The prepaid benefit costs amounted to Php1,598 million and Php1,018 million as at December 31, 2022 and 2021, respectively. The accrued benefit costs amounted to Php1,745 million and Php7,760 million as at December 31, 2022 and 2021, respectively. See *Note 5 – Income and Expenses – Compensation and Employee Benefits*, *Note 19 – Prepayments* and *Note 26 – Pension and Other Employee Benefits*.

*TIP*

In 2017, the Board of Directors of PLDT approved the TIP which intended to provide incentive compensation to key officers, executives and other eligible participants who are consistent performers and contributors to the Company's strategic and financial goals, based on the achievement of telco core income targets. The program was divided into two cycles. Cycle 1 covered the performance period from 2017 to 2019, was in the form of PLDT common shares of stocks and later modified to a mix of equity shares and cash grants, and was released in three annual grants. Cycle 2 covered the performance period from 2020 to 2021, was settled in cash and was released in 2022. TIP was administered by the ECC.

*LTIP*

On December 23, 2021, the ECC approved the LTIP covering the years 2022 to 2026, covering two cycles, based on the achievement of telco core income targets, with additional performance metrics on Customer Experience and Sustainability to impact the LTIP pay-out. Cycle 1 covers performance period from 2022 to 2024. Payout will be split at the end of the 2nd year and at the end of the 3rd year, based on the achievement of performance targets. Cycle 2 covers performance period from 2025 and 2026, and is subject to the ECC's further evaluation and approval of the final of the terms.

This other long-term employee benefit liability was recognized and measured using the projected unit credit method and was amortized on a straight-line basis over the vesting period.

The expense accrued for the LTIP amounted to Php1,272 million for the year ended December 31, 2022 and the expense accrued for TIP amounted to Php1,186 million and Php1,134 million for the years ended December 31, 2021 and 2020, respectively.

The accrued incentive payable amounted to Php1,294 million and Php2,384 million as at December 31, 2022 and 2021, respectively. See *Note 5 – Income and Expenses – Compensation and Employee Benefits* and *Note 26 – Pension and Other Employee Benefits – Other Long-term Employee Benefits*.

#### *Provision for asset retirement obligations*

Provision for asset retirement obligations is recognized in the period in which this is incurred if a reasonable estimate can be made. This requires an estimation of the cost to restore or dismantle on a per square meter basis, depending on the location, and is based on the best estimate of the expenditure required to settle the obligation at the future restoration or dismantlement date, discounted using a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risk specific to the liability. Total provision for asset retirement obligations amounted to Php1,514 million and Php2,121 million as at December 31, 2022 and 2021, respectively. See *Note 22 – Deferred Credits and Other Noncurrent Liabilities*.

#### *Provision for legal contingencies and tax assessments*

We are currently involved in various legal proceedings and tax assessments. Our estimates of the probable costs for the resolution of these claims have been developed in consultation with our counsel handling the defense in these matters and are based upon our analysis of potential results. We currently do not believe these proceedings could materially reduce our revenues and profitability. It is possible, however, that future financial position and performance could be materially affected by changes in our estimates or effectiveness of our strategies relating to these proceedings and assessments. See *Note 27 – Provisions and Contingencies*.

Based on management's assessment, appropriate provisions were made; however, management has decided not to disclose further details of these provisions as they may prejudice our position in certain legal proceedings.

#### *Determination of fair values of financial assets and financial liabilities*

When the fair value of financial assets and financial liabilities recorded in our consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flows 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.

Other than those whose carrying amounts are reasonable approximations of fair values, total fair values of noncurrent financial assets and noncurrent financial liabilities as at December 31, 2022 amounted to Php3,851 million and Php203,459 million, respectively, while the total fair values of noncurrent financial assets and noncurrent financial liabilities as at December 31, 2021 amounted to Php3,067 million and Php244,568 million, respectively. See *Note 28 – Financial Assets and Liabilities*.

## **4. Operating Segment Information**

Operating segments are components of the PLDT Group that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of PLDT Group). The operating results of these operating segments are regularly reviewed by the Management Committee to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available.

For management purposes, we are organized into business units based on our products and services. We have three reportable operating segments as follows:

- Wireless – mobile telecommunications services provided by Smart and DMPI, our mobile service providers; SBI and PDSI, our wireless broadband service providers; and certain subsidiaries of PLDT Global, our mobile virtual network operations, or MVNO, provider;

- Fixed Line – fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT’s subsidiaries, namely, ClarkTel, BCC and PLDT Global and certain subsidiaries; data center, cloud, cyber security services, managed information technology services and resellership through ePLDT and its subsidiaries; full-service customer rewards and loyalty programs provided by MRSI; distribution of Filipino channels and content through PGNL and its subsidiaries; and software development and IT solutions provided by Multisys; and
- Others – PCEV, PGIH, PLDT Digital and its subsidiaries, our investment companies.

See *Note 2 – Summary of Significant Accounting Policies* for further discussion.

The chief operating decision maker, which we refer to as the Management Committee monitors the operating results of each business unit separately for purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income for the year; earnings before interest, taxes, and depreciation and amortization, or EBITDA; EBITDA margin; and core income. Net income for the year is measured consistent with net income in our consolidated financial statements.

EBITDA for the year is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs – net, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net.

EBITDA margin for the year is measured as EBITDA divided by service revenues.

Core income for the year is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures.

Telco core income for the year is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures, adjusted for the effect of the share in VIH losses, asset sales, and accelerated depreciation. Telco core income is used by the management as a basis for determining the level of dividend payouts to shareholders and one of the bases for granting incentives to employees.

Segment revenues, segment expenses and segment results include transfers between business segments. These transfers are eliminated in full upon consolidation.

Core earnings per common share, or core EPS, for the year is measured as core income divided by the weighted average number of outstanding common shares. See *Note 8 – Earnings Per Common Share* for the weighted average number of common shares.

EBITDA, EBITDA margin, core income and core EPS are non-PFRS measures.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in our consolidated financial statements, which is in accordance with PFRS. The segment revenues, net income, and other segment information of our reportable operating segments for the years ended December 31, 2022, 2021 and 2020, and as at December 31, 2022 and 2021 are as follows:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
	(in million pesos, except for EBITDA margin)				
<b>December 31, 2022</b>					
<b>Revenues</b>					
External customers	103,482	101,763	—	—	205,245
Service revenues	95,060	101,167	—	—	196,227
Non-service revenues	8,422	596	—	—	9,018
Inter-segment transactions	792	26,949	—	(27,741)	—
Service revenues	792	26,949	—	(27,741)	—
Non-service revenues	—	—	—	—	—
Total revenues	104,274	128,712	—	(27,741)	205,245
<b>Results</b>					
Depreciation and amortization	52,660	55,790	—	(9,736)	98,714
Asset impairment	1,173	4,933	1	—	6,107
Interest income	451	202	14	(14)	653
Equity share in net losses of associates and joint ventures	—	(253)	(3,051)	—	(3,304)
Financing costs – net	8,349	6,107	—	(2,690)	11,766
Provision for (benefit from) income tax	3,793	(1,025)	(134)	140	2,774
Net income (loss) / Segment profit (loss)	15,104	16,185	(2,669)	(17,885)	10,735
EBITDA	53,260	50,382	(12)	(9,685)	93,945
EBITDA margin	56%	39%	—	—	48%
Core income (loss)	13,034	38,448	(2,959)	(17,956)	30,567
Telco core income (loss)	13,034	37,970	68	(17,956)	33,116
<b>Assets and liabilities</b>					
Operating assets	310,549	257,976	10,768	(24,313)	554,980
Investments in associates and joint ventures	40	43,304	8,202	—	51,546
Deferred income tax assets – net	6,871	9,280	53	1,432	17,636
Total assets	317,460	310,560	19,023	(22,881)	624,162
Operating liabilities	246,170	272,489	1,630	(10,292)	509,997
Deferred income tax liabilities	—	204	—	—	204
Total liabilities	246,170	272,693	1,630	(10,292)	510,201
<b>Other segment information</b>					
Capital expenditures, including capitalized interest (Note 9) <sup>(a)</sup>	46,636	50,174	—	—	96,810

<sup>(a)</sup> Net of additions subject to sale and leaseback from tower companies.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
(in million pesos, except for EBITDA margin)					
<b>December 31, 2021</b>					
<b>Revenues</b>					
External customers	105,492	87,765	—	—	193,257
Service revenues	98,512	87,239	—	—	185,751
Non-service revenues	6,980	526	—	—	7,506
Inter-segment transactions	1,127	29,298	—	(30,425)	—
Service revenues	1,127	29,290	—	(30,417)	—
Non-service revenues	—	8	—	(8)	—
<b>Total revenues</b>	<b>106,619</b>	<b>117,063</b>	<b>—</b>	<b>(30,425)</b>	<b>193,257</b>
<b>Results</b>					
Depreciation and amortization	40,459	22,139	—	(10,429)	52,169
Asset impairment	1,241	3,743	1	—	4,985
Interest income	355	275	26	—	656
Equity share in net gains (losses) of associates and joint ventures	—	103	(1,204)	—	(1,101)
Financing costs – net	7,551	6,029	—	(3,166)	10,414
Provision for (benefit from) income tax	3,366	4,103	(270)	279	7,478
Net income (loss) / Segment profit (loss)	9,434	26,146	384	(9,288)	26,676
EBITDA	60,876	45,832	(7)	(10,801)	95,900
EBITDA margin	61%	39%	—	—	52%
Core income (loss)	13,645	26,298	(666)	(9,340)	29,937
Telco core income (loss)	13,645	25,736	192	(9,340)	30,233
<b>Assets and liabilities</b>					
Operating assets	299,513	285,083	7,351	(32,368)	559,579
Investments in associates and joint ventures	39	43,519	9,806	—	53,364
Deferred income tax assets – net	4,695	8,433	(81)	338	13,385
<b>Total assets</b>	<b>304,247</b>	<b>337,035</b>	<b>17,076</b>	<b>(32,030)</b>	<b>626,328</b>
Operating liabilities	213,219	293,162	1,023	(8,710)	498,694
Deferred income tax liabilities	—	169	—	—	169
<b>Total liabilities</b>	<b>213,219</b>	<b>293,331</b>	<b>1,023</b>	<b>(8,710)</b>	<b>498,863</b>
<b>Other segment information</b>					
Capital expenditures, including capitalized interest (Note 9)	36,898	52,085	—	—	88,983

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
	(in million pesos, except for EBITDA margin)				
<b>December 31, 2020</b>					
<b>Revenues</b>					
External customers	101,789	79,215	—	—	181,004
Service revenues	95,748	77,886	—	—	173,634
Non-service revenues	6,041	1,329	—	—	7,370
Inter-segment transactions	2,422	19,524	—	(21,946)	—
Service revenues	2,422	19,524	—	(21,946)	—
Non-service revenues	—	—	—	—	—
<b>Total revenues</b>	<b>104,211</b>	<b>98,739</b>	<b>—</b>	<b>(21,946)</b>	<b>181,004</b>
<b>Results</b>					
Depreciation and amortization	35,134	19,383	—	(7,037)	47,480
Asset impairment	2,196	5,490	1	(41)	7,646
Interest income	537	636	92	(55)	1,210
Equity share in net gains (losses) of associates and joint ventures	—	(50)	2,378	—	2,328
Financing costs – net	6,886	6,059	55	(2,914)	10,086
Provision for (benefit from) income tax	4,536	3,734	(617)	788	8,441
Net income (loss) / Segment profit (loss)	15,166	14,509	(318)	(4,777)	24,580
EBITDA	60,272	33,405	(12)	(7,507)	86,158
EBITDA margin	61%	34%	—	—	50%
Core income (loss)	16,440	15,463	193	(4,967)	27,129
Telco core income (loss)	17,217	13,649	2,188	(4,967)	28,087
<b>Assets and liabilities</b>					
Operating assets	219,412	319,384	6,371	(41,000)	504,167
Investments in associates and joint ventures	40	43,690	8,393	—	52,123
Deferred income tax assets – net	6,943	11,628	(350)	1,335	19,556
<b>Total assets</b>	<b>226,395</b>	<b>374,702</b>	<b>14,414</b>	<b>(39,665)</b>	<b>575,846</b>
Operating liabilities	227,687	274,614	1,457	(48,303)	455,455
Deferred income tax liabilities	23	330	—	373	726
<b>Total liabilities</b>	<b>227,710</b>	<b>274,944</b>	<b>1,457</b>	<b>(47,930)</b>	<b>456,181</b>
<b>Other segment information</b>					
Capital expenditures, including capitalized interest (Note 9)	33,118	38,786	—	—	71,904

The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
		(in million pesos)	
Consolidated net income	10,735	26,676	24,580
Add (deduct) adjustments:			
Depreciation and amortization (Notes 9 and 10)	98,714	52,169	47,480
Financing costs – net (Note 5)	11,766	10,414	10,086
Foreign exchange losses (gains) – net (Notes 5 and 28)	4,685	3,890	(1,488)
Equity share in net losses of associates and joint ventures (Note 11)	3,304	1,101	2,328
Provision for income tax (Note 7)	2,774	7,478	8,441
Other non-recurring expenses	504	148	—
Amortization of intangible assets (Note 15)	228	2,822	2,496
Interest income (Note 5)	(653)	(656)	(1,210)
Loss (gains) on derivative financial instruments – net (Note 28)	(2,322)	(1,400)	378
Other income (expenses) – net	(35,790)	(6,742)	(6,933)
Net loss (gain) on debt modification (Note 5)	295	(1,372)	—
VIH gain on dilution of shares (Notes 5 and 11)	(660)	(826)	(394)
Income from prescription of preferred shares redemption liability (Note 20)	(7,839)	—	—
Gain on sale and leaseback of telecom towers – gross of expenses (Note 9)	(25,234)	—	—
Others	(2,352)	(4,544)	(6,539)
Total adjustments	83,210	69,224	61,578
Consolidated EBITDA	93,945	95,900	86,158

The following table shows the reconciliation of our consolidated net income to our consolidated core income and telco core income for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
		(in million pesos)	
Consolidated net income	10,735	26,676	24,580
Add (deduct) adjustments:			
Accelerated depreciation	51,204	1,110	—
Manpower rightsizing program, or MRP (Note 5)	5,028	269	2,625
Foreign exchange losses – net (Notes 5 and 28)	4,685	3,890	(1,488)
Other non-recurring expenses	810	—	—
Net loss (gain) on debt modification – net of amortization of debt discount/premium	470	(1,339)	—
Impairment of investments and investment derecognized (Notes 11 and 12)	50	60	659
Sun Trademark amortization (Note 15)	—	2,628	1,877
Losses from changes in fair value of financial assets at FVPL	—	174	—
CREATE Act impact for prior year deferred taxes	—	(355)	—
Core income adjustment on equity share in net income of associates and joint ventures	(195)	(7)	(296)
Net income attributable to noncontrolling interests	(250)	(309)	(6)
Loss (gains) on derivative financial instruments – net, excluding hedge costs (Note 28)	(2,572)	(1,651)	284
Income from prescription of preferred shares redemption liability (Note 20)	(7,839)	—	—
Gain on sale and leaseback of telecom towers – net of expenses (Note 9)	(24,563)	—	—
Net tax effect of aforementioned adjustments	(6,996)	(1,209)	(1,106)
Total adjustments	19,832	3,261	2,549
Consolidated core income	30,567	29,937	27,129
Add (deduct) adjustments:			
Share in VIH losses	3,239	1,981	1,954
Accelerated depreciation – net of tax	—	—	1,496
Loss on sale of Rocket Internet SE shares	—	—	364
Gain from condonation of debt	—	—	(240)
Gain on sale and leaseback of Smart Headquarters – net of tax	—	—	(2,293)
Gain on asset sales – net of tax (Note 5)	(30)	(983)	—
VIH gain on dilution – net of tax	(660)	(702)	(323)
Total adjustments	2,549	296	958
Telco core income	33,116	30,233	28,087



The following table shows the reconciliation of our consolidated basic and diluted core EPS to our consolidated basic and diluted EPS attributable to common equity holder of PLDT for the years ended December 31, 2022, 2021 and 2020:

	2022		2021		2020	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Consolidated core EPS	141.20	141.20	138.29	138.29	125.29	125.29
Add (deduct) adjustments:						
Gain on sale and leaseback of telecom towers – net of expenses	86.95	86.95	—	—	—	—
Income from prescription of preferred redemption liability	27.21	27.21	—	—	—	—
Gains on derivative financial instruments – net excluding hedge costs	8.93	8.93	5.73	5.73	(0.92)	(0.92)
Core income adjustment on equity share in net income of associates and joint ventures	0.90	0.90	0.03	0.03	0.03	0.03
CREATE Act impact on deferred taxes – net	—	—	1.64	1.64	—	—
Losses from changes in fair value of financial assets at FVPL	—	—	(0.81)	(0.81)	—	—
Sun Trademark amortization	—	—	(9.12)	(9.12)	(6.08)	(6.08)
Impairment of investments	(0.23)	(0.23)	(0.28)	(0.28)	(3.05)	(3.05)
Net gains (loss) on debt modification – net of amortization of debt discount/premium	(1.63)	(1.63)	4.65	4.65	—	—
Impairment of property and equipment	(3.60)	(3.60)	—	—	—	—
Foreign exchange losses – net	(16.26)	(16.26)	(13.50)	(13.50)	5.36	5.36
MRP	(17.46)	(17.46)	(1.02)	(1.02)	(8.51)	(8.51)
Accelerated depreciation	(177.75)	(177.75)	(3.85)	(3.85)	—	—
Total adjustments	(92.94)	(92.94)	(16.53)	(16.53)	(13.17)	(13.17)
Consolidated EPS attributable to common equity holders of PLDT (Note 8)	48.26	48.26	121.76	121.76	112.12	112.12

The following table presents our revenues from external customers by category of products and services for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
	(in million pesos)		
<b>Wireless services</b>			
Service revenues:			
Mobile	93,029	95,619	95,589
Home broadband	2,028	2,889	40
MVNO and others	3	4	119
	95,060	98,512	95,748
Non-service revenues:			
Sale of mobile handsets and broadband data modems	8,422	6,980	6,041
Total wireless revenues	103,482	105,492	101,789
<b>Fixed line services</b>			
Service revenues:			
Voice	22,249	20,222	19,484
Data	78,692	66,760	58,064
Miscellaneous	226	257	338
	101,167	87,239	77,886
Non-service revenues:			
Sale of computers, phone units and SIM cards	495	454	1,140
Point-product-sales	101	72	189
	596	526	1,329
Total fixed line revenues	101,763	87,765	79,215
Total revenues	205,245	193,257	181,004

Disclosure of the geographical distribution of our revenues from external customers and the geographical location of our total assets are not provided since majority of our consolidated revenues are derived from our operations within the Philippines.

There is no revenue transaction with a single external customer that accounted for 10% or more of our consolidated revenues from external customers for the years ended December 31, 2022, 2021 and 2020.

## 5. Income and Expenses

### Revenues from Contracts with Customers

#### Disaggregation of Revenue

We derived our revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under PFRS 8, *Operating Segments*. See *Note 4 – Operating Segment Information*.

Set out is the disaggregation of PLDT Group's revenues from contracts with customers for the years ended December 31, 2022, 2021 and 2020:

Revenue Streams	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
(in million pesos)					
<b>December 31, 2022</b>					
<b>Type of good or service</b>					
Service revenue	95,852	128,116	—	(27,741)	196,227
Non-service revenue	8,422	596	—	—	9,018
Total revenues from contracts with customers	104,274	128,712	—	(27,741)	205,245
<b>Timing of revenue recognition</b>					
Transferred over time	95,852	128,116	—	(27,741)	196,227
Transferred at a point time	8,422	596	—	—	9,018
Total revenues from contracts with customers	104,274	128,712	—	(27,741)	205,245
<b>December 31, 2021</b>					
<b>Type of good or service</b>					
Service revenue	99,639	116,529	—	(30,417)	185,751
Non-service revenue	6,980	534	—	(8)	7,506
Total revenues from contracts with customers	106,619	117,063	—	(30,425)	193,257
<b>Timing of revenue recognition</b>					
Transferred over time	99,639	116,529	—	(30,417)	185,751
Transferred at a point time	6,980	534	—	(8)	7,506
Total revenues from contracts with customers	106,619	117,063	—	(30,425)	193,257
<b>December 31, 2020</b>					
<b>Type of good or service</b>					
Service revenue	98,170	97,410	—	(21,946)	173,634
Non-service revenue	6,041	1,329	—	—	7,370
Total revenues from contracts with customers	104,211	98,739	—	(21,946)	181,004
<b>Timing of revenue recognition</b>					
Transferred over time	98,170	97,410	—	(21,946)	173,634
Transferred at a point time	6,041	1,329	—	—	7,370
Total revenues from contracts with customers	104,211	98,739	—	(21,946)	181,004

#### Contract Balances

Contract balances as at December 31, 2022 and 2021 consists of the following:

	2022	2021
(in million pesos)		
Trade and other receivables (Note 17)	39,916	35,625
Contract assets	2,278	2,306
Contract liabilities and unearned revenues (Notes 22 and 24)	17,114	13,621

The increase in gross trade and other receivables of Php4,291 million as at December 31, 2022 was primarily due to the billing of new connections/installations.

The decrease of Php28 million in contract assets as at December 31, 2022 was due to more subscribers availing devices with cash out/amortization resulting to lower PFRS adjustment.

The increase of Php3,493 million in contract liabilities and unearned revenues as at December 31, 2022 was mainly due to installation fees charged for new contracts and new IRU contract.

Set out below is the movement in the allowance for expected credit losses of contracts assets for the years ended December 31, 2022, 2021 and 2020.

	2022	2021	2020
		(in million pesos)	
Balances at beginning of the year	55	92	70
Provisions	4	32	—
Reclassification	(14)	(69)	22
Balances at end of the year	45	55	92

Changes in the contract liabilities and unearned revenues accounts for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
		(in million pesos)	
Balances at beginning of the year	13,621	9,571	8,483
Deferred during the year	123,218	138,346	127,160
Recognized as revenue during the year	(119,725)	(134,296)	(126,072)
Balances at end of the year	17,114	13,621	9,571

The contract liabilities and unearned revenues accounts as at December 31, 2022 and 2021 are as follows:

	2022	2021
		(in million pesos)
Unearned revenues from prepaid contracts	5,842	6,716
Leased facilities	4,938	2,045
Short-term advances for installation services	4,180	2,355
Advance monthly service fees	2,136	2,476
Long-term advances from equipment	18	29
Total contract liabilities and unearned revenues	17,114	13,621
<b>Contract liabilities:</b>		
Noncurrent (Note 22)	204	223
Current (Note 24)	5	21
<b>Unearned revenues:</b>		
Noncurrent (Note 22)	7,411	3,335
Current (Note 24)	9,494	10,042

Unearned revenues on leased circuits pertain to prepayments for various leased circuit contracts. See *Note 25 – Related Party Transactions*.

As at December 31, 2022, the noncurrent and current portion of contract liabilities and unearned revenues amounted to Php7,615 million and Php9,499 million, respectively, while as at December 31, 2021, the noncurrent and current portion of contract liabilities and unearned revenues amounted to Php3,558 million and Php10,063 million, respectively.

#### *Incremental Costs to Obtain Contracts*

As at December 31, 2022, the noncurrent and current portion of capitalized commissions amounted to Php5,125 million and Php1,161 million, respectively, while as at December 31, 2021, the noncurrent and current portion of contract liabilities and unearned revenues amounted to Php4,042 million and Php817 million, respectively. See *Note 19 – Prepayments*. The amortization of capitalized commissions amounted to Php980 million, Php556 million and Php251 million for the years ended December 31, 2022, 2021 and 2020, respectively.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses for the years ended December 31, 2022, 2021 and 2020 consist of the following:

	2022	2021	2020
		(in million pesos)	
Compensation and employee benefits	29,812	25,344	26,833
Repairs and maintenance (Notes 14, 18 and 25)	28,981	24,653	21,555
Professional and other contracted services (Note 25)	8,845	8,371	7,307
Selling and promotions (Note 25)	6,560	6,716	6,542
Taxes and licenses	4,059	4,331	5,495
Rent (Notes 10 and 25)	2,031	2,231	1,384
Insurance and security services (Note 25)	1,588	1,739	1,699
Communication, training and travel (Note 25)	1,479	977	903
Amortization of intangible assets (Note 15)	228	2,822	2,496
Other expenses	1,721	1,119	1,041
<b>Total selling, general and administrative expenses</b>	<b>85,304</b>	<b>78,303</b>	<b>75,255</b>

### *Compensation and Employee Benefits*

Compensation and employee benefits for the years ended December 31, 2022, 2021 and 2020 consist of the following:

	2022	2021	2020
		(in million pesos)	
Salaries and other employee benefits	21,763	21,676	20,856
MRP	5,028	269	2,625
Pension benefit costs (Note 26)	1,749	2,213	2,218
Incentive plan (Note 26)	1,272	1,186	1,134
<b>Total compensation and employee benefits</b>	<b>29,812</b>	<b>25,344</b>	<b>26,833</b>

Over the past several years, we have been implementing the MRP in line with our continuing efforts to reduce the cost base of our businesses. The decision to implement the MRP was a result of challenges faced by our businesses as significant changes in technology, increasing competition, and shifting market preferences have reshaped the future of our businesses. The MRP is being implemented in compliance with the Labor Code of the Philippines and all other relevant labor laws and regulations in the Philippines.

### *Cost of Sales and Services*

Cost of sales and services for the years ended December 31, 2022, 2021 and 2020 consist of the following:

	2022	2021	2020
		(in million pesos)	
Cost of computers, mobile handsets and broadband data modems (Note 18)	9,775	8,286	8,275
Cost of services (Note 18)	3,488	3,492	2,991
Cost of point-product-sales (Note 18)	1,254	1,563	1,029
<b>Total cost of sales and services</b>	<b>14,517</b>	<b>13,341</b>	<b>12,295</b>

### *Asset Impairment*

Asset impairment for the years ended December 31, 2022, 2021 and 2020 consist of the following:

	2022	2021	2020
		(in million pesos)	
Trade and other receivables (Note 17)	5,156	3,737	6,446
Inventories and supplies (Note 18)	414	847	934
Property and equipment (Note 9)	309	148	—
Contract assets	227	253	266
Prepayments	1	—	—
<b>Total asset impairment</b>	<b>6,107</b>	<b>4,985</b>	<b>7,646</b>

### Other Income (Expenses) – Net

Other income (expenses) – net for the years ended December 31, 2022, 2021 and 2020 consist of the following:

	2022	2021	2020
	(in million pesos)		
Gain on sale and leaseback of telecom towers – gross of expenses (Note 9)	25,234	—	—
Income from prescription of preferred shares redemption liability (Note 20)	7,839	—	—
Gains (losses) on derivative financial instruments – net (Note 28)	2,322	1,400	(378)
Reversal of provisions	1,135	2,594	2,679
Gain on dilution of shares (Note 11)	660	826	394
Interest income	653	656	1,210
Gain on deconsolidation of PG1 (Note 11)	377	—	—
Gain on sale of property and equipment (Note 9)	148	884	3,369
Gain on change in fair value of Phunware, Inc., or Phunware (Note 12)	—	306	—
Gain on sale of Phunware	—	115	—
Gain (loss) on debt modification <sup>(1)</sup>	(294)	1,372	—
Equity share in net losses of associates and joint ventures (Note 11)	(3,304)	(1,101)	(2,328)
Foreign exchange gains (losses) – net (Note 28)	(4,685)	(3,890)	1,488
Financing costs – net	(11,766)	(10,414)	(10,086)
Others – net (Notes 11, 12 and 14)	691	645	491
<b>Total other income (expenses) – net</b>	<b>19,010</b>	<b>(6,607)</b>	<b>(3,161)</b>

<sup>(1)</sup> PLDT and Smart re-negotiated terms of selected outstanding Philippine Peso loans in 2022 and 2021. Under PFRS 9, the difference of the current carrying value and the present value of the modified cash flows of the loan should be recognized as a gain or loss on debt modification.

### Interest Income

Interest income for the years ended December 31, 2022, 2021 and 2020 consist of the following:

	2022	2021	2020
	(in million pesos)		
Interest income arising from revenue contracts with customers	294	299	414
Interest income on cash and cash equivalents (Note 16)	255	269	560
Interest income on financial instruments at amortized cost (Note 13)	59	13	143
Interest income on financial instruments at FVPL	12	23	8
Interest income on financial instruments at FVOCI	—	2	70
Interest income – others	33	50	15
<b>Total interest income</b>	<b>653</b>	<b>656</b>	<b>1,210</b>

### Financing Costs – Net

Financing costs – net for the years ended December 31, 2022, 2021 and 2020 consist of the following:

	2022	2021	2020
	(in million pesos)		
Interest on loans and other related items (Notes 21 and 28)	10,860	10,482	10,333
Accretion on lease liabilities (Note 10)	2,064	1,170	1,125
Accretion on financial liabilities	375	239	146
Financing charges	215	105	79
Capitalized interest (Notes 9 and 29)	(1,748)	(1,582)	(1,597)
<b>Total financing costs – net</b>	<b>11,766</b>	<b>10,414</b>	<b>10,086</b>

## 6. Components of Other Comprehensive Loss

Changes in other comprehensive loss under equity of our consolidated statements of financial position for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Foreign currency translation differences of subsidiaries	Net loss on financial investments at FVOCI – net of tax	Net transactions on cash flow hedges – net of tax	Revaluation increment on investment properties – net of tax	Fair value adjustment on sale of property and equipment	Actuarial gains (losses) on defined benefit plans – net of tax (in million pesos)	Share in the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	Fair value changes of financial instrument at FVOCI	Total other comprehensive loss attributable to equity holders of PLDT	Share of noncontrolling interests	Total other comprehensive loss – net of tax
Balances as at January 1, 2022	366	(9)	(1,965)	544	—	(35,356)	(14)	(3)	(36,437)	15	(36,422)
Other comprehensive income (loss)	(217)	—	(2,544)	—	—	2,500	(6)	—	(267)	10	(257)
Closing of other comprehensive income											
cashflow hedges to retained earnings (Note 6)	—	—	1,222	—	—	—	—	—	1,222	—	1,222
Balances as at December 31, 2022	149	(9)	(3,287)	544	—	(32,856)	(20)	(3)	(35,482)	25	(35,457)
Balances as at January 1, 2021	701	(9)	(1,202)	508	108	(35,720)	(37)	(1)	(35,652)	9	(35,643)
Other comprehensive income (loss)	(335)	—	(763)	36	(108)	364	23	(2)	(785)	6	(779)
Balances as at December 31, 2021	366	(9)	(1,965)	544	—	(35,356)	(14)	(3)	(36,437)	15	(36,422)
Balances as at January 1, 2020	722	(9)	(896)	508	108	(31,763)	—	(38)	(31,368)	15	(31,353)
Other comprehensive income (loss)	(21)	—	(306)	—	—	(3,957)	(37)	37	(4,284)	(6)	(4,290)
Balances as at December 31, 2020	701	(9)	(1,202)	508	108	(35,720)	(37)	(1)	(35,652)	9	(35,643)

Revaluation increment on investment properties pertains to the difference between the carrying value and fair value of property and equipment transferred to investment property at the time of change in classification.

## 7. Income Taxes

### Corporate Income Tax

The major components of consolidated net deferred income tax assets and liabilities recognized in our consolidated statements of financial position as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Net deferred income tax assets	17,636	13,385
Net deferred income tax liabilities	204	169

The components of our consolidated net deferred income tax assets and liabilities as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Net deferred income tax assets:		
Unearned revenues	6,305	3,022
Lease liability over ROU assets under PFRS 16	3,693	581
Unamortized past service pension costs	3,229	3,364
Accumulated provision for expected credit losses	2,814	2,920
Unrealized foreign exchange gains	1,509	403
Pension and other employee benefits	1,304	3,590
Accumulated write-down of inventories to net realizable values	544	662
Derivative financial instruments	248	(30)
NOLCO	165	10
Fixed asset impairment/depreciation due to shortened life of property and equipment	115	79
Excess MCIT over RCIT	103	1
Taxes and duties capitalized	(129)	(141)
Customer list and trademark	(197)	129
Capitalized charges and others	(2,067)	(1,205)
Total deferred income tax assets – net	17,636	13,385
Net deferred income tax liabilities:		
Investment property	240	241
Unrealized foreign exchange gains	10	5
Others	(46)	(77)
Total deferred income tax liabilities	204	169

Changes in our consolidated net deferred income tax assets (liabilities) as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Net deferred income tax assets – balances at beginning of the year	13,385	19,556
Net deferred income tax liabilities – balances at beginning of the year	(169)	(726)
Net balances at beginning of the year	13,216	18,830
Benefit from (provision for) deferred income tax	4,175	(2,348)
Movement charged directly to other comprehensive loss	(148)	(3,239)
Others	189	(27)
Net balances at end of the year	17,432	13,216
Net deferred income tax assets – balances at end of the year	17,636	13,385
Net deferred income tax liabilities – balances at end of the year	(204)	(169)

The impact of the change in tax rates in our deferred income tax assets and liabilities under the CREATE law is included in the deferred income tax assets charged directly to other comprehensive income and provision for deferred income tax.

The analysis of our consolidated net deferred income tax assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Deferred income tax assets:		
Deferred income tax assets to be recovered after 12 months	15,336	10,127
Deferred income tax assets to be recovered within 12 months	2,300	3,258
	17,636	13,385

The analysis of our consolidated net deferred income tax liabilities as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after 12 months	(221)	(173)
Deferred income tax liabilities to be settled within 12 months	17	4
Net deferred income tax liabilities	(204)	(169)

Provision for (benefit from) income tax for the years ended December 31, 2022, 2021 and 2020 consist of:

	2022	2021	2020
	(in million pesos)		
Current	6,949	5,130	4,452
Deferred (Note 3)	(4,175)	2,348	3,989
	2,774	7,478	8,441

The impact of the application of MCIT amounting to Php5 million, Php2 million and Php1,426 million for the years ended December 31, 2022, 2021 and 2020, respectively, was considered in the provisions for current and deferred income taxes.

The reconciliation between the provision for income tax at the applicable statutory tax rate and the actual provision for corporate income tax for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
	(in million pesos)		
Provision for income tax at the applicable statutory tax rate	3,377	8,538	9,906
Tax effects of:			
Equity share in net loss (income) of associates and joint ventures	427	(284)	(20)
Nondeductible expenses	145	558	144
Loss (income) not subject to income tax	16	(50)	(27)
NOLCO/MCIT expiration	3	248	352
Tax adjustment due to CREATE	—	94	—
Special deductible items and income subject to lower tax rate	(141)	(204)	(537)
Income subject to final tax	(185)	(186)	(189)
Difference between Optional Standard Deduction, OSD, and itemized deductions	(765)	(610)	(426)
Net movement in unrecognized deferred income tax assets and other adjustments	(103)	(626)	(762)
Actual provision for income tax	2,774	7,478	8,441

The breakdown of our consolidated deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over RCIT, and NOLCO (excluding those not recognized due to the adoption of the OSD method) for which no deferred income tax assets were recognized and the equivalent amount of unrecognized deferred income tax assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Fixed asset impairment	1,271	1,286
Accumulated provision for expected credit losses	1,042	963
NOLCO	592	327
Pension and other employee benefits	101	75
Lease liability over ROU assets under PFRS 16	38	19
Unearned revenues	16	21
Excess MCIT over RCIT	15	22
Accumulated write-down of inventories to net realizable values	13	13
Interest on subordinated shareholder advances	—	(4)
Unrealized foreign exchange losses	(25)	28
Provisions	(114)	787
	2,949	3,537
Unrecognized deferred income tax assets	748	901

DMPI and ePLDT availed of the OSD method in computing their taxable income. This assessment is based on projected taxable profits at a level where it is favorable to use OSD method. These companies are also expected to avail of the OSD method in the foreseeable future. Thus, certain deferred income tax assets of DMPI and ePLDT amounting to Php135 million and Php201 million as at December 31, 2022 and 2021, respectively, were not recognized.



Our consolidated deferred income tax assets have been recorded to the extent that such consolidated deferred income tax assets are expected to be utilized against sufficient future taxable profit. Deferred income tax assets shown in the preceding table were not recognized as we believe that future taxable profit will not be sufficient to realize these deductible temporary differences and carryforward benefits of unused tax credits from excess of MCIT over RCIT, and NOLCO in the future.

The breakdown of our consolidated excess MCIT and NOLCO as at December 31, 2022 are as follows:

<b>Date Incurred</b>	<b>Expiry Date</b>	<b>MCIT</b>	<b>NOLCO</b>
		(in million pesos)	
December 31, 2020	December 31, 2023	<b>14</b>	—
December 31, 2020	December 31, 2025	—	—
December 31, 2021	December 31, 2024	<b>1</b>	—
December 31, 2021	December 31, 2026	—	<b>81</b>
December 31, 2022	December 31, 2025	<b>103</b>	<b>1,016</b>
		<b>118</b>	<b>1,097</b>
NOLCO incurred by foreign affiliates which can be carried over indefinitely		—	<b>155</b>
		<b>118</b>	<b>1,252</b>
Consolidated tax benefits		<b>118</b>	<b>313</b>
Consolidated unrecognized deferred income tax assets		<b>(15)</b>	<b>(148)</b>
Consolidated recognized deferred income tax assets		<b>103</b>	<b>165</b>

The excess MCIT totaling Php118 million as at December 31, 2022 can be deducted against future RCIT liability. The excess MCIT that was deducted against RCIT amounted to Php5 million, Php2 million and Php1,426 million for the years ended December 31, 2022, 2021 and 2020, respectively. The amount of expired MCIT amounted to Php3 million, nil and Php1 million for the years ended December 31, 2022, 2021 and 2020, respectively.

NOLCO totaling Php1,252 million as at December 31, 2022 can be claimed as deduction against future taxable income. The NOLCO claimed as deduction against taxable income amounted to Php42 million, Php556 million and Php2,109 million for the years ended December 31, 2022, 2021 and 2020, respectively. The amount of expired NOLCO amounted to Php225 thousand, Php990 million and 1,170 million for the years ended December 31, 2022, 2021 and 2020, respectively.

#### *Republic Act No. 11494 Bayanihan to Recover as One Act, or Bayanihan II*

Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act, or Bayanihan II, was signed by the President on September 11, 2020. It contains the government's second wave of relief measures to address the health and economic crises stemming from the COVID-19 outbreak.

As part of mitigating the costs and losses stemming from the disruption of economic activities, Bayanihan II extends the carry-over of the NOLCO incurred in 2021 to 2022 as deductions from gross income for the next five consecutive taxable years immediately following the year of the loss. Hence, the carry-over period for the expiration of NOLCO incurred in 2021 and 2022 amounting to Php81 million and Php1,016 million, respectively, has been extended to five years from the previous three years.

#### *Registration with Clark Special Economic Zone*

ClarkTel is registered with Clark Special Economic Zone, or Economic Zones, under Republic Act No. 7227 otherwise known as the Bases Conversion and Development Act of 1992. As registrant, ClarkTel is entitled to all the rights, privileges and benefits established thereunder including tax and duty-free importation of capital equipment and a special income tax rate of 5% of gross income, as defined in Republic Act No. 7227.

Our consolidated income derived from non-registered activities within the Economic Zones is subject to the RCIT rate at the end of the reporting period. See *Note 20 – Equity*

## 8. Earnings Per Common Share

The following table presents information necessary to calculate the EPS for the years ended December 31, 2022, 2021 and 2020:

	2022		2021		2020	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
	(in million pesos)					
Consolidated net income attributable to equity holders of PLDT	10,485	10,485	26,367	26,367	24,284	24,284
Dividends on preferred shares (Note 20)	(59)	(59)	(59)	(59)	(59)	(59)
Consolidated net income attributable to common equity holders of PLDT	10,426	10,426	26,308	26,308	24,225	24,225
	(in thousands, except per share amounts which are in pesos)					
Weighted average number of common shares	216,056	216,056	216,056	216,056	216,056	216,056
EPS attributable to common equity holders of PLDT (Note 5)	48.26	48.26	121.76	121.76	112.12	112.12

Basic EPS amounts are calculated by dividing our consolidated net income for the period attributable to common equity holders of PLDT (consolidated net income adjusted for dividends on all series of preferred shares, except for dividends on preferred stock subject to mandatory redemption) by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS amounts are calculated in the same manner assuming that, at the beginning of the year or at the time of issuance during the year, all outstanding options are exercised, and convertible preferred shares are converted to common shares, and appropriate adjustments to our consolidated net income are effected for the related income and expenses on preferred shares. Outstanding stock options will have a dilutive effect only when the average market price of the underlying common share during the year exceeds the exercise price of the stock option.

Convertible preferred shares are deemed dilutive when required dividends declared on each series of convertible preferred shares divided by the number of equivalent common shares, assuming such convertible preferred shares are converted to common shares, decreases the basic EPS. As such, the diluted EPS is calculated by dividing our consolidated net income attributable to common shareholders (consolidated net income, adding back any dividends and/or other charges recognized for the year related to the dilutive convertible preferred shares classified as liability, less dividends on non-dilutive preferred shares except for dividends on preferred stock subject to mandatory redemption) by the weighted average number of common shares excluding the weighted average number of common shares held as treasury shares, and including the common shares equivalent arising from the conversion of the dilutive convertible preferred shares and from the mandatory tender offer for all remaining Digitel shares.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have an anti-dilutive effect, basic and diluted EPS are stated at the same amount.

## 9. Property and Equipment

Changes in property and equipment account for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Cable and wire facilities	Central equipment	Network facilities	Buildings	Vehicles, furniture and other network equipment	Information origination and termination equipment	Land improvements	IT systems and platforms	Security platforms	Property under construction	Total
(in million pesos)											
<b>December 31, 2020</b>											
Cost	205,338	3,134	298,169	23,647	41,856	46,885	4,427	23,868	104	50,060	697,488
Accumulated depreciation, impairment and amortization	(147,048)	(2,585)	(186,566)	(18,674)	(35,260)	(29,545)	(279)	(16,651)	(12)	—	(436,620)
Net book value	58,290	549	111,603	4,973	6,596	17,340	4,148	7,217	92	50,060	260,868
<b>December 31, 2020</b>											
Net book value at beginning of the year	58,290	549	111,603	4,973	6,596	17,340	4,148	7,217	92	50,060	260,868
Additions (Note 4)	1,306	906	141	145	570	5,678	43	23	145	80,026	88,983
Disposals/Retirements	(9)	(1)	(81)	(27)	(52)	—	(163)	—	—	—	(333)
Reclassifications	—	1,850	—	2,795	55	—	—	—	—	(4,554)	146
Impairment losses recognized during the year (Note 5)	(27)	—	(121)	—	—	—	—	—	—	—	(148)
Transfers and others	22,641	—	30,328	629	195	10,077	145	4,900	107	(69,022)	—
Translation differences charged directly to cumulative translation adjustments	—	—	1	—	(1)	—	—	1	—	—	1
Adjustments	8	—	—	(8)	—	—	—	—	—	—	—
Depreciation and amortization	(10,676)	(552)	(23,282)	(1,091)	(2,124)	(5,245)	(10)	(3,635)	(166)	—	(46,781)
Net book value at end of the year	71,533	2,752	118,589	7,416	5,239	27,850	4,163	8,506	178	56,510	302,736
<b>December 31, 2021</b>											
Cost	229,160	5,896	327,195	26,838	40,586	62,595	4,451	27,099	355	56,510	780,685
Accumulated depreciation, impairment and amortization	(157,627)	(3,144)	(208,606)	(19,422)	(35,347)	(34,745)	(288)	(18,593)	(177)	—	(477,949)
Net book value	71,533	2,752	118,589	7,416	5,239	27,850	4,163	8,506	178	56,510	302,736
<b>December 31, 2022</b>											
Net book value at beginning of the year	71,533	2,752	118,589	7,416	5,239	27,850	4,163	8,506	178	56,510	302,736
Additions (Note 4)	194	265	3,656	31	731	6,389	28	8	—	85,508	96,810
Telecom assets additions subject to subsequent sale and leaseback from tower companies	—	—	16,841	—	—	—	—	—	—	—	16,841
Disposals/Retirements	(5)	—	(6,529)	(1)	(158)	—	(7)	(20)	—	(7,976)	(14,696)
Reclassifications	11	—	—	—	—	—	—	—	—	(11)	—
Reclassifications to assets held-for-sale	—	—	(12,372)	—	—	—	—	—	—	(3,641)	(16,013)
Impairment losses recognized during the year (Note 5)	(112)	—	(66)	—	(131)	—	—	—	—	—	(309)
Transfers and others	32,323	666	24,155	724	412	8,445	120	8,092	21	(74,958)	—
Translation differences charged directly to cumulative translation adjustments	—	—	—	—	1	—	—	1	—	—	2
Adjustments	7	512	—	(2)	(240)	—	—	—	—	(5)	272
Acquisition through business combinations	—	—	—	23	77	—	—	—	—	—	100
Depreciation and amortization (Note 3)	(32,994)	(589)	(42,311)	(1,545)	(1,774)	(7,898)	(32)	(5,789)	(66)	—	(92,998)
Net book value at end of the year	70,957	3,606	101,963	6,646	4,157	34,786	4,272	10,798	133	55,427	292,745
<b>December 31, 2022</b>											
Cost	261,429	7,338	328,729	26,788	40,572	77,429	4,591	35,095	377	55,427	837,775
Accumulated depreciation, impairment and amortization	(190,472)	(3,732)	(226,766)	(20,142)	(36,415)	(42,643)	(319)	(24,297)	(244)	—	(545,030)
Net book value	70,957	3,606	101,963	6,646	4,157	34,786	4,272	10,798	133	55,427	292,745

Interest capitalized to property and equipment that qualified as borrowing costs amounted to Php1,748 million, Php1,582 million and Php1,597 million for the years ended December 31, 2022, 2021 and 2020, respectively. See *Note 5 – Income and Expenses – Financing Costs – Net* and *Note 29 – Notes to the Statements of Cash Flows*. The average interest capitalization rate used was approximately 4% for each of the years ended December 31, 2022, 2021 and 2020, respectively.

Our net foreign exchange differences, which qualified as borrowing costs, amounted to Php351 million, Php29 million and nil for the years ended December 31, 2022, 2021 and 2020, respectively.

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to Php83,055 million and Php77,201 million as at December 31, 2022 and 2021, respectively.

As at December 31, 2022, the estimated useful lives of our property and equipment are as follows:

Cable and wire facilities	5 – 15 years
Central equipment	3 – 15 years
Network facilities	3 – 15 years
Buildings	25 – 50 years
Vehicles, furniture and other network equipment	3 – 15 years
Information origination and termination equipment	5 – 15 years
Land improvements	10 years
IT systems and platforms	3 – 5 years
Security platforms	3 – 5 years
Leasehold improvements	3 – 10 years or the term of the lease, whichever is shorter

See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Estimating useful lives of property and equipment*.

#### ***Sale and Leaseback of Telecom Towers***

On April 19, 2022, Smart and DMPI signed Sale and Purchase Agreements, or SPAs, with a subsidiary of Edotco Group and a subsidiary of EdgePoint, or the TowerCos, in connection with the sale of 5,907 telecom towers and related passive telecommunication infrastructure for Php77 billion. Out of the total towers, 2,973 towers located primarily in Luzon, Visayas and Mindanao were acquired by Edotco Towers, Inc., a subsidiary of Edotco Group, and 2,934 towers located in Luzon were acquired by Comworks Infratech Corp., subsidiary of EdgePoint.

Concurrent with the execution of the SPAs, Smart also entered into Master Service Agreements, or MSAs, with the TowerCos wherein Smart agreed to leaseback the towers sold in the transaction for a period of 10 years. In addition to space, the TowerCos are responsible for providing operations and maintenance services, as well as power to the sites. The sale and leaseback with the TowerCos is complemented by a commitment to place service orders for a total of 1,000 Build-To-Suit, or BTS, sites before December 31, 2025 and 50 committed BTS sites each year for five years starting January 1, 2026, or another total of 500 BTS sites. Thus, total committed BTS sites with the TowerCos is 1,500. The closing of the agreements will be on a staggered basis depending on the satisfaction of closing conditions based on the number of towers transferred. The first closing commenced in June 2022, with the final closing in 2023.

The following summarizes the completed sale of Smart and DMPI as at 2022:

Closing Date	Number of Tower Assets Sold	Cash Consideration (in million pesos)	Net Book Value of Tower Assets (excluding taxes)
June 1, 2022	3,012	39,228	12,937
August 1, 2022	1,013	13,190	5,253
September 1, 2022	151	1,801	1,606
October 3, 2022	259	3,529	1,377
December 9, 2022	230	2,744	1,701
	4,665	60,492	22,874

On the same day that the telecom towers were sold, the MSAs covering the leaseback arrangements for those towers became effective. As at December 31, 2022, we have completed the sale of 4,665 telecom towers representing 79% of the towers portfolio subject to the sale. As a result, we received total proceeds of Php60,492 million, and recognized gain on sale and leaseback amounting to Php24,563 million (or Php18,783 million after tax) and treated this as a non-core income.

The remaining telecom towers with net book value of Php7,125 million, subject to sale and purchase agreement until 2023, were reclassified from “Property and equipment” to “Assets classified as held-for-sale” under current assets in our consolidated statement of financial position as at December 31, 2022.

On February 10, 2023 and March 15, 2023, we completed additional sale of 287 and 95 telecom towers for a consideration of Php4,054 million and Php1,133 million, respectively, increasing the total completed sale and leaseback transaction to date to 85% of the towers portfolio subject to the sale.

Meanwhile, on December 15, 2022 and March 16, 2023, Smart and DMPI signed a new set of SPAs, with Unity Digital Infrastructure, or Unity, and Frontier Tower Associates Philippines Inc., or Frontier, respectively, in connection with the sale of 1,662 telecom towers and related passive telecom infrastructure for a total of Php21,309 million. Out of the total towers, 650 towers located primarily in Visayas and Mindanao were acquired by Unity and 1,012 towers located in Luzon were acquired by Frontier.

Concurrent with the execution of the SPAs, Smart also entered into MSAs with Unity and Frontier wherein Smart has agreed to leaseback the towers sold in the transaction for a period of 10 years. In addition to space, Unity and Frontier will also be responsible for providing operations and maintenance services, as well as power to the sites. The sale and leaseback with Unity is complemented by a commitment to place service orders for a total of 220 BTS sites within the next two to four years. Meanwhile, the sale and leaseback with Frontier includes a commitment to place service orders for 550 points of service within the next three to four years, of which 400 are co-locations and the balance for new BTS sites. With these additional sites from Unity and Frontier, total commitment with all TowerCos is for 2,270 sites. The closing of the agreements will be on a staggered basis depending on the satisfaction of closing conditions based on the number of towers transferred. The first closing for both SPAs is expected to commence upon securing approval from the Philippine Competition Commission.

## 10. Leases

### Group as a Lessee

We have lease contracts for various items of sites, buildings, leased circuits and poles used in our operations. We considered in the lease term the non-cancellable period of the lease together with the periods covered by an option to extend and option to terminate the lease.

Our consolidated estimated useful lives of ROU assets as at December 31, 2022 are as follows:

Sites	1 – 30 years
International leased circuits <sup>(1)</sup>	1 – 11 years
Poles <sup>(2)</sup>	2 – 12 years
Domestic leased circuits <sup>(3)</sup>	1 – 10 years
Office buildings	1 – 25 years
Co-located sites	3 – 7 years

<sup>(1)</sup> As at December 31, 2021, the estimated useful life ranges from 1-10 years.

<sup>(2)</sup> As at December 31, 2021, the estimated useful life ranges from 1-12 years.

<sup>(3)</sup> As at December 31, 2021, the estimated useful life ranges from 1-10 years.

Our consolidated rollforward analysis of ROU assets as at December 31, 2022 and 2021 are as follows:

	Sites	International Leased Circuits	Poles	Domestic Leased Circuits	Office Buildings	Co-located Sites	Sale and Leaseback Adjustment	Total
(in million pesos)								
<b>December 31, 2021</b>								
Costs:								
Balances at beginning of the year	17,854	4,288	3,370	1,294	1,781	9	—	28,596
Additions (Note 29)	5,967	226	47	890	184	—	—	7,314
Modifications	107	33	230	(309)	(9)	1	—	53
Asset retirement obligation	211	—	—	—	2	—	—	213
Currency translation	—	—	—	—	1	—	—	1
Disposals	(1)	—	(16)	—	(6)	—	—	(23)
Terminations	(1,045)	(290)	—	(143)	(284)	—	—	(1,762)
Balances at end of the year	23,093	4,257	3,631	1,732	1,669	10	—	34,392
Accumulated depreciation and amortization:								
Balances at beginning of the year	(6,556)	(1,346)	(967)	(427)	(993)	(4)	—	(10,293)
Terminations	889	148	—	35	281	—	—	1,353
Disposals	1	—	16	—	6	—	—	23
Currency translation	—	—	—	—	(1)	—	—	(1)
Modifications	(1)	—	—	—	(4)	—	—	(5)
Depreciation (Note 3)	(2,999)	(816)	(678)	(574)	(319)	(2)	—	(5,388)
Balances at end of the year	(8,666)	(2,014)	(1,629)	(966)	(1,030)	(6)	—	(14,311)
Net book value as at December 31, 2021	14,427	2,243	2,002	766	639	4	—	20,081
<b>December 31, 2022</b>								
Costs:								
Balances at beginning of the year	23,093	4,257	3,631	1,732	1,669	10	—	34,392
Additions (Note 29)	32,735	402	116	851	165	5	—	34,274
Business combination	90	—	—	—	—	—	—	90
Currency translation	—	—	—	—	1	—	—	1
Disposals	—	—	—	—	(5)	—	—	(5)
Asset retirement obligation	(1,412)	—	—	—	(95)	—	—	(1,507)
Modifications	(7)	(106)	432	(8)	1	—	(12,776)	(12,464)
Terminations	(12,196)	(294)	—	(139)	(316)	—	—	(12,945)
Balances at end of the year	42,303	4,259	4,179	2,436	1,420	15	(12,776)	41,836
Accumulated depreciation and amortization:								
Balances at beginning of the year	(8,666)	(2,014)	(1,629)	(966)	(1,030)	(6)	—	(14,311)
Terminations	4,931	150	—	71	293	—	—	5,445
Charge from asset retirement obligation	1,545	—	—	—	103	—	—	1,648
Disposals	—	—	—	—	5	—	—	5
Currency translation	—	—	—	—	(1)	—	—	(1)
Modifications	—	—	—	—	(10)	—	—	(10)
Business combination	(33)	—	—	—	—	—	—	(33)
Depreciation (Note 3)	(3,824)	(832)	(875)	(475)	(347)	(3)	640	(5,716)
Balances at end of the year	(6,047)	(2,696)	(2,504)	(1,370)	(987)	(9)	640	(12,973)
Net book value as at December 31, 2022	36,256	1,563	1,675	1,066	433	6	(12,136)	28,863

As disclosed in *Note 9 – Property and Equipment*, on the sale and leaseback of telecom towers, Smart and DMPI signed SPAs with the TowerCos in connection with the sale of 5,907 telecom towers and related passive telecom infrastructure, with the concurrent execution of MSAs with the TowerCos where Smart has agreed to leaseback the towers sold in the transaction for a period of 10 years.

In June 2022, August 2022, September 2022, October 2022 and December 2022, the MSAs covering the leaseback arrangements of 3,012, 1,013, 151, 259 and 230 telecom towers, respectively, became effective. As a result, we recognized a net increase in lease liability by Php27,761 million and a net increase in our ROU assets by Php14,984 million, the difference represents the rights retained by PLDT Group over the telecom assets leased back from the tower companies. The ROU assets relating to leasehold land with net book value of Php1,646 million and the related lease liabilities amounting to Php1,506 million were respectively reclassified as “Assets classified as held-for-sale” under current assets and “Liabilities associated with assets classified as held-for-sale” under current liabilities in our consolidated statement of financial position as at December 31, 2022.

#### ***Common Tower Pilot, or CTP, Program***

In January 2020, Smart partnered with several TowerCos duly-accredited by the Department of Information and Communications Technology and launched the CTP Program with the objective of faster new site roll-outs and reduced upfront CAPEX spending.

In the same year, Smart entered into MSAs with these TowerCos. Under the agreement, the TowerCos will handle site acquisition and permitting, site development works, construction and permanent electrification of the towers. Effective 30 days after the sites are Ready For Telecommunication Installation, or RFTI, Smart will be liable to settle a monthly fixed fee covering rental and maintenance costs for a contract term of 15 years. The monthly fee will be subject to agreed escalation rates with the TowerCos. As anchor tenant, Smart will also be entitled to colocation discounts when additional tenants come on board.

Upon launching of the program, the original CTP commitment covered 200 sites. This was later on increased to 936 BTS sites. As at December 31, 2022, Smart has issued service orders, or SOs, corresponding to 464 BTS sites.

The table below enumerates the selected TowerCos and number of BTS sites with SOs under the program:

<b>Tower Providers</b>	<b>Number of Sites Awarded</b>
Unity Digital Infrastructure	50
Alt-Global-Solutions, Inc.	34
Transcend Towers Infrastructure (Philippines) Inc.	13
Communication and Renewable Energy Infrastructure Phils. Inc.	67
Edotco Towers Inc.	10
Frontier Tower Associates Philippines, Inc.	84
ISON Tower Ltd. Inc.	108
MIESCOR Infrastructure Development Corporation	38
Phil-Tower Consortium Inc.	55
SBA Towers Philippines, Inc.	5

As at December 31, 2022, a total of 210 BTS sites are classified as RFTI, out of which 106 BTS sites are ready for service.

The following amounts are recognized in our consolidated income statements for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
		(in million pesos)	
Depreciation expense of ROU assets (Note 3)	5,716	5,388	4,940
Interest expense on lease liabilities (Note 5)	2,064	1,170	1,125
Expenses relating to short-term leases			
(included in general and administrative expenses) (Note 5)	1,440	1,459	618
Variable lease payments (included in general and administrative expenses) (Note 5)	589	771	764
Expenses relating to leases of low-value assets			
(included in general and administrative expenses) (Note 5)	2	1	2
<b>Total amount recognized in consolidated income statements</b>	<b>9,811</b>	<b>8,789</b>	<b>7,449</b>

Our consolidated rollforward analysis of lease liabilities as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Balances at beginning of the year	21,686	20,025
Additions (Note 29)	34,277	7,314
Accretion on lease liabilities (Note 5)	2,064	1,170
Lease modifications	317	33
Foreign exchange gains – net	215	147
Business combination	46	
Adjustment	—	11
Reclassified to lease liabilities held-for-sale	(1,668)	—
Termination	(6,171)	(467)
Settlement of obligations	(8,331)	(6,547)
Balances at end of the year (Notes 3 and 29)	42,435	21,686
Less current portion of lease liabilities (Note 28)	10,477	4,555
Noncurrent portion of lease liabilities (Note 28)	31,958	17,131

We had total cash outflows for leases of Php8,331 million, Php6,547 million and Php5,781 million for the years ended December 31, 2022, 2021 and 2020, respectively. We also had non-cash additions to ROU assets of Php34,274 million and Php7,314 million as at December 31, 2022 and 2021, respectively. We had non-cash additions to lease liabilities of Php34,277 million and Php7,314 million as at December 31, 2022 and 2021, respectively. The future cash outflows relating to leases that have not yet commenced are disclosed in *Note 29 – Notes to the Statements of Cash Flows*.

We have entered into several lease contracts that include automatic extension and termination options. These options are negotiated by us to provide flexibility in managing the leased-asset portfolio and align with our business needs. However, in some of these lease contracts, we did not impute the renewal period in our assessment of the lease terms of these contracts since said renewal period is not yet reasonably estimable at the time of transition or commencement date of the lease, see *Note 3 – Managements Use of Accounting Judgments, Estimates and Assumptions – Determining the lease term of contracts with renewal and termination options – Company as a Lessee*.

#### Group as a Lessor

We have entered into operating leases on our investment property portfolio consisting of certain office buildings and business offices. See *Note 14 – Investment Properties*. These leases have term of five years. All leases include a clause to enable upward revision of the rental charge on annual basis according to prevailing market conditions. The lessee is also required to provide a residual guarantee on the properties. Rental income recognized by us amounted to Php51 million, Php48 million and Php51 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2022 and 2021 are as follows.

	2022	2021
	(in million pesos)	
Within one year	57	51
After one year but not more than five years	—	—
More than five years	—	—
	57	51



## 11. Investments in Associates and Joint Ventures

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
Carrying value of investments in associates:		
MediaQuest PDRs	9,855	9,984
VIH	7,959	7,080
Appcard, Inc., or Appcard	108	110
Asia Outsourcing Beta Limited, or Beta	—	32
PG1	—	—
Digitel Crossing, Inc., or DCI	—	—
AF Payments, Inc., or AFPI	—	—
Asia Netcom Philippines Corp., or ANPC	—	—
	<b>17,922</b>	<b>17,206</b>
Carrying value of investments in joint ventures:		
VTI, Bow Arken and Brightshare	33,584	33,596
Telecommunications Connectivity, Inc., or TCI	40	39
Multisys	—	2,521
PFC	—	1
VFC	—	1
	<b>33,624</b>	<b>36,158</b>
Total carrying value of investments in associates and joint ventures	<b>51,546</b>	<b>53,364</b>

<sup>(1)</sup> Including subscription payable of Php620 million as at December 31, 2021.

Changes in the cost of investments for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Balances at beginning of the year	61,986	60,110
Additions during the year	3,514	1,777
Disposals	(2,421)	—
Translation and other adjustments	(59)	99
Balances at end of the year	<b>63,020</b>	<b>61,986</b>

Changes in the accumulated impairment losses for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Balances at beginning of the year	2,755	2,603
Additions during the year (Note 4)	50	60
Translation and other adjustments	—	92
Balances at end of the year	<b>2,805</b>	<b>2,755</b>

Changes in the accumulated equity share in net earnings (losses) of associates and joint ventures as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Balances at beginning of the year	(5,867)	(5,384)
Share in the other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	(6)	23
Disposals	(37)	—
Equity share in net losses of associates and joint ventures:	<b>(3,304)</b>	<b>(1,101)</b>
VTI, Bow Arken and Brightshare	74	971
TCI	1	(1)
DCI	—	33
VFC	(1)	—
Appcard	(2)	8
PFC	(2)	—
Multisys	(95)	55
PG1	(124)	—
MediaQuest PDRs	(129)	70
VIH	(3,026)	(2,237)
Translation and other adjustments	545	595
Balances at end of the year	<b>(8,669)</b>	<b>(5,867)</b>

## Investments in Associates

### Investment of ePLDT in MediaQuest PDRs

In 2012, ePLDT made deposits totaling Php6 billion to MediaQuest, an entity wholly-owned by the PLDT Beneficial Trust Fund, for the issuance of PDRs by MediaQuest in relation to its indirect interest in Cignal TV. Cignal TV is a wholly-owned subsidiary of Satventures, which is a wholly-owned subsidiary of MediaQuest incorporated in the Philippines. The Cignal TV PDRs confer an economic interest in common shares of Cignal TV indirectly owned by MediaQuest, and when issued, will provide ePLDT with a 40% economic interest in Cignal TV.

Cignal TV operates a direct-to-home, or DTH, Pay-TV business under the brand name “Cignal TV”, which is the largest DTH Pay-TV operator in the Philippines.

In June 2013, ePLDT’s Board of Directors approved additional Php3.6 billion investment by ePLDT in PDRs to be issued by MediaQuest in relation to its interest in Satventures. The Satventures PDRs confer an economic interest in common shares of Satventures owned by MediaQuest and provide ePLDT with a 40% economic interest in Satventures.

The PLDT Group’s financial investment in PDRs of MediaQuest is part of the PLDT Group’s overall strategy of broadening its distribution platforms and increasing the PLDT Group’s ability to deliver multimedia content to its customers across the PLDT Group’s broadband and mobile networks.

ePLDT’s aggregate value of investment in MediaQuest PDRs amounted to Php9,855 million and Php9,984 million as at December 31, 2022 and 2021, respectively. See *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions – Accounting for investment in MediaQuest through PDRs*.

The table below presents the summarized financial information of Satventures and subsidiaries as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020:

	2022	2021
	(in million pesos)	
<b>Statements of Financial Position:</b>		
Noncurrent assets	21,910	22,402
Current assets	8,612	7,942
Noncurrent liabilities	2,418	2,304
Current liabilities	11,706	11,440
Equity <sup>(1)</sup>	16,398	16,600
Carrying amount of interest in Satventures	9,854	9,984
<b>Additional Information:</b>		
Cash and cash equivalents	688	749
Current financial liabilities <sup>(2)</sup>	986	386
Noncurrent financial liabilities <sup>(2)</sup>	1,148	1,319

<sup>(1)</sup> Including Php1 billion deposit for preferred stock subscriptions by Mediaquest in 2021.

<sup>(2)</sup> Excluding trade, other payables and provisions.

	2022	2021	2020
	(in million pesos)		
<b>Income Statements:</b>			
Revenues	11,189	11,467	9,127
Depreciation and amortization	1,424	1,268	1,049
Interest income (loss)	(3)	2	16
Interest expense	212	219	241
Provision for income tax	16	200	153
Net income (loss)	(203)	110	260
Other comprehensive income	—	—	—
Total comprehensive income (loss)	(203)	110	260
Equity share in net income (loss) of Satventures	(130)	70	166

### ***Investment of PCEV in VIH***

#### *Consolidation of the Digital Investments of Smart under PCEV*

On February 27, 2018, the Board of Directors of PCEV approved the consolidation of the various Digital Investments under PCEV, which was carried out through the following transactions:

- (i) PCEV entered into a Share Purchase Agreement with Voyager Innovations, Inc., or Voyager, to purchase 53 million ordinary shares of VIH representing 100% of the issued and outstanding ordinary shares of VIH, for a total consideration of Php465 million;
- (ii) VIH entered into a Share Purchase Agreement with Smart to purchase all of its 170 million common shares of Voyager for a total consideration of Php3,527 million; and
- (iii) PCEV entered into a Subscription Agreement with VIH to subscribe to additional 96 million ordinary shares of VIH, with a par value of SG\$1.00 per ordinary share, for a total subscription price of SG\$96 million, or Php3,806 million, which was settled on April 13, 2018.

#### *Loss of Control over VIH*

In 2018, PLDT, as the ultimate Parent Company of PCEV, VIH, Vision Investment Holdings Pte. Ltd., or Vision, an entity indirectly controlled by KKR, Cerulean Investment Limited, or Cerulean, an entity indirectly owned and controlled by Tencent, International Finance Corporation, or IFC, and IFC Emerging Asia Fund, or IFC EAF, a fund managed by IFC Asset Management Company, or IFC AMC, entered into subscription agreements to subscribe VIH's Convertible Class A preferred shares with a total subscription price amounting to US\$215 million. As a result, PCEV's ownership was diluted to 48.74% and retained two out of five BOD seats in VIH, which resulted in a loss of control. Consequently, PCEV accounted for its remaining interest in VIH as an investment in an associate.

On June 17, 2020, VIH appointed a new director, representing IFC, bringing the total number of BOD seats in VIH to six. PCEV still holds two out of the six BOD seats after the appointment of the new director.

The following summarizes the subscription agreements entered into by PCEV with VIH:

<b>Date</b>	<b>Number of Shares Sold</b>	<b>Number of Shares</b>	<b>Total Consideration</b>	<b>PCEV's Equity Interest</b>
			(in millions)	
March 14, 2018	Acquisition of Ordinary Shares	53.4	465	100%
March 14, 2018	Subscription of Ordinary Shares	95.9	3,806	100%
December 31, 2020	Conversion of notes to Class A2 preference shares	7.9	544	44%
March 12, 2021	Exercise of warrants to subscribe Class A2 preference shares	6.7	447	42%
June 11, 2021	Subscription to Class B convertible preferred shares	15.6	1,218	38%
April 7, 2022	Subscription to Class C convertible preferred shares	27.2	3,252	37%

PCEV's percentage equity interest in VIH stood at 36.63% and 38.45% as at December 31, 2022 and 2021, respectively.

#### *Investment in Class B Convertible Preference Shares*

On June 11, 2021, PCEV, KKR, Tencent, and IFC Financial Institutions Growth Fund, a fund managed by IFC AMC, entered into a new subscription agreement with VIH to subscribe to US\$120.8 million Class B convertible preferred shares of VIH. PCEV paid a total consideration of US\$25 million or Php1,218 million for 15.6 million VIH convertible preferred shares and resulting to another equity interest dilution from 41.87% to 38.45%.

#### *Investment in Class C Convertible Preference Shares*

On April 7, 2022, PCEV participated in the new round of fundraise for VIH amounting to US\$62 million. Leading the round was the new investor SIG Venture Capital. Also participating in the round were the other existing shareholders KKR, Tencent, IFC, IFC EAF and IFC Financial Institutions Growth Fund, as well as new investors including Singapore-based global investor EDBI and investment holding company, First Pacific. Thereafter, PCEV's ownership in VIH was diluted from 38.45% to 36.82%.

On August 12, 2022, a new investor signed a subscription agreement with VIH resulting in further dilution of PCEV's equity interest from 36.82% to 36.63%. See related disclosures on gain on dilution on *Note 5 – Other Income (Expenses)*.

The summarized financial information of VIH as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 is shown below:

	2022	2021
	(in million pesos)	
<b>Statements of Financial Position:</b>		
Noncurrent assets	3,514	2,403
Current assets	18,599	10,146
Noncurrent liabilities	252	115
Current liabilities	10,850	5,310
Equity	11,011	7,124
Carrying amount of interest in VIH	7,959	7,080
<b>Additional Information:</b>		
Cash and cash equivalents	6,410	6,597
Current financial liabilities*	10,740	5,253

\* Excluding statutory payables and accrued taxes.

	2022	2021	2020
	(in million pesos)		
<b>Income Statements:</b>			
Revenues	7,683	5,336	4,717
Depreciation and amortization	182	218	237
Interest income (expense)	133	9	(516)
Provision for income tax	2	2	5
Net loss	(8,155)	(5,541)	(4,880)
Other comprehensive income (losses)	—	30	(47)
Total comprehensive losses	(8,155)	(5,511)	(4,927)
Equity share in net losses of VIH*	(3,026)	(2,237)	(2,392)

\* 2022 Amount includes impact of 2021 audit adjusting entries.

The carrying value of PCEV's investment in VIH as at December 31, 2022 and 2021 are as follows.

	2022	2021
	(in million pesos)	
VIH Equity <sup>(1)</sup>	9,714	6,398
PCEV's noncontrolling interests	36.63%	38.45%
Share in net assets of VIH	3,558	2,460
Goodwill arising from acquisition	4,401	4,620
Carrying amount of interest in VIH	7,959	7,080

<sup>(1)</sup> VIH Equity is net of Php1,297 million and Php726 million Stock Option in 2022 and 2021, respectively.

#### ***Investment of PLDT Capital Pte. Ltd., or PLDT Capital, in AppCard***

On October 9, 2015, PLDT Capital entered into a Convertible Preferred Stock Purchase Agreement with AppCard for US\$5 million. AppCard, a Delaware Corporation, is engaged in the business of developing, marketing, selling and servicing digital loyalty program platforms.

#### ***Investment of PLDT Capital in Beta***

On February 5, 2013, PLDT entered into a Subscription and Shareholders' Agreement with Asia Outsourcing Alpha Limited, or Alpha, wherein PLDT, through its indirect subsidiary PGIC, acquired from Alpha approximately 20% equity interest in Beta for a total cost of approximately US\$40 million, which consists of preferred shares of US\$39.8 million and ordinary shares of US\$0.2 million. On various dates in 2013 and 2014, PGIC has bought and transferred-in a net in total of 27 ordinary shares and 9,643 preferred shares to certain employees of Beta for a total net payment of US\$51 thousand. In 2014, Beta has divested its healthcare BPO business. PGIC received a total cash distribution of US\$41.8 million from Beta through redemption of 35.3 million preferred shares and repayment of loan from PGIC. The equity interest of PGIC in Beta remained at 20% after the transfer with economic interest of 18.32%.

Alpha and Beta are both exempted limited liability companies incorporated under the laws of Cayman Islands and are both controlled by CVC Capital Partners. Beta has been designated to be the ultimate holding company of the SPi Technologies, Inc. and Subsidiaries.

On July 22, 2016, Asia Outsourcing Gamma Limited, or AOGL, entered into a SPA with Relia, Inc., one of the largest BPO companies in Japan, relating to the acquisition of AOGL's Customer Relationship Management, or CRM, business under the legal entity SPi CRM, Inc. and Infocom Technologies, Inc., wholly-owned subsidiaries of SPi Technologies, Inc., for a total purchase consideration of US\$190.9 million. AOGL is a wholly-owned subsidiary of Beta and the direct holding company of SPi Technologies, Inc. and Subsidiaries. The transaction was completed on September 30, 2016. As a result of the sale, PGIC received a cash distribution of US\$11.2 million from Beta through redemption of its preferred shares and portion of its ordinary shares.

On May 19, 2017, AOGL entered into a SPA with Partners Group, a global private markets investment manager, relating to the acquisition of SPi Global, a wholly-owned subsidiary of AOGL, for an enterprise value of US\$330 million. The transaction was completed on August 25, 2017. As a result of the sale, PGIC received a total cash distribution of US\$57.05 million from Beta on various dates in 2017 and 2018 through redemption of a portion of its ordinary shares.

On May 14, 2021, PGIC entered into an Instrument of Transfer with its affiliate, PLDT Capital, relating to the acquisition of PGIC's 554 ordinary shares (or 18.32% full economic interest) in Beta for a purchase consideration of US\$0.68 million. PGIC received the cash consideration from PLDT Capital also on May 14, 2021.

The transfer of shares to PLDT Capital was completed on May 25, 2021.

On May 17, 2022, PLDT Capital received a cash distribution of US\$1.2 million from Beta through redemption of all its ordinary shares, resulting in the full divestment of the investment in Beta.

### ***Investment in PG1***

On February 28, 2022, PLDT signed a Deed of Assignment under which investors led by Philex Mining Corporation, Metro Pacific Corporation, or MPIC, and Roxas Holdings, Inc. separately acquired a total of Php44.7 million worth of equity interest in PG1 from PLDT. In addition, PG1 appointed a new director bringing the total number of directors to nine. As a result, PLDT's ownership was diluted from 65.3% to 47.6% and retained four out of nine total board seats which resulted in a loss of control. Consequently, PLDT accounted for its remaining interest in PG1 as an investment in associate. A gain on deconsolidation amounting to Php376.7 million was recognized as part of "Other Income (Expenses) – Net" in our consolidated income statement. See the related discussion on *Note 2 – Summary of Significant Accounting Policies - Loss of Control of PLDT over PG1*.

As at December 31, 2022, the carrying value of investment in PG1 amounted to nil as the equity share in net losses of PG1 is recognized only up to the extent of its carrying value. The excess of the equity share in net losses over its carrying value amounted to Php3 million.

The summarized financial information of PG1 as at and for the year ended December 31, 2022 is shown below:

	(in million pesos)
<b>Statement of Financial Position:</b>	
Noncurrent assets	3,283
Current assets	123
Noncurrent liabilities	(3,146)
Current liabilities	(847)
Deficit	(587)
<b>Income Statement:</b>	
Revenues	70
Depreciation and amortization	153
Interest income	—
Benefit from income tax	—
Net loss	267
Other comprehensive loss	—
Total comprehensive loss	267
Equity share in net loss of PG1	127

### ***Investment of Digitel in DCI and ANPC***

Digitel has 60% and 40% interest in ANPC and DCI, respectively. DCI is involved in the business of cable system. ANPC is an investment holding company owning 20% of DCI.

In December 2000, Digitel, Pacnet Network (Philippines), Inc., or PNPI, (formerly Asia Global Crossing Ltd.) and BT Group O/B Broadband Infrastructure Group Ltd., or BIG, entered into a joint venture agreement, or JVA, under which the parties agreed to form DCI with each party owning 40%, 40% and 20%, respectively. DCI was incorporated to develop, provide and market backhaul network services, among others.

On April 19, 2001, after BIG withdrew from the proposed joint venture, Digitel and PNPI formed ANPC to replace BIG. Digitel contributed US\$2 million, or Php69 million, for a 60% equity interest in ANPC while PNPI owned the remaining 40% equity interest.

Digitel provided full impairment loss on its investment in DCI and ANPC in prior years on the basis that DCI and ANPC have incurred significant recurring losses in the past. In 2011 and 2017, Digitel recorded a reversal of impairment loss amounting to Php92 million and Php201 million, respectively, following improvement in DCI's operations.

Though Digitel owned more than half of the voting interest in ANPC, management assessed that Digitel only had significant influence, and not control, due to certain governance matters.

Digitel's investment in DCI did not qualify as investment in joint venture as there was no provision for joint control in the JVA among Digitel, PNPI and ANPC.

Following PLDT's acquisition of a controlling stake in Digitel, PNPI, on November 4, 2011, sent a notice to exercise its Call Right under Section 6.3 of the JVA, which provides for a Call Right exercisable by PNPI following the occurrence of a Digitel change in control. On June 2, 2021, Digitel fully divested its investments in DCI and ANPC. Following the divestment, the JVA dated December 2000, as amended, between and among the Company, DCI, ANPC and PNPI was mutually terminated.

### ***Investment of Smart in AFPI***

In 2013, Smart, along with other conglomerates MPIC and Ayala Corporation, or Ayala, embarked on a venture to bid for the Automated Fare Collection System, or AFCS, a project of the Department of Transportation and Communications, or DOTC, and Light Rail Transit Authority, to upgrade the Light Rail Transit 1 and 2, and Metro Rail Transit ticketing systems.

In 2014, AFPI, the joint venture company, was incorporated in the Philippines and registered with the Philippine SEC. Smart initially subscribed to Php503 million equivalent to 503 million shares at a subscription price of Php1.00 per share representing 20% equity interest, and participated in subsequent capital calls, thereafter. MPIC and Ayala Group signed a ten-year concession agreement with the DOTC to build and implement the AFCS project.

Smart infused additional capital for the following years:

<b>Date</b>	<b>Number of Shares Acquired</b>	<b>Subscription Price</b>	<b>Subscription Price</b>
		(in million pesos)	
March 29, 2019	70 Preferred Shares	1.00	70
March 11, 2020	60 Preferred Shares	1.00	60
March 30, 2021	60 Preferred Shares	1.00	60
March 29, 2022	50 Preferred Shares	1.00	50

Smart retained its 20% equity interest in AFPI as at December 31, 2022 and 2021.

The summary of investments in AFPI made by Smart as at December 31, 2022 and 2021 is shown below:

	<b>2022</b>	<b>2021</b>
		(in million pesos)
Common shares	<b>625.7</b>	625.7
Preferred shares	<b>364.2</b>	314.2

Smart's investment in AFPI has been fully impaired as at December 31, 2022 and 2021. Share in net cumulative losses were not recognized as it does not have any legal or constructive obligation to pay for such losses and have not made any payments on behalf of AFPI.

### ***Summarized financial information of individually immaterial associates***

The following table presents the summarized financial information of our individually immaterial investments in associates for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
	(in million pesos)		
<b>Income Statements:</b>			
Revenues	—	20	166
Net income (loss)	—	25	(116)
Other comprehensive loss	—	—	—
<b>Total comprehensive loss (loss)</b>	<b>—</b>	<b>25</b>	<b>(116)</b>

No dividends were received from our associates for the years ended December 31, 2022 and 2021, while Php316 million were received for the year ended December 31, 2020.

We have no outstanding contingent liabilities or capital commitments with our associates as at December 31, 2022 and 2021.

### ***Investments in Joint Ventures***

#### ***Investments of PLDT in VTI, Bow Arken and Brightshare***

On May 30, 2016, the PLDT Board approved the Company's acquisition of 50% equity interest, including outstanding advances and assumed liabilities, in the telecommunications business of San Miguel Corporation, or SMC, with Globe acquiring the other 50% interest. On the same date, PLDT and Globe executed: (i) a Share Purchase Agreement, or SPA, with SMC to acquire the entire outstanding capital, including outstanding advances and assumed liabilities, in VTI (and the other subsidiaries of VTI), which holds SMC's telecommunications assets through its subsidiaries, or the VTI Transaction; and (ii) separate SPAs with the owners of two other entities, Bow Arken (the parent company of New Century Telecoms, Inc.) and Brightshare (the parent company of eTelco, Inc.), which separately hold additional spectrum frequencies through their respective subsidiaries, or the Bow Arken Transaction and Brightshare Transaction, respectively. We refer to the VTI Transaction, Bow Arken Transaction and Brightshare Transaction collectively as the SMC Transactions.

The consideration in the amount of Php52.8 billion representing the purchase price for the equity interest and assigned advances of previous owners to VTI, Bow Arken and Brightshare was paid in three tranches: 50% upon signing of the SPAs on May 30, 2016, 25% on December 1, 2016 and the final 25% on May 30, 2017. The SPAs also provide that PLDT and Globe, through VTI, Bow Arken and Brightshare, would assume liabilities amounting to Php17.2 billion from May 30, 2016. In addition, the SPAs contain a price adjustment mechanism based on the variance in these assumed liabilities to be agreed among PLDT, Globe and previous owners on the results of the confirmatory due diligence procedures jointly performed by PLDT and Globe. On May 29, 2017, PLDT and Globe paid the previous owners the net amount of Php2.6 billion in relation to the aforementioned price adjustment based on the result of the confirmatory due diligence. See *Note 28 – Financial Assets and Liabilities – Commercial Commitments*.

As part of the SMC Transactions, PLDT and Globe acquired certain outstanding advances made by the former owners of VTI, Bow Arken and Brightshare to VTI, Bow Arken and Brightshare or their respective subsidiaries. The largest amounts of the advances outstanding to PLDT since the date of assignment to PLDT amounted to Php11,359 million: (i) Php11,038 million from VTI and its subsidiaries; (ii) Php238 million from Bow Arken and its subsidiaries; and (iii) Php83 million from Brightshare and its subsidiaries.

On February 28, 2017, PLDT and Globe each subscribed to 2.8 million new preferred shares to be issued out of the unissued portion of the existing authorized capital stock of VTI, at a subscription price of Php4 thousand per subscribed share (inclusive of a premium over par of Php3 thousand per subscribed share) or a total subscription price for each of Php11,040 million (inclusive of a premium over par of Php8,280 million). PLDT and Globe's assigned advances from SMC which were subsequently reclassified to deposit for future subscription of each amounting to Php11,040 million were applied as full subscription payment for the subscribed shares.



Also, on the same date, PLDT and Globe each subscribed to 800 thousand new preferred shares of the authorized capital stock of VTI, at a subscription price of Php4 thousand per subscribed share (inclusive of a premium over par of Php3 thousand per subscribed share), or a total subscription price for each Php3,200 million (inclusive of a premium over par of Php2,400 million). PLDT and Globe each paid Php148 million in cash for the subscribed shares upon execution of the relevant agreement. The remaining balance of the subscription price of PLDT and Globe were fully paid as at December 29, 2017.

On December 15, 2017, PLDT and Globe each subscribed to 600 thousand new preferred shares of the authorized capital stock of VTI, at a subscription price of Php5 thousand per subscribed share (inclusive of a premium over par of Php4 thousand per subscribed share), for a total subscription price of Php3,000 million (inclusive of a premium over par of Php2,400 million). PLDT and Globe each paid Php10 million in cash for the subscribed shares upon execution of the agreement. The remaining balance of the subscription price was paid via conversion of advances amounting to Php2,990 million as at December 31, 2017.

The amount of the advances outstanding of PLDT, to cover for the assumed liabilities and working capital requirements of the acquired companies, amounted to Php69 million and Php13 million as at December 31, 2022 and 2021, respectively.

#### *Purchase Price Allocation*

PLDT has engaged an independent valuer to determine the fair value adjustments relating to the acquisition. As at May 30, 2016, our share in the fair value of the intangible assets, which includes spectrum, amounted to Php18,885 million and goodwill of Php17,824 million has been determined based on the results of an independent valuation. Goodwill arising from this acquisition and carrying amount of the identifiable assets and liabilities, including deferred tax liability, and the related amortization through equity in net earnings were retrospectively adjusted accordingly.

The table below presents the summarized financial information of VTI, Bow Arken and Brightshare as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020:

	2022	2021
	(in million pesos)	
<b>Statements of Financial Position:</b>		
Noncurrent assets	77,543	76,925
Current assets	4,617	4,836
Noncurrent liabilities	9,264	9,442
Current liabilities	2,260	2,155
Equity	70,636	70,164
<b>Carrying amount of assets in VTI, Bow Arken and Brightshare</b>	<b>33,584</b>	<b>33,596</b>
<b>Additional Information:</b>		
Cash and cash equivalents	2,733	3,183
Current financial liabilities*	142	60
Noncurrent financial liabilities*	—	—

\* *Excluding trade, other payables and provisions.*

	2022	2021	2020
	(in million pesos)		
<b>Income Statements:</b>			
Revenues	4,033	3,772	3,413
Depreciation and amortization	1,569	1,490	1,445
Interest income	45	16	25
Provision for income tax	178	174	196
Net income	148	157	175
Other comprehensive income	—	—	—
Total comprehensive income	148	157	175
PLDT's share	74	79	87
CREATE adjustment	—	892	—
<b>Equity share in net income of VTI, Bow Arken and Brightshare</b>	<b>74</b>	<b>971</b>	<b>87</b>



The carrying value of PLDT's investment in VTI, Bow Arken and Brightshare as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
VTI, Bow Arken and Brightshare equity	70,636	70,164
PLDT's share	50%	50%
Share in net assets of VTI, Bow Arken and Brightshare	35,318	35,082
Share in adjustment based on liability and ETPI net cash balance	442	442
Reimbursements	(230)	(155)
Share in SMC's advances in VTI, Bow Arken and Brightshare	(840)	(840)
Non-controlling interests	(952)	(857)
Others	(154)	(76)
Carrying amount of interest in VTI, Bow Arken and Brightshare	33,584	33,596

*Notice of Transaction filed with the PCC*

On May 30, 2016, prior to closing the transaction, each of PLDT, Globe and SMC submitted notices of the VTI, Bow Arken and Brightshare Transaction (respectively, the VTI Notice, the Bow Arken Notice and the Brightshare Notice and collectively, the Notices) to the PCC pursuant to the Philippine Competition Act, or PCA, and Circular No. 16-001 and Circular No. 16-002 issued by the PCC, or the Circulars. As stated in the Circulars, upon receipt by the PCC of the requisite notices, each of the said transactions shall be deemed approved in accordance with the Circulars.

Subsequently, on June 7, 2016, PLDT and the other parties to the said transactions received separate letters dated June 6 and 7, 2016 from the PCC which essentially stated, that: (a) with respect to VTI Transaction, the VTI Notice is deficient and defective in form and substance, therefore, the VTI Transaction is not "deemed approved" by the PCC, and that the missing key terms of the transaction are critical since the PCC considers certain agreements as prohibited and illegal; and (b) with respect to the Bow Arken and Brightshare Transactions, the compulsory notification under the Circulars does not apply and that even assuming that the Circulars apply, the Bow Arken Notice and the Brightshare Notice are deficient and defective in form and substance.

On June 10, 2016, PLDT submitted its response to the PCC's letter articulating its position that the VTI Notice is adequate, complete and sufficient and compliant with the requirement under the Circulars and does not contain false material information; as such, the VTI Transaction enjoys the benefit of Section 23 of the PCA. Therefore, the VTI Transaction is deemed approved and cannot be subject to retroactive review by the PCC. Moreover, the parties have taken all necessary steps, including the relinquishment/return of certain frequencies and co-use of the remaining frequencies by Smart and Belltel and Globe and Belltel as discussed above, to ensure that the VTI Transaction will not substantially prevent, restrict or lessen competition to violate the PCA. Nevertheless, in the spirit of cooperation and for transparency, the parties voluntarily submitted to the PCC, among others, copies of the SPAs for the PCC's information and reference.

In a letter dated June 17, 2016, the PCC required the parties to further submit additional documents relevant to the co-use arrangement and the frequencies subject thereto, as well as other definitive agreements relating to the VTI Transaction. It also disregarded the deemed approved status of the VTI Transaction in violation of the Circulars which the PCC itself issued, and insisted that it will conduct a full review, if not investigation of the said transaction under the different operative provisions of the PCA.

*In the Matter of the Petition against the PCC*

On July 12, 2016, PLDT filed before the Court of Appeals, or CA, a Petition for Certiorari and Prohibition (With Urgent Application for the Issuance of a Temporary Restraining Order, or TRO, and/or Writ of Preliminary Injunction), or the Petition, against the PCC. The Petition sought to enjoin the PCC from proceeding with the review of the acquisition by PLDT and Globe of equity interest, including outstanding advances and assumed liabilities, in the telecommunications business of SMC, or the SMC Transactions, and performing any act which challenges or assails the "deemed approved" status of the SMC Transactions. On July 19, 2016, the 12<sup>th</sup> Division of the CA, issued a Resolution directing the PCC through the Office of the Solicitor General, or the OSG, to file its Comment within a non-extendible period of 10 days from notice and show cause why the Petition should not be granted. On August 11, 2016, the PCC through the OSG, filed its Comment to the Petition (With Opposition to Petitioner's Application for a Writ of Preliminary Injunction).

On August 19, 2016, PLDT filed its Reply to Respondent PCC's Comment. On August 26, 2016, the CA issued a Writ of Preliminary Injunction enjoining and directing the respondent PCC, their officials and agents, or persons acting for and in their behalf, to cease and desist from conducting further proceedings for the pre-acquisition review and/or investigation of the SMC Transactions based on its Letters dated June 7, 2016 and June 17, 2016 during the pendency of the case and until further orders are issued by the CA. On September 14, 2016, the PCC filed a Motion for Reconsideration of the CA's Resolution. During this time, Globe moved to have its Petition consolidated with the PLDT Petition. In a Resolution promulgated on October 19, 2016, the CA, or the First CA Resolution: (i) accepted the consolidation of Globe's petition versus the PCC (CA G.R. SP No. 146538) into PLDT's petition versus the PCC (CA G.R. SP No. 146528) with the right of replacement; (ii) admitted the Comment dated October 4, 2016 filed by the PCC; (iii) referred to the PCC for Comment (within 10 days from receipt of notice) PLDT's Urgent Motion for the Issuance of a Gag Order dated September 30, 2016 and to cite the PCC for indirect contempt; and (iv) ordered all parties to submit simultaneous memoranda within a non-extendible period of 15 days from notice. On November 11, 2016, PLDT filed its Memorandum in compliance with the CA's Resolution.

On February 17, 2017, the CA issued a Resolution, or the Second CA Resolution, denying PCC's Motion for Reconsideration dated September 14, 2016, for lack of merit. The CA denied PLDT's Motion to Cite the PCC for indirect Contempt for being premature. In the same Resolution, as well as in a separate Gag Order attached to the Resolution, the CA granted PLDT's Urgent Motion for the Issuance of a Gag Order and directed PCC to remove immediately from its website its preliminary statement of concern and submit its compliance within five days from receipt thereof. All the parties were ordered to refrain, cease and desist from issuing public comments and statements that would violate the sub judice rule and subject them to indirect contempt of court. The parties were also required to comment within ten days from receipt of the Second CA Resolution, on the Motion for Leave to Intervene and to Admit the Petition-in-Intervention dated February 7, 2017 filed by Citizenwatch, a non-stock and non-profit association.

On April 18, 2017, the PCC filed before the Supreme Court a Petition to Annul the Writ of Preliminary Injunction issued by the CA's 12<sup>th</sup> Division on August 26, 2016 restraining PCC's review of the SMC Transactions. In compliance with the Supreme Court's Resolution issued on April 25, 2017, PLDT on July 3, 2017 filed its Comment dated July 1, 2017 to the PCC's Petition. The Supreme Court issued a Resolution dated July 18, 2017 noting PLDT's Comment and requiring the PCC to file its Consolidated Reply. The PCC filed a Motion for Extension of Time and prayed that it be granted until October 23, 2017 to file its Consolidated Reply. The PCC filed its Consolidated Reply to the: (1) Comment filed by PLDT; and (2) Motion to Dismiss filed by Globe on November 7, 2017. The same was noted by Supreme Court in a Resolution dated November 28, 2017.

During the intervening period, the CA rendered its Decision on October 18, 2017, granting the Petitions filed by PLDT and Globe. In its Decision, the CA: (i) permanently enjoined the PCC from conducting further proceedings for the pre-acquisition review and/or investigation of the SMC Transactions based on its Letters dated June 7, 2016 and June 17, 2016; (ii) annulled and set aside the Letters dated June 7, 2016 and June 17, 2016; (iii) precluded the PCC from conducting a full review and/or investigation of the SMC Transactions; (iv) compelled the PCC to recognize the SMC Transactions as deemed approved by operation of law; and (v) denied the PCC's Motion for Partial Reconsideration dated March 6, 2017, and directed the PCC to permanently comply with the CA's Resolution dated February 17, 2017 requiring PCC to remove its preliminary statement of concern from its website. The CA clarified that the deemed approved status of the SMC Transactions does not, however, remove the power of PCC to conduct post-acquisition review to ensure that no anti-competitive conduct is committed by the parties.

On November 7, 2017, PCC filed a Motion for Additional Time to file a Petition for Review on Certiorari before the Supreme Court. The Supreme Court granted PCC's motion in its Resolution dated November 28, 2017.

On December 13, 2017, PLDT, through counsel, received the PCC's Petition for Review on Certiorari filed before the Supreme Court assailing the CA's Decision dated October 18, 2017. In this Petition, the PCC raised procedural and substantive issues for resolution. Particularly, the PCC assailed the issuance of the writs of certiorari, prohibition, and mandamus considering that the determination of the sufficiency of the Notice pursuant to the Transitory Rules involves the exercise of administrative and discretionary prerogatives of the PCC. On the substantive aspect, the PCC argued that the CA committed grave abuse of discretion in ruling that the SMC Transactions should be accorded the deemed approved status under the Transitory Rules. The PCC maintained that the Notice of the SMC Transactions was defective because it failed to provide the key terms thereof.

In the Supreme Court Resolution dated November 28, 2017, which was received by PLDT on December 27, 2017, the Supreme Court decided to consolidate the PCC's Petition to Annul the Writ of Preliminary Injunction issued by the CA's 12<sup>th</sup> Division with that of its Petition for Review on Certiorari assailing the decision of the CA on the merits.

On February 13, 2018, PLDT received Globe's Motion for Leave to File and Admit the Attached Rejoinder, which was denied by the Supreme Court in a Resolution dated March 13, 2018. On February 27, 2018, PLDT received notice of the Supreme Court's Resolution dated January 30, 2018 directing PLDT and Globe to file their respective Comments to the Petition for Review on Certiorari without giving due course to the same.

On April 5, 2018, PLDT filed its Comment on the Petition for Review on Certiorari. On April 11, 2018, PLDT received Globe's Comment/Opposition [Re: Petition for Review on Certiorari dated December 11, 2017] dated March 4, 2018. On April 24, 2018, PLDT received the PCC's Motion to Expunge [Respondent PLDT's Comment on the Petition for Review on Certiorari] dated April 18, 2018. On May 9, 2018, PLDT filed a Motion for Leave to File and Admit the Attached Comment on the Petition for Review on Certiorari dated May 9, 2018.

On June 5, 2018, PLDT received the Supreme Court's Resolution dated April 24, 2018 granting the motion for extension of PLDT and noting its Comment on the Petition for Review on Certiorari filed in compliance with the Supreme Court's Resolution dated January 30, 2018 and requiring the PCC to file a Consolidated Reply to the comments within ten days from notice. On June 20, 2018, PLDT, through counsel, received PCC's Urgent Omnibus Motion for: (1) Partial Reconsideration of the Resolution dated April 24, 2018; and (2) Additional Time dated June 11, 2018.

PCC filed its Consolidated Reply Ad Cautelam dated July 16, 2018, which was received on July 19, 2018. On July 26, 2018, PLDT received a Resolution dated June 19, 2018 where the Supreme Court resolved to grant PLDT's Motion for Leave to File and Admit the Attached Comment, and PCC's Motion for Extension to file a Comment/Opposition on/to PLDT's Motion for Leave to File and Admit the Attached Comment.

On August 14, 2018, PLDT received a Resolution dated July 3, 2018 where the Supreme Court resolved to deny the PCC's motion to reconsider the Resolution dated April 24, 2018 and grant its motion for extension of time to file its reply to PLDT's and Globe's Comments, with a warning that no further extension will be given. On August 16, 2018, PLDT received a Resolution dated June 5, 2018 where the Supreme Court noted without action the Motion to Expunge by PCC in view of the Resolution dated April 24, 2018 granting the motion for extension of time to file a comment on the petition in G.R. No. 234969.

On October 4, 2018, PLDT received a Resolution dated August 7, 2018 where the Supreme Court noted the PCC's Consolidated Reply Ad Cautelam.

On July 2, 2020, PLDT received a Resolution dated March 3, 2020 requiring petitioners in G.R. No. 242352 (*Atty. Joseph Lemuel Baligod Baquiran and Ferdinand C. Tecson v. NTC, et al.*) to file a Consolidated Reply to the comments on the petition within 10 days from notice.

On September 2, 2020, PLDT received a Resolution dated June 30, 2020 where the Supreme Court resolved to Await the Consolidated Reply of the petitioners in G.R. No. 242352 as required in the resolution dated March 3, 2020.

On November 16, 2020, PLDT received a Resolution of the Supreme Court dated October 6, 2020 which granted the motions filed by the petitioners in G.R. No. 242352 to extend the filing of the Consolidated Reply until September 29, 2020.

On February 8, 2021, PLDT received a Resolution where the Supreme Court noted the Consolidated Reply dated September 29, 2020 filed by the Petitioners in G.R. 242352.

The consolidated petitions remain pending as of the date of this report.

#### *VTI's Tender Offer for the Minority Stockholders' Shares in Liberty Telecom Holdings, Inc., or LIB*

On August 18, 2016, the Board of Directors of VTI approved the voluntary tender offer to acquire the common shares of LIB, a subsidiary of VTI, which are held by the remaining minority shareholders, and the intention to delist the shares of LIB from the PSE.

On August 24, 2016, VTI, owner of 87.12% of the outstanding common shares of LIB, undertook the tender offer to purchase up to 165.88 million common shares owned by the remaining minority shareholders, representing 12.82% of LIB's common stock, at a price of Php2.20 per share. The tender offer period ended on October 20, 2016, the extended expiration date, with over 107 million shares tendered, representing approximately 8.3% of LIB's issued and outstanding common shares. The tendered shares were crossed at the PSE on November 4, 2016, with the settlement on November 9, 2016.

The tender offer was undertaken in compliance with the PSE's requirements for the voluntary delisting of LIB common shares from the PSE. The voluntary delisting of LIB was approved by the PSE effective November 21, 2016.

Following the conclusion of the tender offer, VTI now owns more than 95% of the issued and outstanding common shares, and 99.1% of the total issued and outstanding capital stock, of LIB.

### ***Investment of Smart in TCI***

On February 8, 2019, the R.A. 11202 or the "Mobile Number Portability, or MNP, Act" was enacted into a law. This act allows subscribers to change their subscription plans or service providers while allowing the subscribers to retain their current mobile numbers. In addition, no interconnection fee or charge shall be imposed for mobile domestic calls and SMS made by a subscriber. The act shall take effect fifteen days after its publication in the Official Gazette or in any newspaper of general circulation. Within 90 days from the effectivity of the act, the NTC, as the government entity mandated to implement nationwide MNP, shall coordinate with the Department of Information and Communications Technology, The National Privacy Commission, the Philippine Competition Commission, and other concerned agencies, and promulgate rules and regulations and other issuances to ensure the effective implementation of the Act.

Subsequently, Smart, along with Globe and Dito Telecommunity, Inc., or Dito, entered into an agreement to form a joint venture that will address the requirements of the MNP Act. The joint venture company, TCI was incorporated in the Philippines on December 26, 2019 and registered with the Philippine SEC on January 17, 2020. The primary purpose of the joint venture is to serve as a clearing house for MNP. TCI would ensure smooth implementation of mobile number porting services. On December 23, 2019, Smart subscribed Php10 million representing 33.3% equity interest in TCI, which is equivalent to 10 million shares at a subscription price of Php1.00 per share.

In December 2020, Smart subscribed to additional 30 million shares, at a subscription price of Php1.00 per share, representing its 33.33% equity interest. The subscription price of Php30 million was settled in July 2021, upon TCI's capital call.

The core services of MNP was made available by TCI on September 30, 2021. This allows subscribers to change their subscription plans or service providers while allowing the subscribers to retain their current mobile numbers.

Smart's investment in TCI is recorded under investment in joint venture and is carried in the PLDT's consolidated financial statements at equity method. As at December 31, 2022 and 2021, investment in TCI amounted to Php40 million and Php39 million, respectively.

### ***Investment of PGIH in Multisys***

On November 8, 2018, the PLDT Board of Directors approved the investment of Php2,150 million in Multisys for a 45.73% equity interest through its wholly-owned subsidiary, PGIH. Multisys is a Philippine software development and IT solutions provider engaged in designing, developing, implementing business system solutions and services covering courseware, webpage development and designing user-defined system programming. PGIH's investment involves the acquisition of new and existing shares.

On December 3, 2018, PGIH completed the closing of its investment in Multisys. Out of the Php550 million total consideration for the acquisition of existing shares, PGIH paid Php523 million to the owners of Multisys. On June 3, 2019, the balance of the acquisition consideration amounting to Php27 million was fully paid. Further, PGIH invested Php800 million into Multisys as a deposit for future stock subscription pending the approval by the Philippine SEC of the capital increase of Multisys, and a balance of another Php800 million subscription payable was outstanding. On February 1, 2019, the Philippine SEC approved the capital increase of Multisys.

PLDT has engaged an independent appraiser to determine the fair value adjustments relating to the acquisition. As at December 3, 2018, our share in the fair value of the identifiable net assets and liabilities, which include technologies and customer relationships, amounted to Php1,357 million. Goodwill of Php1,031 million has been determined based on the final results of the independent valuation. Goodwill arising from this acquisition and carrying amount of the identifiable net assets and liabilities, including deferred tax liability, and the related amortization through equity in net earnings were retrospectively adjusted accordingly.

Based on its 2019 performance, the owners of Multisys are entitled to Php170 million out of the total Php230 million contingent consideration. Subsequently on April 6, 2020 and December 1, 2020, PGIH paid the owners Php153 million and Php17 million, respectively. The difference of the lower payout and the original contingent consideration amounting to Php60 million was closed to profit and loss.

On October 6, 2021, PGIH paid Php180 million of the subscription payable to Multisys.

On July 6, 2022, PGIH partially paid Php109 million, out of Php620 million, of the subscription payable to Multisys.

#### *Acquisition of Additional Interest in Multisys/Business Combination*

On July 29, 2022, PGIH acquired additional 227 common shares of Multisys from the existing holder, representing a 4.99% interest, for a total consideration of Php248 million, of which Php100 million was paid on the same day. In August 2022, PGIH paid 136 million of the balance consideration. As of and following this acquisition, PGIH owns 2,307 common shares representing 50.72% equity interest in Multisys which is considered a controlling interest, and in accordance with the Restated Shareholders' Agreement that the parties signed on the same date, PGIH is entitled to nominate three out of the five directors in Multisys who shall manage and control the operations of Multisys. Consequently, the results of operations and financial position of Multisys are consolidated with the PLDT Group effective in the fourth quarter of this year.

The fair values of the identifiable assets and liabilities of Multisys at the date of acquisition are as follows:

	<b>Fair Values Recognized on Acquisition</b>
	(in million pesos)
<b>Assets:</b>	
Cash and cash equivalents	55
Trade and other receivables – net	261
Work in progress	77
Other current assets	247
Intangible assets – net	—
Technologies	449
Customer contracts and relationships	220
Property and equipment – net	100
Right-of-use assets – net	57
Deferred tax assets – net	217
<b>Total assets</b>	<b>1,684</b>
<b>Liabilities:</b>	
Trade and other payables	242
Lease liability	46
Deferred tax liability	96
Retirement benefit obligation	7
<b>Total liabilities</b>	<b>391</b>
	1,293
<b>Goodwill from the acquisition (Note 15)</b>	<b>1,565</b>
<b>Total identifiable assets acquired</b>	<b>2,858</b>
<b>Non-controlling interest</b>	<b>633</b>
<b>Purchase consideration transferred</b>	<b>2,225</b>
<b>Cash paid</b>	<b>248</b>
<b>Fair value of previous interest</b>	<b>1,977</b>
	<b>2,225</b>

The goodwill of Php1,565 million pertains to the difference between the total consideration and the fair value of the net assets acquired and can be attributed to financial and operational synergies. The fair value and net amount of trade and other receivables amounted to Php261 million and it is expected that the full contractual amounts can be collected. See *Note 15 – Goodwill and Intangible Assets*.

Our consolidated net income would have decreased by Php776 million for the year ended December 31, 2022 had the acquisition of Multisys actually taken place on January 1, 2022. Total revenues and net loss of Multisys included in our consolidated income statement from July 29, 2022 to December 31, 2022 amounted to Php155 million and Php569 million, respectively.

On August 10, 2022, PGIH partially paid Php150 million, out of Php620 million, of the subscription payable to Multisys. On December 2, 2022, PGIH partially paid Php100 million, out of Php620 million, of the subscription payable to Multisys.

The subscription payable of PGIH to Multisys was at Php261 million and Php620 million as at December 31, 2022 and 2021, respectively.

On January 3, 2023, PGIH partially paid Php60 million, out of Php261 million, of the subscription payable to Multisys. On February 28, 2023, PGIH partially paid Php100 million, out of Php261 million, of the subscription payable to Multisys. On March 3, 2023, PGIH partially paid Php50 million, out of Php261 million, of the subscription payable to Multisys.

### ***Investment of PCEV in Beacon***

In relation to PCEV's previous investment in Beacon Common and Preferred shares amounting to Php40,966 million, PCEV has entered into the following Share Purchase Agreements with MPIC:

<b>Date</b>	<b>Number of Shares Sold</b>	<b>Selling Price</b>	<b>Deferred Gain Realized</b>
		(in million pesos)	
June 6, 2012	282 Preferred Shares	3,563	2,012
May 30, 2016	646 Common shares and 458 Preferred Shares	26,200	4,962
June 13, 2017	646 Common shares and 458 Preferred Shares	21,800	4,962

On May 30, 2016, MPIC settled a portion of the consideration amounting to Php17,000 million immediately upon signing of the Share Purchase Agreement dated May 30, 2016 and the balance of Php9,200 million was paid in annual installments until June 2020.

On June 27, 2017, MPIC settled a portion of the consideration amounting to Php12,000 million upon closing of the sale under the Share Purchase Agreement dated June 13, 2017 and the balance of Php9,800 million was paid in annual installments from June 2018 to June 2021.

MPIC agreed that for as long as: (a) PCEV owns at least 20% of the outstanding capital stock of Beacon; or (b) the purchase price has not been fully paid by MPIC, PCEV shall retain the right to vote 50% of the outstanding capital stock of Beacon. After the full payment was settled in June 2021, PCEV ceased to hold significant influence over Beacon.

### ***Sale of PCEV's Receivables from MPIC (FVOCI)***

On December 5, 2017, the Board of Directors of PCEV approved the proposed sale of 50% of PCEV's receivable from MPIC, with an option on the part of PCEV to upsize to 75%, consisting of the proceeds from the sale of its shares in Beacon, which were due in 2019 to 2021.

On March 2, 2018, PCEV entered into a Receivables Purchase Agreement, or RPA, with various financial institutions, or the Purchasers, to sell a portion of its receivables from MPIC due in 2019 to 2021 amounting to Php5,550 million for a total consideration of Php4,852 million. Under the terms of the RPA, the Purchasers would have exclusive ownership of the purchased receivables and all of its rights, title, and interest.

On March 23, 2018, PCEV entered into another RPA with a financial institution to sell a portion of its receivables from MPIC due in 2019 amounting to Php2,230 million for a total consideration of Php2,124 million.

The remaining net balance of Php168 million as at December 31, 2020 was fully settled on June 30, 2021.

### ***Investment of PCEV in Maya Bank***

Pursuant to the Investment Agreement dated September 21, 2021, PCEV, VIH and Voyager have agreed to invest in Maya Bank, to be carried out through the following transactions:

- (i) PCEV and VIH to subscribe to VFC shares and PFC shares (collectively, the Bank HoldCos shares);
- (ii) VFC and PFC (collectively, the Bank HoldCos) and Voyager to subscribe to Maya Bank shares;
- (iii) VIH to subscribe to convertible bonds to be issued by the Bank HoldCos, which are convertible to common shares of the Bank HoldCos; and
- (iv) VIH to subscribe to exchangeable bonds to be issued by the Bank HoldCos, which are exchangeable to common shares of Maya Bank held by the Bank HoldCos.

On September 24, 2021, PCEV entered into separate subscription agreements with VFC and PFC to subscribe to 8.9 million Common B shares each at a subscription price of Php0.10 per share, representing 60% voting rights and 1.48% economic interest in the Bank HoldCos.

Based on the assessment and accounting principles of control as a basis of financial consolidation provided in PFRS 10, PCEV cannot demonstrate control over the Bank HoldCos requiring consolidation. PCEV will account for these investments as joint venture in accordance with PFRS 11 and PAS 28. See *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions*.

On January 20, 2022, PCEV entered into another subscription agreements with VFC and PFC to subscribe to 6.2 million Common B shares each at a subscription price of Php0.10 per share, representing 60% voting rights and 1.48% economic interest in the Bank HoldCos.

On July 29, 2022, PCEV entered into another subscription agreements with VFC and PFC to subscribe to 2.7 million Common B shares each at a subscription price of Php0.10 per share, representing 60% voting rights and 1.48% economic interest in the Bank HoldCos.

PCEV’s investment in Bank HoldCos are recorded under investment in joint venture and are carried in the PLDT’s consolidated financial statements at equity method. As at December 31, 2022 and 2021, PCEV’s investment in each of the Bank HoldCos amounted to nil and Php1 million, respectively.

On February 17, 2023, PCEV entered into another subscription agreements with VFC and PFC to subscribe to 8.0 million Common B Shares each at a subscription price of Php0.10 per share, representing 60% voting rights and 1.48% economic interest in the Bank HoldCos.

### ***Summarized financial information of individually immaterial joint ventures***

The following table presents the summarized financial information of our individually immaterial joint investments in joint ventures for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
	(in million pesos)		
<b>Income Statements:</b>			
Revenues	—	754	166
Net income	—	13	320
Other comprehensive income	—	—	—
<b>Total comprehensive income</b>	<b>—</b>	<b>13</b>	<b>320</b>

Outstanding contingent liabilities or capital commitments with our joint ventures amounted to Php620 million as at December 31, 2021.

## 12. Financial Assets at FVPL

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
Club shares and others	432	339
Phunware	—	—
	432	339

### *Investment of PLDT Capital in Phunware*

On September 3, 2015, PLDT Capital subscribed to an 8% US\$5 million Convertible Promissory Note, or Note, issued by Phunware, a Delaware corporation. Phunware provides an expansive mobile delivery platform that creates, markets, and monetizes mobile application experiences across multiple screens. The US\$5 million Note was issued to and paid for by PLDT Capital on September 4, 2015.

On December 18, 2015, PLDT Capital subscribed to Series F Preferred Shares of Phunware for a total consideration of US\$3 million. On the same date, the Note and its related interest were converted to additional Phunware Series F Preferred Shares.

On February 27, 2018, Phunware entered into a definitive Agreement and Plan of Merger, or Merger Agreement, with Stellar Acquisition III, Inc., or Stellar, relating to a business combination transaction for an enterprise value of US\$301 million, on a cash-free, debt-free basis. Pursuant to the Merger Agreement, the holders of Phunware common stock will be entitled to the right to receive the applicable portion of the merger consideration in the form of Stellar common shares, which are listed on the Nasdaq Stock Market. As a result, the holders of Phunware preferred stock have requested the automatic conversion of all outstanding preferred shares into common shares effective as of immediately prior to the closing of the transaction on a conversion ratio of one common share per one preferred share. In addition to the right to receive Stellar common shares, each holder of Phunware Stock is entitled to elect to receive its pro rata share of warrants to purchase Stellar common shares that are held by the affiliate companies of Stellar's co-Chief Executive Officers, or Stellar's Sponsors.

On November 28, 2018, PLDT Capital elected to receive its full pro rata share of the warrants to purchase Stellar common shares held by Stellar's Sponsors.

On December 26, 2018, Phunware announced the consummation of its business combination with Stellar. Stellar, the new Phunware holding company, changed its corporate name to "Phunware, Inc.," or PHUN, and Phunware changed its corporate name to "Phunware OpCo, Inc." Upon closing, PLDT Capital received the PHUN common shares equivalent to its portion of the merger consideration and its full pro rata share of warrants to purchase PHUN common shares.

On March 15, 2019, PLDT Capital exercised its warrants to purchase PHUN common shares for a total consideration of US\$1.6 million.

On October 25, 2021, PLDT Capital sold all of its PHUN common shares for an aggregate amount of US\$9.5 million, or Php482 million, resulting in the full divestment of the investment in Phunware and a gain on fair value change amounting to Php306 million and a gain on sale amounting to Php115 million were recognized.

## 13. Debt Instruments at Amortized Cost

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
Retail Treasury Bonds	440	400
BDO Asean Bonds	100	—
Fixed Rate Treasury Notes, or FXTN	56	—
Time deposits	—	207
	596	607
Less: Current portion of debt instrument at amortized cost (Note 28)	—	207
Noncurrent portion of debt instrument at amortized cost (Note 28)	596	400



### *Retail Treasury Bonds*

On March 9, 2021, Smart purchased at par a three-year Retail Treasury Bond Tranche 25 with face value of Php100 million maturing on March 9, 2024. The bond has a gross coupon rate of 2.375% payable on a quarterly basis. The bond is classified as debt instrument at amortized cost. Interest income, net of withholding tax, recognized on this investment amounted to Php1.9 million and Php1.5 million for the years ended December 31, 2022 and 2021, respectively. The carrying value of this investment amounted to Php100 million each as at December 31, 2022 and 2021.

On December 2, 2021, PLDT and Smart purchased at par a 5.5-year Retail Treasury Bond Tranche 26 with face value of Php300 million maturing on June 2, 2027. The bond has a gross coupon rate of 4.6250% payable on a quarterly basis. The bond is classified as debt instrument at amortized cost. Interest income, net of withholding tax, recognized on this investment amounted to Php11.1 million and Php904 thousand for the years ended December 31, 2022 and 2021, respectively. The carrying value of this investment amounted to Php300 million each as at December 31, 2022 and 2021.

On March 4, 2022, PLDT and Smart purchased at par a 5-year Retail Treasury Bond Tranche 27 with face value of Php40 million maturing on March 4, 2027. The bond has a gross coupon rate of 4.8750% payable on a quarterly basis. The bond is classified as debt instrument at amortized cost. Interest income, net of withholding tax, recognized on this investment amounted to Php1.3 million for the year ended December 31, 2022. The carrying value of this investment amounted to Php40 million as at December 31, 2022.

On September 29, 2022, Smart purchased at premium a 3-month Retail Treasury Bond 05-11 with face value of Php5 million maturing on December 4, 2022. The bond has a gross coupon rate of 4.6250% payable on a quarterly basis. The bond is classified as debt instrument at amortized cost. Interest income, net of withholding tax, recognized on this investment amounted to Php59 thousand for the year ended December 31, 2022. The carrying value of this investment amounted to nil as at December 31, 2022.

### *BDO ASEAN Sustainable Bond*

On January 28, 2022, PLDT and Smart purchased at par a two-year BDO Fixed Rate ASEAN Sustainability Bond Due 2024 with face value of Php100 million maturing on January 28, 2024. The bond has a gross coupon rate of 2.90% payable on a quarterly basis. The bond is classified as debt instrument at amortized cost. Interest income, net of withholding tax, recognized on this investment amounted to Php2.1 million for the year ended December 31, 2022. The carrying value of this investment amounted to Php100 million as at December 31, 2022.

### *FXTN*

On June 3, 2022, Smart purchased at a discount a three-year FXTN 03-27 with face value of Php25 million maturing on April 7, 2025. The bond has a gross coupon rate of 4.25% payable on a semi-annual basis. The bond is classified as debt instrument at amortized cost. Interest income, net of withholding tax, recognized on this investment amounted to Php760 thousand for the year ended December 31, 2022. The carrying value of this investment amounted to Php25 million as at December 31, 2022.

On June 16, 2022, Smart purchased at a premium a seven-year FXTN 07-67 with face value of Php10 million maturing on May 19, 2029. The bond has a gross coupon rate of 6.5% payable on a semi-annual basis. The bond is classified as debt instrument at amortized cost. Interest income, net of withholding tax, recognized on this investment amounted to Php361 thousand for the year ended December 31, 2022. The carrying value of this investment amounted to Php10 million as at December 31, 2022.

On July 7, 2022, PLDT and Smart purchased at a premium a four-year FXTN 07-62 with face value of Php20 million maturing on February 14, 2026. The bond has a gross coupon rate of 6.25% payable on a semi-annual basis. The bond is classified as debt instrument at amortized cost. Interest income, net of withholding tax, recognized on this investment amounted to Php1.4 million for the year ended December 31, 2022. The carrying value of this investment amounted to Php21 million as at December 31, 2022.

### Time Deposits

In June 2020, PLDT invested US\$10.0 million in a two-year time deposit with BDO Unibank, Inc., or BDO, maturing on June 29, 2022 at a gross coupon rate of 0.90% (net of Trust Fees). This long-term fixed rate time deposit pays interest on a monthly basis or an estimate of 30 days. The deposits may be terminated prior to maturity at the applicable pretermination rates. Investment was preterminated on October 21, 2021. Interest income, net of withholding tax, recognized on this investment amounted to US\$63 thousand, or Php3.1 million, and US\$39 thousand, or Php1.9 million, for the years ended December 31, 2021 and 2020, respectively.

In July 2020, PLDT invested US\$10.0 million in a two-year time deposit with BDO maturing on July 2, 2022 at a gross coupon rate of 1.00%. This long-term fixed rate time deposit pays interest on a monthly basis or an estimate of 30 days. The deposits may be terminated prior to maturity at the applicable pretermination rates. Investment was preterminated on October 21, 2021. Interest income, net of withholding tax, recognized on this investment amounted to US\$69 thousand, or Php3.4 million, and US\$43 thousand, or Php2.1 million, for the years ended December 31, 2021 and 2020, respectively.

In July 2020, PLDT and Smart invested US\$2.0 million each in a two-year time deposit with Landbank of the Philippines, or LBP, which matured on July 29, 2022 and August 1, 2022, respectively, at a gross coupon rate of 2.00%. These long-term fixed rate time deposits pay interest on a yearly basis or an estimate of 360 days. The deposit may be terminated prior to maturity at the applicable pretermination rates. Interest income, net of withholding tax, recognized on this investment amounted to US\$40 thousand, or Php2.4 million, US\$68 thousand, or Php3.5 million, and US\$30 thousand, or Php1.4 million, for the years ended December 31, 2022, 2021 and 2020, respectively. The carrying value of this investment amounted to nil and Php207 million as at December 31, 2022 and 2021, respectively.

### GT Capital Bond

In February 2013, Smart purchased at par a seven-year GT Capital Bond with face value of Php150 million which matured on February 27, 2020. The bond has a gross coupon rate of 4.84% payable on a quarterly basis. Interest income, net of withholding tax, recognized on this investment amounted to Php1 million for the year ended December 31, 2020.

## 14. Investment Properties

Changes in investment properties account for the years ended December 31, 2022 and 2021 are as follows:

	Land	Land Improvements	Building	Total
	(in million pesos)			
<b>December 31, 2022</b>				
Balances at beginning and end of the year	771	3	155	929
Net gains from fair value adjustments charged to profit or loss	96	(1)	2	97
Transfers from (to) property and equipment	2	—	(2)	—
Disposals during the period	(11)	—	—	(11)
Balances at end of the year	858	2	155	1,015
<b>December 31, 2021</b>				
Balances at beginning of the year	728	4	163	895
Net gains (losses) from fair value adjustments charged to profit or loss	43	(1)	(8)	34
Balances at end of the year	771	3	155	929

Investment properties, which consist of land, land improvements and building, are stated at fair values, which have been determined based on appraisal performed by an independent firm of appraisers, an industry specialist in valuing these types of investment properties.

The valuation for land was based on a market approach valuation technique using price per square meter ranging from Php50 to Php36 thousand. The valuation for building and land improvements was based on a cost approach valuation technique using current material and labor costs for improvements based on external and independent reviewers.

We have determined that the highest and best use of some of the idle or vacant land properties at the measurement date would be to convert the properties for residential or commercial development. The properties are not being used for strategic reasons.

We have no restrictions on the realizability of our investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Repairs and maintenance expenses related to investment properties that do not generate rental income amounted to Php93 million, Php78 million and Php70 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Rental income relating to investment properties that are being leased and included as part of revenues amounted to Php51 million, Php48 million and Php51 million for the years ended December 31, 2022, 2021 and 2020, respectively. See *Note 10 – Leases*.

The above investment properties were categorized under Level 2 and Level 3 of the fair value hierarchy. There were no transfers in and out of Level 2 and Level 3 of the fair value hierarchy.

Significant increases (decreases) in price per square meter for land, current material and labor costs of improvements would result in a significantly higher (lower) fair value measurement.

## 15. Goodwill and Intangible Assets

Changes in goodwill and intangible assets account for the years ended December 31, 2022 and 2021 are as follows:

	Intangible Assets with Indefinite Life	Intangible Assets with Finite Life						Total Intangible Assets with Finite Life	Total Intangible Assets	Goodwill	Total Goodwill and Intangible Assets
		Trademark	Franchise	Licenses	Customer List	Spectrum	Others				
(in million pesos)											
<b>December 31, 2022</b>											
Costs:											
Balances at beginning and end of the year	—	4,505	3,016	135	4,703	1,205	799	14,363	14,363	62,033	76,396
Additions during the year (Note 11)	220	—	—	—	—	—	521	521	741	1,565	2,306
Disposals	—	—	—	—	—	—	—	—	—	(3)	(3)
Balances at end of the year	220	4,505	3,016	135	4,703	1,205	1,320	14,884	15,104	63,595	78,699
Accumulated amortization and impairment:											
Balances at beginning of the year	—	4,505	1,892	131	4,703	1,205	771	13,207	13,207	654	13,861
Amortization during the year (Notes 4 and 5)	—	—	186	4	—	—	38	228	228	—	228
Business combinations	—	—	—	—	—	—	71	71	71	—	71
Translation and other adjustments	—	—	—	—	—	—	(10)	(10)	(10)	—	(10)
Balances at end of the year	—	4,505	2,078	135	4,703	1,205	870	13,496	13,496	654	14,150
Net balances at end of the year	220	—	938	—	—	—	450	1,388	1,608	62,941	64,549
Estimated useful lives (in years)	—	—	16	—	—	—	5-10	—	—	—	—
Remaining useful lives (in years)	—	—	5	—	—	—	4-9	—	—	—	—
<b>December 31, 2021</b>											
Costs:											
Balances at beginning and end of the year	—	4,505	3,016	135	4,703	1,205	771	14,335	14,335	62,033	76,368
Additions during the year	—	—	—	—	—	—	28	28	28	—	28
Balances at end of the year	—	4,505	3,016	135	4,703	1,205	799	14,363	14,363	62,033	76,396
Accumulated amortization and impairment:											
Balances at beginning of the year	—	1,877	1,706	123	4,703	1,205	771	10,385	10,385	654	11,039
Amortization during the year (Notes 4 and 5)	—	2,628	186	8	—	—	—	2,822	2,822	—	2,822
Balances at end of the year	—	4,505	1,892	131	4,703	1,205	771	13,207	13,207	654	13,861
Net balances at end of the year	—	—	1,124	4	—	—	28	1,156	1,156	61,379	62,535
Estimated useful lives (in years)	—	—	16	18	—	—	5	—	—	—	—
Remaining useful lives (in years)	—	—	6	1	—	—	5	—	—	—	—

The consolidated goodwill and intangible assets of our reportable segments as at December 31, 2022 and 2021 are as follows:

	2022			2021		
	Wireless	Fixed Line	Total	Wireless	Fixed Line	Total
	(in million pesos)					
Franchise	938	—	938	1,124	—	1,124
Customer list	—	220	220	—	—	—
Licenses	—	—	—	4	—	4
Others	—	450	450	—	28	28
Total intangible assets	938	670	1,608	1,128	28	1,156
Goodwill	56,571	6,370	62,941	56,571	4,808	61,379
Total goodwill and intangible assets	57,509	7,040	64,549	57,699	4,836	62,535

The consolidated future amortization of intangible assets as at December 31, 2022 are as follows:

Year	(in million pesos)
2023	48
2024	192
2025	192
2026	191
2027 and onwards	385
	1,008

### ***Amortization of Sun Cellular Trademark***

Trademark pertains to the “Sun Cellular” trademark of DMPI, resulting from PLDT’s acquisition of Digitel in 2011. It was assessed during the acquisition that the trademark would have indefinite useful life because we had no plans to fade out DMPI’s trademark.

In October 2020, we implemented the rebranding of Sun Prepaid into Smart Prepaid. Subscribers retained their existing Sun numbers while having access to expanded retail customer care channels, data-centric offers of Smart alongside existing select Sun top-up offers. As a result, we fully amortized the “Sun Cellular” trademark until July 2021, of which Php2,628 million and Php1,877 million were recognized in 2021 and 2020. See Note 2 – Summary of Significant Accounting Policies – Sun Prepaid Rebranding to Smart Prepaid and Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions – Estimating useful lives of intangible assets with finite lives.

### ***Impairment Testing of Goodwill***

The organizational structure of PLDT and its subsidiaries is designed to monitor financial operations based on fixed line and wireless segmentation. Management provides guidelines and decisions on resource allocation, such as continuing or disposing of asset and operations by evaluating the performance of each segment through review and analysis of available financial information on the fixed line and wireless segments. As at December 31, 2022, the PLDT Group’s goodwill comprised of goodwill resulting from PGIH’s acquisition of Multisys, ePLDT’s acquisition of IPCDSI in 2012, PLDT’s acquisition of Digitel in 2011, ePLDT’s acquisition of ePDS in 2011, Smart’s acquisition of PDSI and Chikka in 2009, SBI’s acquisition of Airborne Access Corporation in 2008, and Smart’s acquisition of SBI in 2004.

Although revenue streams may be segregated among the companies within the PLDT Group, cash inflows are not considered coming from independent group of assets on a per Company basis due largely to the significant portion of shared and commonly used network/platform that generates related revenue. On the other hand, PLDT has the largest fixed line network in the Philippines. PLDT’s transport facilities are installed nationwide to cover both domestic and international IP backbone to route and transmit IP traffic generated by the customers. In the same manner, PLDT has the most Internet Gateway facilities which are composed of high capacity IP routers and switches that serve as the main gateway of the Philippines to the Internet connecting to the World Wide Web. With PLDT’s network coverage, other fixed line subsidiaries share the same facilities to leverage on a Group perspective.

Because of the significant common use of network facilities among fixed line and wireless companies within the Group, management deems that the Wireless and Fixed Line units are the lowest CGUs to which goodwill is to be allocated and tested for impairment given that the Fixed Line and Wireless operations generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of the Wireless and Fixed Line CGUs have been determined using the value-in-use approach calculated using cash flow projections based on the financial budgets approved by the Board of Directors. The post-tax discount rates applied to cash flow projections are 7.38% for the Wireless and Fixed Line CGUs. Cash flows beyond the projection period of three years are determined using a 2% growth rate for the Wireless and Fixed Line CGUs, which is the same as the long-term average growth rate for the telecommunications industry. Other key assumptions used in the cash flow projections include revenue growth rate and capital expenditures.

Based on the assessment of the VIU of the Wireless and Fixed Line CGUs, the recoverable amount of the Wireless and Fixed Line CGUs exceeded their carrying amounts, hence, no impairment was recognized in relation to goodwill as at December 31, 2022 and 2021.

The accumulated impairment balance as at December 31, 2022 and 2021 is comprised of Php438 million from PLDT's acquisition of Digitel and Php216 million from ePLDT's acquisition of AGS.

## 16. Cash and Cash Equivalents

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
Cash on hand and in banks (Note 28)	16,533	10,616
Temporary cash investments (Note 28)	8,678	13,291
	<b>25,211</b>	<b>23,907</b>

Cash in banks earn interest at prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on our immediate cash requirements and earn interest at the prevailing temporary cash investment rates. Due to the short-term nature of such transactions, the carrying value approximates the fair value of our temporary cash investments. See *Note 28 – Financial Assets and Liabilities*.

Interest income earned from cash in banks and temporary cash investments amounted to Php255 million, Php269 million and Php560 million for the years ended December 31, 2022, 2021 and 2020, respectively. See *Note 5 – Income and Expenses*.

## 17. Trade and Other Receivables

As at December 31, 2022 and 2021, this account consists of receivables from:

	2022	2021
	(in million pesos)	
Retail subscribers (Note 28)	17,216	15,676
Corporate subscribers (Note 28)	15,151	13,079
Foreign administrations (Note 28)	1,058	1,341
Domestic carriers (Note 28)	296	241
Dealers, agents and others (Note 28)	6,195	5,288
	<b>39,916</b>	<b>35,625</b>
Less: Allowance for expected credit losses	<b>13,661</b>	<b>13,835</b>
	<b>26,255</b>	<b>21,790</b>

Receivables from foreign administrations and domestic carriers represent receivables based on interconnection agreements with other telecommunications carriers. The aforementioned amounts of receivables are shown net of related payables to the same telecommunications carriers where a legal right of offset exists and settlement is facilitated on a net basis.

Receivables from dealers, agents and others consist mainly of receivables from credit card companies, dealers and distributors having collection arrangements with the PLDT Group, dividend receivables and advances to affiliates.

Trade and other receivables are noninterest-bearing and generally have settlement terms of 30 to 180 days.

For terms and conditions relating to related party receivables, see *Note 25 – Related Party Transactions*.

See *Note 28 – Financial Assets and Liabilities* on credit risk of trade receivables to understand how we manage and measure credit quality of trade receivables that are neither past due nor impaired.

The following table explains the changes in the allowance for expected credit losses as at December 31, 2022 and 2021:

	Retail Subscribers			Corporate Subscribers			Foreign Administrations		Domestic Carriers		Dealers, Agents and Others		Total			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 2	Stage 3	Stage 2	Stage 3	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	Lifetime ECL			Lifetime ECL			Lifetime ECL		Lifetime ECL		Lifetime ECL		Lifetime ECL			
(in million pesos)																
<b>December 31, 2022</b>																
Balances at beginning of the year	—	1,573	6,466	—	1,378	3,330	—	121	—	14	87	866	—	3,038	10,797	13,835
Provisions and other adjustments (Note 5)	—	782	3,420	—	427	489	1	33	—	(13)	3	14	—	1,213	3,943	5,156
Reclassifications and reversals	—	(489)	578	—	(129)	(27)	—	—	—	—	562	6	—	(56)	557	501
Translation adjustments	—	—	—	—	41	24	—	—	—	—	—	—	—	41	24	65
Write-offs	—	—	(5,441)	—	—	(434)	—	(21)	—	—	—	—	—	—	(5,896)	(5,896)
Balances at end of the year	—	1,866	5,023	—	1,717	3,382	1	133	—	1	652	886	—	4,236	9,425	13,661
<b>December 31, 2021</b>																
Balances at beginning of the year	—	2,433	7,557	—	1,380	3,478	9	227	3	58	135	971	—	3,960	12,291	16,251
Provisions and other adjustments (Note 5)	—	(820)	3,516	—	(18)	1,045	(9)	4	(3)	8	(48)	62	—	(898)	4,635	3,737
Reclassifications and reversals	—	(5)	86	—	(1)	(31)	—	(12)	—	—	—	(30)	—	(6)	13	7
Write-offs	—	(35)	(4,693)	—	—	(1,168)	—	(98)	—	(52)	—	(137)	—	(35)	(6,148)	(6,183)
Translation adjustments	—	—	—	—	17	6	—	—	—	—	—	—	—	17	6	23
Balances at end of the year	—	1,573	6,466	—	1,378	3,330	—	121	—	14	87	866	—	3,038	10,797	13,835

The significant changes in the balances of trade and other receivables and contract assets are disclosed in *Note 5 – Income and Expenses*, while the information about the credit exposures are disclosed in *Note 28 – Financial Assets and Liabilities*.

## 18. Inventories and Supplies

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
<b>Commercial:</b>		
At net realizable value <sup>(1)</sup>	2,110	2,109
At cost	2,455	2,835
<b>Network:</b>		
At net realizable value <sup>(1)</sup>	577	515
At cost	1,727	1,702
<b>Others:</b>		
At net realizable value <sup>(1)</sup>	881	1,038
At cost	1,604	1,813
<b>Total inventories and supplies at the lower of cost or net realizable value</b>	<b>3,568</b>	<b>3,662</b>

<sup>(1)</sup> Amounts are net of allowance for inventory obsolescence and write-downs.

The cost of inventories and supplies recognized as expense for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
	(in million pesos)		
Cost of sales	11,287	7,375	8,882
Repairs and maintenance	986	850	613
Provisions (Note 5)	414	847	934
Selling and promotions	4	9	3
	<b>12,691</b>	<b>9,081</b>	<b>10,432</b>

Changes in the allowance for inventory obsolescence and write-down for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Balances at beginning of the year	2,688	2,363
Provisions (Note 5)	414	847
Reclassification	282	(73)
Translation revaluation	2	2
Reversals	(136)	(11)
Cost of sales	(1,032)	(440)
<b>Balances at end of the year</b>	<b>2,218</b>	<b>2,688</b>

## 19. Prepayments

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
Advances to suppliers and contractors	69,326	82,749
Prepaid taxes	14,911	15,652
Prepaid fees and licenses	1,983	1,631
Prepaid benefit costs (Note 26)	1,598	1,018
Prepaid repairs and maintenance	542	531
Prepaid rent	528	574
Prepaid insurance (Note 25)	120	163
Other prepayments	6,741	5,166
	<b>95,749</b>	<b>107,484</b>
Less current portion of prepayments	14,696	12,707
<b>Noncurrent portion of prepayments</b>	<b>81,053</b>	<b>94,777</b>



Advances to suppliers and contractors are noninterest-bearing and are to be applied to contractors' subsequent progress billings for projects.

Prepaid taxes include creditable withholding taxes and input VAT.

Prepaid benefit costs represent excess of fair value of plan assets over present value of defined benefit obligations recognized in our consolidated statements of financial position. See *Note 26 – Pension and Other Employee Benefits*.

Other prepayments include capitalized commission amounting to Php6,286 million and Php4,859 million as at December 31, 2022 and 2021, respectively. See *Note 5 - Income and Expenses*.

## 20. Equity

PLDT's number of shares of subscribed and outstanding capital stock as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in millions)	
<b>Authorized</b>		
Non-Voting Serial Preferred Stock	388	388
Voting Preferred Stock	150	150
Common Stock	234	234
<b>Subscribed</b>		
Non-Voting Serial Preferred Stock <sup>(1)</sup>	300	300
Voting Preferred Stock	150	150
Common Stock	219	219
<b>Outstanding</b>		
Non-Voting Serial Preferred Stock <sup>(1)</sup>	300	300
Voting Preferred Stock	150	150
Common Stock	216	216
<b>Treasury Stock</b>		
Common Stock	3	3

<sup>(1)</sup> 300 million shares of Series IV Cumulative Non-Convertible Redeemable Preferred Stock subscribed for Php3 billion, of which Php360 million has been paid.

There were no changes in PLDT's capital account for the years ended December 31, 2022 and 2021.

### **Preferred Stock**

#### *Non-Voting Serial Preferred Stock*

On November 5, 2013, the Board of Directors designated 50,000 shares of Non-Voting Serial Preferred Stock as Series JJ 10% Cumulative Convertible Preferred Stock to be issued from January 1, 2013 to December 31, 2015, pursuant to the PLDT Subscriber Investment Plan, or SIP. On June 8, 2015, PLDT issued 870 shares of Series JJ 10% Cumulative Convertible Preferred Stock.

On January 26, 2016, the Board of Directors designated 20,000 shares of Non-Voting Serial Preferred Stock as Series KK 10% Cumulative Convertible Preferred Stock to be issued from January 1, 2016 to December 31, 2020, pursuant to the SIP.

The Series JJ and KK 10% Cumulative Convertible Preferred Stock, or SIP shares, earns cumulative dividends at an annual rate of 10%. After the lapse of one year from the last day of the year of issuance of a particular Series of 10% Cumulative Convertible Preferred Stock, any holder of such series may convert all or any of the shares of 10% Cumulative Convertible Preferred Stock held by him into fully paid and non-assessable shares of Common Stock of PLDT, at a conversion price equivalent to 10% below the average of the high and low daily sales price of a share of Common Stock of PLDT on the PSE, or if there have been no such sales on the PSE on any day, the average of the bid and the ask prices of a share of Common Stock of PLDT at the end of such day on such Exchange, in each case averaged over a period of 30 consecutive trading days prior to the conversion date, but in no case shall the conversion price be less than the par value per share of Common Stock. The number of shares of Common Stock issuable at any time upon conversion of 10% Cumulative Convertible Preferred Stock is determined by dividing Php10.00 by the then applicable conversion price.

In case the shares of Common Stock outstanding are at any time subdivided into a greater or consolidated into a lesser number of shares, then the minimum conversion price per share of Common Stock will be proportionately decreased or increased, as the case may be, and in the case of a stock dividend, such price will be proportionately decreased, provided, however, that in every case the minimum conversion price shall not be less than the par value per share of Common Stock. In the event the relevant effective date for any such subdivision or consolidation of shares of stock dividend occurs during the period of 30 trading days preceding the presentation of any shares of 10% Cumulative Convertible Preferred Stock for conversion, a similar adjustment will be made in the sales prices applicable to the trading days prior to such effective date utilized in calculating the conversion price of the shares presented for conversion.

In case of any other reclassification or change of outstanding shares of Common Stock, or in case of any consolidation or merger of PLDT with or into another corporation, the Board of Directors shall make such provisions, if any, for adjustment of the minimum conversion price and the sale price utilized in calculating the conversion price as the Board of Directors, in its sole discretion, shall deem appropriate.

At PLDT's option, the Series JJ and KK 10% Cumulative Convertible Preferred Stock are redeemable at par value plus accrued dividends five years after the year of issuance.

The Series IV Cumulative Non-Convertible Redeemable Preferred Stock earns cumulative dividends at an annual rate of 13.5% based on the paid-up subscription price. It is redeemable at the option of PLDT at any time one year after subscription and at the actual amount paid for such stock, plus accrued dividends.

The Non-Voting Serial Preferred Stocks are non-voting, except as specifically provided by law, and are preferred as to liquidation.

All preferred stocks limit the ability of PLDT to pay cash dividends unless all dividends on such preferred stock for all past dividend payment periods have been paid and or declared and set apart and provision has been made for the currently payable dividends.

#### *Voting Preferred Stock*

On June 5, 2012, the Philippine SEC approved the amendments to the Seventh Article of PLDT's Articles of Incorporation consisting of the sub-classification of its authorized Preferred Capital Stock into: 150 million shares of Voting Preferred Stock with a par value of Php1.00 each, and 807.5 million shares of Non-Voting Serial Preferred Stock with a par value of Php10.00 each, and other conforming amendments, or the Amendments. The shares of Voting Preferred Stock may be issued, owned, or transferred only to or by: (a) a citizen of the Philippines or a domestic partnership or association wholly-owned by citizens of the Philippines; (b) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock entitled to vote is owned and held by citizens of the Philippines and at least 60% of the board of directors of such corporation are citizens of the Philippines; and (c) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee qualifies under paragraphs (a) and (b) above and at least 60% of the funds accrue to the benefit of citizens of the Philippines, or Qualified Owners. The holders of Voting Preferred Stock will have voting rights at any meeting of the stockholders of PLDT for the election of directors and for all other purposes, with one vote in respect of each share of Voting Preferred Stock. The Amendments were approved by the Board of Directors and stockholders of PLDT on July 5, 2011 and March 22, 2012, respectively.

On October 12, 2012, the Board of Directors, pursuant to the authority granted to it in the Seventh Article of PLDT's Articles of Incorporation, determined the following specific rights, terms and features of the Voting Preferred Stock: (a) entitled to receive cash dividends at the rate of 6.5% per annum, payable before any dividends are paid to the holders of Common Stock; (b) in the event of dissolution or liquidation or winding up of PLDT, holders will be entitled to be paid in full, or pro-rata insofar as the assets of PLDT will permit, the par value of such shares of Voting Preferred Stock and any accrued or unpaid dividends thereon before any distribution shall be made to the holders of shares of Common Stock; (c) redeemable at the option of PLDT; (d) not convertible to Common Stock or to any shares of stock of PLDT of any class; (e) voting rights at any meeting of the stockholders of PLDT for the election of directors and all other matters to be voted upon by the stockholders in any such meetings, with one vote in respect of each Voting Preferred Share; and (f) holders will have no pre-emptive right to subscribe for or purchase any shares of stock of any class, securities or warrants issued, sold or disposed by PLDT.

On October 16, 2012, BTFHI subscribed to 150 million newly issued shares of Voting Preferred Stock of PLDT, at a subscription price of Php1.00 per share for a total subscription price of Php150 million pursuant to a subscription agreement between BTFHI and PLDT dated October 15, 2012. As a result of the issuance of Voting Preferred Shares, the voting power of the NTT Group (NTT DOCOMO and NTT Communications), First Pacific Group and its Philippine affiliates, and JG Summit Group was reduced to 12%, 15% and 7%, respectively, as at December 31, 2022. See *Note 1 – Corporate Information*.

### ***Redemption of Preferred Stock***

On September 23, 2011, the Board of Directors approved the redemption, or the Redemption, of all outstanding shares of PLDT's Series A to FF 10% Cumulative Convertible Preferred Stock, or the Series A to FF Shares, from holders of record as of October 10, 2011, and all such shares were redeemed and retired effective on January 19, 2012. In accordance with the terms and conditions of the Series A to FF Shares, the holders of Series A to FF Shares as at January 19, 2012 are entitled to payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to January 19, 2012, or the Redemption Price of Series A to FF Shares.

PLDT set aside Php4,029 million (the amount required to fund the redemption price for the Series A to FF Shares) in addition to Php4,143 million for unclaimed dividends on Series A to FF Shares, or a total amount of Php8,172 million, to fund the redemption of the Series A to FF Shares, or the Redemption Trust Fund, in a trust account, or the Trust Account, in the name of RCBC, as Trustee. Pursuant to the terms of the Trust Account, the Trustee will continue to hold the Redemption Trust Fund or any balance thereof, in trust, for the benefit of holders of Series A to FF Shares, for a period of ten years from January 19, 2012 until January 19, 2022. After the said date, any and all remaining balance in the Trust Account shall be returned to PLDT and revert to its general funds. Any interests on the Redemption Trust Fund shall accrue for the benefit of, and be paid from time to time, to PLDT.

On May 8, 2012, the Board of Directors approved the redemption of all outstanding shares of PLDT's Series GG 10% Cumulative Convertible Preferred Stock, or the Series GG Shares, from the holders of record as of May 22, 2012, and all such shares were redeemed and retired effective August 30, 2012. In accordance with the terms and conditions of the Series GG Shares, the holders of the Series GG Shares as at May 22, 2012 are entitled to the payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to August 30, 2012, or the Redemption Price of Series GG Shares.

PLDT set aside Php236 thousand (the amount required to fund the redemption price for the Series GG Shares) in addition to Php74 thousand for unclaimed dividends on Series GG Shares, or a total amount of Php310 thousand, to fund the redemption price of the Series GG Shares, or the Redemption Trust Fund for Series GG Shares, which forms an integral part of the Redemption Trust Fund previously set aside in the Trust Account with RCBC, as Trustee. Pursuant to the terms of the Trust Account, the Trustee will continue to hold the Redemption Trust Fund for Series GG Shares or any balance thereof, in trust, for the benefit of holders of Series GG Shares, for a period of ten years from August 30, 2012, or until August 30, 2022. After the said date, any and all remaining balance in the Redemption Trust Fund for Series GG Shares shall be returned to PLDT and revert to its general funds. Any interests on the Redemption Trust Fund for Series GG Shares shall accrue for the benefit of, and be paid from time to time, to PLDT.

On January 29, 2013, the Board of Directors approved the redemption of all outstanding shares of PLDT's Series HH 10% Cumulative Convertible Preferred Stock which were issued in 2007, or the Series HH Shares issued in 2007, from the holders of record as of February 14, 2013 and all such shares were redeemed and retired effective May 16, 2013. In accordance with the terms and conditions of the Series HH Shares issued in 2007, the holders of the Series HH Shares issued in 2007 as at February 14, 2013 are entitled to the payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to May 16, 2013, or the Redemption Price of Series HH Shares issued in 2007.

PLDT set aside Php24 thousand (the amount required to fund the redemption price for the Series HH Shares issued in 2007) in addition to Php6 thousand for unclaimed dividends on Series HH Shares issued in 2007, or a total amount of Php30 thousand, to fund the redemption price of the Series HH Shares issued in 2007, or the Redemption Trust Fund for Series HH Shares issued in 2007, which forms an integral part of the Redemption Trust Funds previously set aside in the Trust Account with RCBC, as Trustee. Pursuant to the terms of the Trust Account, the Trustee will continue to hold the Redemption Trust Fund for Series HH Shares issued in 2007 or any balance thereof, in trust, for the benefit of holders of Series HH Shares issued in 2007, for a period of ten years from May 16, 2013, or until May 16, 2023. After the said date, any and all remaining balance in the Redemption Trust Fund for Series HH Shares issued in 2007 shall be returned to PLDT and revert to its general funds. Any interests on the Redemption Trust Fund for Series HH Shares issued in 2007 shall accrue for the benefit of, and be paid from time to time, to PLDT.

On January 28, 2014, the Board of Directors approved the redemption of all outstanding shares of PLDT's Series HH 10% Cumulative Convertible Preferred Stock which were issued in 2008, or the Series HH Shares issued in 2008, from the holders of record as of February 14, 2014 and all such shares were redeemed and retired effective May 16, 2014. In accordance with the terms and conditions of the Series HH Shares issued in 2008, the holders of the Series HH Shares issued in 2008 as at February 14, 2014 are entitled to the payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to May 16, 2014, or the Redemption Price of Series HH Shares issued in 2008.

PLDT set aside Php2 thousand (the amount required to fund the redemption price of Series HH Shares issued in 2008) in addition to Php1 thousand for unclaimed dividends on Series HH Shares issued in 2008, or a total amount of Php3 thousand, to fund the redemption of the Series HH Shares issued in 2008, or the Redemption Trust Fund for Series HH Shares issued in 2008, which forms an integral part of the Redemption Trust Funds previously set aside in the Trust Account with RCBC, as Trustee. Pursuant to the terms of the Trust Account, the Trustee will continue to hold the Redemption Trust Fund for Series HH Shares issued in 2008 or any balance thereof, in trust, for the benefit of holders of Series HH Shares issued in 2008, for a period of ten years from May 16, 2014, or until May 16, 2024. After the said date, any and all remaining balance in the Redemption Trust Fund for Series HH Shares issued in 2008 shall be returned to PLDT and revert to its general funds. Any interests on the Redemption Trust Fund for Series HH Shares issued in 2008 shall accrue for the benefit of, and be paid from time to time, to PLDT.

On January 26, 2016, the Board of Directors approved the redemption of all outstanding shares of PLDT's Series II 10% Cumulative Convertible Preferred Stock, or the Series II Shares, from the holder of record as of February 10, 2016, and all such shares were redeemed and retired effective May 11, 2016. In accordance with the terms and conditions of the Series II Shares, the holder of the Series II Shares as at February 10, 2016 is entitled to the payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to May 11, 2016, or the Redemption Price of Series II Shares.

PLDT set aside Php4 thousand to fund the redemption price of Series II Shares, or the Redemption Trust Fund for Series II Shares, which forms an integral part of the Redemption Trust Funds previously set aside in the Trust Account with RCBC, as Trustee. Pursuant to the terms of the Trust Account, the Trustee will continue to hold the Redemption Trust Fund for Series II Shares or any balance thereof, in trust, for the benefit of holder of Series II Shares, for a period of ten years from May 11, 2016, or until May 11, 2026. After the said date, any and all remaining balance in the Redemption Trust Fund for Series II Shares shall be returned to PLDT and revert to its general funds. Any interests on the Redemption Trust Fund for Series II Shares shall accrue for the benefit of, and be paid from time to time, to PLDT.

As at January 19, 2012, August 30, 2012, May 16, 2013, May 16, 2014 and May 11, 2016, notwithstanding that any stock certificate representing the Series A to FF Shares, Series GG Shares, Series HH Shares issued in 2007, Series HH Shares issued in 2008 and Series II Shares, respectively, were not surrendered for cancellation, the Series A to II Shares were no longer deemed outstanding and the right of the holders of such shares to receive dividends thereon ceased to accrue and all rights with respect to such shares ceased and terminated, except only the right to receive the Redemption Price of such shares, but without interest thereon.

On January 28, 2020, the Board of Directors authorized and approved, the retirement of shares of PLDT's Series JJ 10% Cumulative Convertible Preferred Stock, or SIP Shares, effective May 12, 2020. The record date for the determination of the holders of outstanding SIP Shares available for redemption was February 11, 2020.

On January 20, 2022, RCBC returned to PLDT the remaining unclaimed balance of the Trust Account for the Series A to FF, amounting to Php7,839 million. PLDT's obligations to pay the trust amounts for Series A to FF had also prescribed, resulting in the recognition of income in 2022 for the same amount as the unclaimed Trust Account that RCBC returned to PLDT.

PLDT has withdrawn Php3 million, Php7 million and Php2 million from the Trust Account, representing total payments on redemption for the years ended December 31, 2022, 2021 and 2020, respectively. The balance of the Trust Account of Php367 thousand and Php7,842 million, net of the eliminated Php986 million perpetual notes issued by Smart to RCBC, were presented as part of "Current portion of other financial assets" as at December 31, 2022 and 2021, respectively, and the related redemption liability were presented as part of "Accrued expenses and other current liabilities" in our consolidated statements of financial position. See related disclosures below under Perpetual Notes and *Note 28 – Financial Assets and Liabilities*.

## Common Stock/Treasury Stock

The Board of Directors approved a share buyback program of up to five million shares of PLDT's common stock, representing approximately 3% of PLDT's then total outstanding shares of common stock in 2008. Under the share buyback program, PLDT reacquired shares on an opportunistic basis, directly from the open market through the trading facilities of the PSE and NYSE.

As at November 2010, we had acquired a total of approximately 2.72 million shares of PLDT's common stock at a weighted average price of Php2,388 per share for a total consideration of Php6,505 million in accordance with the share buyback program. There were no further buyback transactions subsequent to November 2010.

## Dividends Declared

Our dividends declared for the years ended December 31, 2022, 2021 and 2020 are detailed as follows:

### December 31, 2022

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
(in million pesos, except per share amounts)					
<b>Cumulative Non-Convertible Redeemable Preferred Stock</b>					
Series IV*	January 25, 2022	February 21, 2022	March 15, 2022	—	12
	May 5, 2022	May 20, 2022	June 15, 2022	—	13
	August 4, 2022	August 19, 2022	September 15, 2022	—	12
	November 3, 2022	November 18, 2022	December 15, 2022	—	12
					49
<b>Voting Preferred Stock</b>					
	March 3, 2022	March 23, 2022	April 15, 2022	—	2
	June 14, 2022	June 30, 2022	July 15, 2022	—	2
	August 24, 2022	September 15, 2022	October 15, 2022	—	3
	December 15, 2022	December 29, 2022	January 15, 2023	—	3
					10
<b>Common Stock</b>					
Regular Dividend	March 3, 2022	March 17, 2022	April 4, 2022	42.00	9,075
	August 4, 2022	August 18, 2022	September 5, 2022	47.00	10,155
Special Dividend	August 4, 2022	August 18, 2022	September 5, 2022	28.00	6,049
					25,279
Charged to retained earnings					25,338

\* Dividends were declared based on total amount paid up.

### December 31, 2021

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
(in million pesos, except per share amounts)					
<b>Cumulative Non-Convertible Redeemable Preferred Stock</b>					
Series IV*	January 26, 2021	February 22, 2021	March 15, 2021	—	12
	May 6, 2021	May 21, 2021	June 15, 2021	—	13
	August 5, 2021	August 20, 2021	September 15, 2021	—	12
	November 4, 2021	November 19, 2021	December 15, 2021	—	12
					49
<b>Voting Preferred Stock</b>					
	March 4, 2021	March 24, 2021	April 15, 2021	—	3
	June 8, 2021	June 24, 2021	July 15, 2021	—	2
	August 26, 2021	September 13, 2021	October 15, 2021	—	2
	December 7, 2021	December 23, 2021	January 15, 2022	—	3
					10
<b>Common Stock</b>					
Regular Dividend	March 4, 2021	March 18, 2021	April 6, 2021	40.00	8,642
	August 5, 2021	August 19, 2021	September 3, 2021	42.00	9,075
					17,717
Charged to retained earnings					17,776

\* Dividends were declared based on total amount paid up.

## December 31, 2020

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
(in million pesos, except per share amounts)					
<b>Cumulative Convertible Redeemable Preferred Stock</b>					
Series JJ	April 8, 2020	February 11, 2020	May 12, 2020	0.0027/day	—
<b>Cumulative Non-Convertible Redeemable Preferred Stock</b>					
Series IV*	January 28, 2020	February 24, 2020	March 15, 2020	—	12
	May 7, 2020	May 21, 2020	June 15, 2020	—	13
	August 6, 2020	August 20, 2020	September 15, 2020	—	12
	November 5, 2020	November 19, 2020	December 15, 2020	—	12
					49
<b>Voting Preferred Stock</b>					
	March 5, 2020	March 25, 2020	April 15, 2020	—	3
	June 9, 2020	June 24, 2020	July 15, 2020	—	2
	September 29, 2020	October 13, 2020	October 15, 2020	—	2
	December 3, 2020	December 18, 2020	January 15, 2021	—	3
					10
<b>Common Stock</b>					
Regular Dividend	March 5, 2020	March 19, 2020	April 3, 2020	39.00	8,426
	August 6, 2020	August 20, 2020	September 4, 2020	38.00	8,210
					16,636
Charged to retained earnings					16,695

\* Dividends were declared based on total amount paid up.

Our dividends declared after December 31, 2022 are detailed as follows:

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
(in million pesos, except per share amounts)					
<b>Cumulative Non-Convertible Redeemable Preferred Stock<sup>(1)</sup></b>					
Series IV	January 31, 2023	February 27, 2023	March 15, 2023	—	12
<b>Voting Preferred Stock</b>					
	March 2, 2023	March 17, 2023	April 15, 2023	—	2
<b>Common Stock</b>					
Regular Dividend	March 23, 2023	April 11, 2023	April 21, 2023	45	9,722
Special Dividend	March 23, 2023	April 11, 2023	April 21, 2023	14	3,025
					12,747
Charged to retained earnings					12,761

\* Dividends were declared based on total amount paid up.

## Noncontrolling Interests – Perpetual Notes

Smart issued Php2,610 million and Php1,590 million perpetual notes on March 3, 2017 and March 6, 2017, respectively, under two Notes Facility Agreements dated March 1, 2017 and March 2, 2017, respectively. The transaction costs amounting to Php35 million were accounted as a deduction from the perpetual notes. Smart paid distributions amounting to Php236 million each as at December 31, 2022 and 2021.

On July 18, 2017, Smart issued Php1,100 million perpetual notes, to RCBC, Trustee of PLDT's Redemption Trust Fund, under the Notes Facility Agreement dated July 18, 2017. The transaction costs amounting to Php5 million were accounted as a deduction from the perpetual notes. Smart paid distributions amounting to Php14 million and Php57 million as at December 31, 2022 and 2021, respectively. On January 18, 2022, Smart redeemed the Php1,100 million perpetual notes issued to RCBC at the relevant Redemption Price. This transaction was eliminated in our consolidated financial statements.

On September 19, 2019, Smart issued Php4,700 million perpetual notes to DMPI under the Notes Facility Agreement dated September 16, 2019. The transaction cost amounting to Php35 million was accounted as a deduction from the perpetual notes. Smart paid distributions amounting to Php258 million and Php281 million as at December 31, 2022 and 2021, respectively. On September 19, 2022, Smart made a partial redemption amounting to Php1,500 million at an optional redemption price of 101.2% of the principal amount of the Perpetual Notes redeemed, which incurred a penalty fee of Php18 million. This transaction was eliminated in our consolidated financial statements.

Proceeds from the issuance of these notes were used to finance capital expenditures. The notes have no fixed redemption dates. However, Smart may, at its sole option, redeem the notes. The notes are subordinated to and rank junior to all senior loans of Smart. In accordance with PAS 32, *Financial Instruments: Presentation*, the notes are classified as part of Smart's equity and recorded as noncontrolling interests in PLDT's consolidated financial statements.

## Retained Earnings Available for Dividend Declaration

The following table shows the reconciliation of our consolidated retained earnings available for dividend declaration as at December 31, 2022:

	(in million pesos)
Parent Company's unappropriated retained earnings available for dividends at beginning of the year	37,249
Adjustments: Unrealized gains in prior years:	
Fair value adjustments of investment property resulting to gain	(1,172)
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	(2,362)
Fair value adjustments (mark-to-market gains)	(4,211)
Parent Company's unappropriated retained earnings available for dividends as at January 1, 2021	29,504
Add: Net income actually earned/realized during the year	
Parent Company's net income for the year	13,565
Less: Non-actual/unrealized income - net of tax	
Fair value adjustment of investment property resulting to gain	(95)
Fair value adjustments (mark-to-market gains)	(1,473)
	11,997
Less: Cash dividends declared during the year	
Preferred stock	(59)
Common stock	(25,279)
	(25,338)
Parent Company's unappropriated retained earnings available for dividends as at December 31, 2022	<b>16,163</b>

As at December 31, 2022, our consolidated unappropriated retained earnings amounted to Php18,799 million while the Parent Company's unappropriated retained earnings amounted to Php25,009 million. The difference of Php6,210 million pertains to the effect of PAS 27, Separate Financial Statements, in our investments in subsidiaries, associates and joint ventures accounted for under equity method.

As at December 31, 2021, our consolidated unappropriated retained earnings amounted to Php34,243 million while the Parent Company's unappropriated retained earnings amounted to Php37,249 million. The difference of Php3,006 million pertains to the effect of PAS 27 in our investments in subsidiaries, associates and joint ventures accounted for under equity method.

## 21. Interest-bearing Financial Liabilities

As at December 31, 2022 and 2021, this account consists of the following:

	2022	2021
	(in million pesos)	
<b>Long-term portion of interest-bearing financial liabilities:</b>		
Long-term debt (Notes 28 and 29)	217,288	241,075
<b>Current portion of interest-bearing financial liabilities:</b>		
Long-term and short-term debt maturing within one year (Notes 28 and 29)	32,292	11,482
	<b>249,580</b>	252,557

Unamortized debt discount, representing debt premium, debt issuance costs and any difference between the fair value of consideration given or received at initial recognition, included in our financial liabilities amounted to Php2,279 million and Php2,857 million as at December 31, 2022 and 2021, respectively. See *Note 28 – Financial Assets and Liabilities*.

The following table describes all changes to unamortized debt discount for the years ended December 31, 2022 and 2021:

	2022	2021
	(in million pesos)	
Unamortized debt discount at beginning of the year	2,857	1,262
Revaluations during the year	20	13
Additions during the year	(243)	1,768
Accretion during the year included as part of financing costs – net (Note 5)	(355)	(186)
Unamortized debt discount at end of the year	<b>2,279</b>	2,857

## Long-term Debt

As at December 31, 2022 and 2021, long-term debt consists of:

Description	Interest Rates	2022		2021	
		U.S. Dollar	Php	U.S. Dollar	Php
(in millions)					
<b>U.S. Dollar Debts:</b>					
Fixed Rate Notes	2.5000% to 3.4500% in 2022 and 2021	589	32,892	588	29,971
<b>Term Loans:</b>					
Others	2.8850% and US\$ LIBOR + 0.7900% to 1.0500% in 2022 and 2021	161	9,002	205	10,468
		750	41,894	793	40,439
<b>Philippine Peso Debts:</b>					
Fixed Rate Retail Bonds	5.2813% in 2022 and 5.2250% to 5.2813% in 2021		2,596		2,594
<b>Term Loans:</b>					
Unsecured Term Loans	3.9000% to 5.566%; PHP BVAL + 0.5000% to 0.9000% (floor rate 3.9000% to 4.6250%) and TDF + 0.2500% in 2022 and 3.9000% to 6.7339%; PHP BVAL + 0.5000% to 0.9000% (floor rate 3.9000% to 4.5000%) and TDF + 0.2500% in 2021		195,090		209,524
			197,686		212,118
Total long-term debt (Notes 28 and 29)			239,580		252,557
Less portion maturing within one year (Note 28)			22,292		11,482
Noncurrent portion of long-term debt (Note 28)			217,288		241,075

The scheduled maturities of our consolidated outstanding long-term and short-term debt at nominal values as at December 31, 2022 are as follows:

Year	U.S. Dollar Debt		Php Debt	Total
	U.S. Dollar	Php	Php	Php
(in millions)				
2023	39	2,177	30,468	32,645
2024	39	2,177	9,465	11,642
2025	14	781	22,020	22,801
2026	14	781	14,205	14,986
2027	14	782	25,825	26,607
2028 and onwards	642	35,833	107,345	143,178
Total long-term debt (Note 28)	762	42,531	209,328	251,859



Loan Amount	Issuance Date	Trustee	Terms	Repurchase Amount		Outstanding Amounts				
				Php (in millions)	Dates	Paid in full on	2022		2021	
							U.S. Dollar	Php (in millions)	U.S. Dollar	Php
<b>Fixed Rate Notes<sup>(1)</sup></b>										
PLDT US\$300M	June 23, 2020	The Bank of New York Mellon, London Branch	Non-amortizing, payable in full upon maturity on January 23, 2031	—	—	—	295 <sup>(*)</sup>	16,490 <sup>(*)</sup>	295 <sup>(*)</sup>	15,017 <sup>(*)</sup>
PLDT US\$300M	June 23, 2020	The Bank of New York Mellon, London Branch	Non-amortizing, payable in full upon maturity on June 23, 2050	—	—	—	294 <sup>(*)</sup>	16,402 <sup>(*)</sup>	293 <sup>(*)</sup>	14,954 <sup>(*)</sup>
							589	32,892	588	29,971

<sup>(\*)</sup> Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

<sup>(1)</sup> The purpose of this loan is to refinance the debt maturing in 2021, prepay outstanding loans and partially finance capital expenditures.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Cancelled		Paid in full on	Outstanding Amounts			
					Drawn Amount	Undrawn Amount		2022		2021	
								U.S. Dollar (in millions)	Php (in millions)	U.S. Dollar	Php
<b>U.S. Dollar Debts</b>											
<b>Other Term Loans<sup>(1)</sup></b>											
PLDT US\$200M	February 26, 2015	MUFG Bank, Ltd.	Commencing 36 months after loan date, with semi-annual amortization of 23.75% of the loan amount on the first and second repayment dates and seven semi-annual amortizations of 7.5% starting on the third repayment date, with final installment on February 25, 2022	Various dates in 2015	200	—	February 24, 2022	—	—	15 <sup>(*)</sup>	764 <sup>(*)</sup>
Smart US\$100M	December 7, 2015	Mizuho Bank Ltd.	13 equal semi-annual installments commencing on the date which falls 12 months after the loan date, with final installment on December 7, 2022	Various dates in 2016	100	—	December 7, 2022	— <sup>(*)</sup>	— <sup>(*)</sup>	15 <sup>(*)</sup>	781 <sup>(*)</sup>
PLDT US\$25M	March 22, 2016	NTT TC Leasing Co., Ltd., or NTT TC Leasing	Non-amortizing, payable upon maturity on March 30, 2023	March 30, 2016	25	—	—	25 <sup>(*)</sup>	1,395 <sup>(*)</sup>	25 <sup>(*)</sup>	1,272 <sup>(*)</sup>
PLDT US\$25M	January 31, 2017	NTT TC Leasing	Non-amortizing, payable upon maturity on March 27, 2024	March 30, 2017	25	—	—	25 <sup>(*)</sup>	1,393 <sup>(*)</sup>	25 <sup>(*)</sup>	1,271 <sup>(*)</sup>
Smart US\$140M	March 4, 2020	PNB	Quarterly amortization rates equivalent to: (a) 2.5% of the total amount drawn payable on the first interest payment date up to the 28th interest payment date; (b) 5% of the total amount drawn payable on the 29th interest payment date up to the 32nd interest payment date; and (3) 2.5% of the total amount drawn payable on the 37th interest payment date up to maturity on December 13, 2030	December 14, 2020	140	—	—	111 <sup>(*)</sup>	6,214 <sup>(*)</sup>	125 <sup>(*)</sup>	6,380 <sup>(*)</sup>
							161	9,002	205	10,468	

<sup>(\*)</sup> Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

<sup>(1)</sup> The purpose of this loan is to finance the capital expenditures and/or to refinance existing loan obligations which were utilized for network expansion and improvement programs.

Loan Amount	Agreement	Paying Agent	Terms	Date of Issuance/ Drawdown	Payments		Outstanding Amounts		
					Amount	Date	2022	2021	
					Php		Php	Php	
					(in millions)		(in millions)		
<b>Fixed Rate Retail Bonds<sup>(1)</sup></b>									
PLDT Php15,000M	January 22, 2014	Philippine Depository Trust Corp.	Php12.4B – non-amortizing, payable in full upon maturity on February 6, 2021; Php2.6B – non-amortizing payable in full on February 6, 2024	February 6, 2014	12,400	February 8, 2021	2,596	<sup>(*)</sup>	2,594 <sup>(*)</sup>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

(1) The purpose of this loan is to finance the capital expenditures and/or refinance existing loan obligations which were utilized for network expansion and improvement programs.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn	Cancelled	Paid in full on	Outstanding Amounts	
					Amount	Amount		2022	2021
					Php	Php		Php	Php
					(in millions)		(in millions)		
<b>Term Loans</b>									
<b>Unsecured Term Loans<sup>(1)</sup></b>									
PLDT Php2,000M	March 20, 2012	RCBC	Annual amortization rate of 1% on the fifth-year up to the ninth-year from the initial drawdown date and the balance payable upon maturity on April 12, 2022	April 12, 2012	2,000	—	January 12, 2022	—	1,900
PLDT Php1,500M	April 2, 2014	AIA Life	Payable in full upon maturity on April 4, 2024	April 4, 2014	1,500	—	January 31, 2022	—	1,500
PLDT Php1,000M	May 23, 2014	AIA Life	Payable in full upon maturity on May 28, 2024	May 28, 2014	1,000	—	February 28, 2022	—	1,000
PLDT Php1,000M	June 9, 2014	LBP	Annual amortization rate of 1% on the first-year up to the ninth-year from initial drawdown date and the balance payable upon maturity on June 13, 2024	June 13, 2014	1,000	—	June 13, 2022	—	930
PLDT Php1,500M	July 28, 2014	Union Bank	Annual amortization rate of 1% on the first-year up to the ninth-year from initial drawdown date and the balance payable upon maturity on July 31, 2024	July 31, 2014	1,500	—	—	1,380	1,395
PLDT Php2,000M	February 25, 2015	BPI	Annual amortization rate of 1% on the first-year up to the ninth-year from initial drawdown date and the balance payable upon maturity on March 24, 2025	March 24, 2015	2,000	—	—	1,811	<sup>(*)</sup> 1,810
PLDT Php3,000M	June 26, 2015	BPI	Annual amortization rate of 1% on the first-year up to the ninth-year from initial drawdown date and the balance payable upon maturity on June 30, 2025	June 30, 2015	3,000	—	—	2,790	2,820
PLDT Php5,000M	August 3, 2015	Metrobank	Annual amortization rate of 1% on the first-year up to the ninth-year from initial drawdown date and the balance payable upon maturity on September 23, 2025	Various dates in 2015	5,000	—	—	4,650	4,700
								<b>10,631</b>	<b>16,055</b>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

(1) The purpose of this loan is to finance the capital expenditures and/or refinance existing loan obligations, which were utilized for service improvements and expansion programs.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn	Cancelled	Paid in full on	Outstanding Amounts	
					Amount	Undrawn		2022	2021
					Php	Amount		Php	Php
Smart Php5,000M	August 11, 2015	Metrobank	Annual amortization rate of 1% of the principal amount on the first-year up to the ninth-year commencing on the first-year anniversary of the initial drawdown date and the balance payable upon maturity on September 1, 2025	September 1, 2015	5,000	—	—	4,642 <sup>(*)</sup>	4,690 <sup>(*)</sup>
Smart Php5,000M	December 11, 2015	BPI	Annual amortization rate of 1% of the principal amount on the first-year up to the ninth-year commencing on the first-year anniversary of the initial drawdown date and the balance payable upon maturity on December 21, 2025	December 21, 2015	5,000	—	—	4,642 <sup>(*)</sup>	4,689 <sup>(*)</sup>
Smart Php5,000M	December 16, 2015	Metrobank	Annual amortization rate of 1% of the principal amount up to the tenth-year commencing on the first-year anniversary of the initial drawdown and the balance payable upon maturity on June 29, 2026	December 28, 2015	5,000	—	—	4,641 <sup>(*)</sup>	4,688 <sup>(*)</sup>
Smart Php7,000M	December 18, 2015	China Banking Corporation, or CBC	Annual amortization rate of 1% of the principal amount on the third-year up to the sixth-year from the initial drawdown date, with balance payable upon maturity on December 28, 2022	December 28, 2015 and February 24, 2016	7,000	—	June 28, 2022	— <sup>(*)</sup>	4,199 <sup>(*)</sup>
PLDT Php3,000M	July 1, 2016	Metrobank	Annual amortization rate of 1% on the first-year up to the ninth-year from initial drawdown date and the balance payable upon maturity on February 22, 2027	February 20, 2017	3,000	—	—	2,843 <sup>(*)</sup>	2,872 <sup>(*)</sup>
PLDT Php6,000M	July 1, 2016	Metrobank	Annual amortization rate of 1% on the first-year up to the sixth-year from initial drawdown date and the balance payable upon maturity on August 30, 2023	August 30, 2016 and November 10, 2016	6,000	—	—	5,637 <sup>(*)</sup>	5,692 <sup>(*)</sup>
								<b>22,405</b>	<b>26,830</b>

<sup>(\*)</sup> Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount Php	Cancelled Undrawn Amount Php	Paid in full on	Outstanding Amounts	
								2022	2021
								Php	Php
					(in millions)				
PLDT Php8,000M	July 14, 2016	Security Bank	Annual amortization rate of 1% of the total amount drawn payable semi-annually starting from the end of the first-year after the initial drawdown date until the ninth-year and the balance payable on maturity on March 1, 2027	February 27, 2017	8,000	—	—	7,182 <sup>(*)</sup>	7,338 <sup>(*)</sup>
PLDT Php6,500M	September 20, 2016	BPI	Annual amortization rate of 1% on the first-year up to the sixth-year from initial drawdown date and the balance payable upon maturity on November 2, 2023	November 2, 2016 and December 19, 2016	6,500	—	—	6,105 <sup>(*)</sup>	6,165 <sup>(*)</sup>
Smart Php3,000M	September 28, 2016	BDO	Annual amortization rate of 1% of the principal amount on the first-year up to the ninth-year commencing on the first-year anniversary of the initial drawdown date and the balance payable upon maturity on October 5, 2026	October 5, 2016	3,000	—	—	2,820	2,850
Smart Php5,400M	September 28, 2016	Union Bank	Annual amortization rate of 1% of the principal amount on the first-year up to the sixth-year commencing on the first-year anniversary of the initial drawdown date and the balance payable upon maturity on October 24, 2023	October 24, 2016 and November 21, 2016	5,400	—	—	5,074 <sup>(*)</sup>	5,126 <sup>(*)</sup>
PLDT Php5,300M <sup>(1)</sup>	October 14, 2016	BPI	Annual amortization rate of 1% on the first-year up to the sixth-year from initial drawdown date and the balance payable upon maturity on December 19, 2023	December 19, 2016	5,300	—	—	981 <sup>(*)</sup>	5,027 <sup>(*)</sup>
Smart Php2,500M <sup>(2)</sup>	October 27, 2016	CBC	Annual amortization rate of 10% of the amount drawn starting on the third-year up to the sixth-year, with balance payable upon maturity on December 8, 2023	December 8, 2016	2,500	—	December 9, 2022	—	1,750
								<b>22,162</b>	<b>28,256</b>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

(1) The amounts of Php1,500 million and Php2,500 million were prepaid on September 19, 2022 and December 19, 2022, respectively.

(2) The outstanding balance amounting to Php1,750 million was prepaid on December 9, 2022.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount Php	Cancelled Undrawn Amount Php	Paid in full on	Outstanding Amounts	
								2022	2021
								Php	Php
(in millions)									
Smart Php4,000M <sup>(1)</sup>	October 28, 2016	Security Bank	Semi-annual amortization rate of 1% of the total amount drawn from first-year up to the ninth-year and the balance payable upon maturity on April 5, 2027	April 5, 2017	4,000	—	—	1,881	1,899
Smart Php1,000M	December 16, 2016	PNB	Annual amortization rate of 1% of the amount drawn starting on the first anniversary of the advance up to the ninth anniversary of the advance and the balance payable upon maturity on December 7, 2027	December 7, 2017	1,000	—	—	920	925
Smart Php2,000M	December 22, 2016	LBP	Annual amortization rate of 1% of the amount drawn starting on the first anniversary of the advance up to the ninth anniversary of the advance and the balance payable upon maturity on January 21, 2028	January 22, 2018	2,000	—	—	1,878	1,940
PLDT Php3,500M	December 23, 2016	LBP	Annual amortization rate of 1% on the first-year up to the ninth-year after the drawdown date and the balance payable upon maturity on April 5, 2027	April 5, 2017	3,500	—	—	3,317	3,350
Smart Php1,500M	April 18, 2017	PNB	Annual amortization rate of 1% of the amount drawn starting on the first anniversary of the advance up to the sixth-year anniversary of the advance and the balance payable upon maturity on January 3, 2025	January 3, 2018	1,500	—	—	1,418	1,455
PLDT Php2,000M	May 24, 2017	Security Bank	Semi-annual amortization rate of Php10 million starting on October 5, 2017 and every six months thereafter with the balance payable upon maturity on April 5, 2027	May 29, 2017	2,000	—	—	1,890	1,910
								<b>11,304</b>	<b>11,479</b>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

(1) The amount of Php2,000 million was prepaid on May 29, 2017.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn	Cancelled	Paid in full on	Outstanding Amounts	
					Amount	Undrawn		2022	2021
					Php	Amount		Php	Php
PLDT Php3,500M	July 5, 2017	LBP	Annual amortization rate of 1% on the first- year up to the ninth-year after the drawdown date and the balance payable upon maturity on July 12, 2027	July 10, 2017	3,500	—	—	3,325	3,360
PLDT Php1,500M	August 29, 2017	LBP	Annual amortization rate equivalent to 1% of the total loan payable on the first-year up to the ninth-year after the drawdown date and the balance payable upon maturity on April 3, 2028	April 2, 2018	1,500	—	—	1,443 (*)	1,458 (*)
Smart Php1,000M	September 28, 2017	Union Bank	Annual amortization rate of 1% of the amount drawn starting on the first-year anniversary of the advance up to the ninth- year anniversary of the advance and the balance payable upon maturity on February 21, 2028	February 19, 2018	1,000	—	December 10, 2021	—	—
PLDT Php2,000M	April 19, 2018	LBP	Annual amortization rate equivalent to 1% of the total loan payable on the first-year up to the ninth-year after the drawdown date and the balance payable upon maturity on April 25, 2028	April 25, 2018	2,000	—	—	1,770 (*)	1,767 (*)
PLDT Php1,000M	April 20, 2018	LBP	Annual amortization rate equivalent to 1% of the total loan payable on the first-year up to the ninth-year after the drawdown date and the balance payable upon maturity on May 3, 2028	May 3, 2018	1,000	—	—	879 (*)	878 (*)
PLDT Php2,000M	May 9, 2018	BPI	Annual amortization rate equivalent to 1% of the amount drawn starting on the first- year anniversary of the advance up to the ninth-year anniversary of the advance and the balance payable upon maturity on May 10, 2028	May 10, 2018	2,000	—	—	1,773 (*)	1,773 (*)
								<b>9,190</b>	<b>9,236</b>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount Php	Cancelled Undrawn Amount Php	Paid in full on	Outstanding Amounts	
								2022	2021
								Php	Php
(in millions)									
Smart Php2,000M	May 25, 2018	BPI	Annual amortization rate equivalent to 1% of the amount drawn starting on the first- year anniversary of the advance up to the fifth-year anniversary of the advance and the balance payable upon maturity on May 28, 2024	May 28, 2018	2,000	—	—	1,916 <sup>(*)</sup>	1,933 <sup>(*)</sup>
Smart Php1,500M	June 27, 2018	Development Bank of the Philippines, or DBP	Annual amortization rate equivalent to 1% of the amount drawn starting on the third- year anniversary of the advance up to the fifth-year anniversary of the advance and the balance payable upon maturity on June 28, 2024	June 28, 2018	1,500	—	September 28, 2022	—	1,485
Smart Php3,000M	July 31, 2018	BPI	Annual amortization rate equivalent to 1% of the amount drawn starting on the first-year anniversary of the advance up to the ninth-year anniversary of the advance and the balance payable upon maturity on May 10, 2028	August 10, 2018	3,000	—	—	2,867 <sup>(*)</sup>	2,894 <sup>(*)</sup>
Smart Php5,000M	January 11, 2019	DBP	Annual amortization rate equivalent to 1% of the amount drawn starting on the third-year anniversary of the advance up to the ninth-year anniversary of the advance and the balance payable upon maturity on May 6, 2029	May 6, 2019 September 2, 2019	2,000 3,000	—	—	4,830 <sup>(*)</sup>	4,865 <sup>(*)</sup>
PLDT Php8,000M	February 18, 2019	Union Bank	Annual amortization rate equivalent to 1% of the amount drawn starting on the first-year anniversary up to the ninth-year anniversary of the initial drawdown date and the balance payable upon maturity on July 11, 2029	July 11, 2019 September 6, 2019 October 1, 2019 November 5, 2019	3,000 2,000 1,000 2,000	—	—	8,053 <sup>(*)</sup>	7,822 <sup>(*)</sup>
Smart Php4,000M	February 21, 2019	PNB	Annual amortization rate equivalent to 1% of the amount drawn starting on the first-year anniversary up to the seventh-year anniversary of the initial drawdown date and the balance payable upon maturity on March 11, 2027	March 11, 2019	4,000	—	—	3,704 <sup>(*)</sup>	3,708 <sup>(*)</sup>
								<b>21,370</b>	<b>22,707</b>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount Php	Cancelled Undrawn Amount Php	Paid in full on	Outstanding Amounts	
								2022 Php	2021 Php
					(in millions)		(in millions)		
PLDT Php2,000M	April 11, 2019	Bank of China (Hong Kong) Limited, Manila Branch	Annual amortization rate equivalent to 1% of the amount of loan payable on the first-year anniversary up to the sixth-year anniversary of the initial drawdown date and the balance payable upon maturity on September 7, 2026	September 6, 2019	2,000	—	—	1,931 <sup>(*)</sup>	1,949 <sup>(*)</sup>
PLDT Php2,000M	July 1, 2019	PNB	Annual amortization rate equivalent to 1% of the total amount drawn from the facility on the first-year anniversary up to the sixth-year anniversary of the initial drawdown date and the balance payable upon maturity on September 7, 2026	September 6, 2019	2,000	—	—	1,931 <sup>(*)</sup>	1,949 <sup>(*)</sup>
Smart Php8,000M	September 25, 2019	CBC	Annual amortization rate equivalent to 10% of the total amount drawn starting on the third-year anniversary up to the ninth-year anniversary of the initial drawdown date and the balance payable upon maturity on October 2, 2029	October 2, 2019	8,000	—	—	6,901 <sup>(*)</sup>	7,635 <sup>(*)</sup>
Smart Php4,000M	December 9, 2019	DBP	Annual amortization rate equivalent to 1% of the total amount drawn starting on the third-year anniversary up to the ninth-year anniversary of the initial drawdown date and the balance payable upon maturity on December 12, 2029	December 12, 2019	4,000	—	—	3,938 <sup>(*)</sup>	3,975 <sup>(*)</sup>
PLDT Php4,500M	December 12, 2019	BPI	Annual amortization rate equivalent to 1% of the advance on the first year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity on December 18, 2029	December 15, 2019	4,500	—	—	4,340 <sup>(*)</sup>	4,382 <sup>(*)</sup>
Smart Php3,000M	January 20, 2020	BDO	Annual amortization rate equivalent to 1% of the total amount drawn starting on the first-year anniversary up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity on January 24, 2030	January 24, 2020	3,000	—	—	2,871 <sup>(*)</sup>	2,893 <sup>(*)</sup>
								<b>21,912</b>	<b>22,783</b>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.



Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn	Cancelled	Paid in full on	Outstanding Amounts	
					Amount	Undrawn		2022	2021
					Php	Php		Php	Php
PLDT Php5,000M	January 29, 2020	BDO	Annual amortization rate equivalent to 1% of the total amount drawn starting on the first-year anniversary up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity on January 31, 2030	January 31, 2020	5,000	—	—	4,814	(*) 4,854
PLDT Php4,000M	March 24, 2020	RCBC	Annual amortization rate equivalent to 1% of the advance starting on the first-year anniversary of the drawdown date and the balance payable upon maturity on March 27, 2028	March 26, 2020	4,000	—	—	3,800	(*) 3,827
PLDT Php2,500M	March 30, 2020	MUFG Bank, Ltd.	Amortization rate equivalent to: (1) 20% of the amount drawn payable on the 30 <sup>th</sup> , 48 <sup>th</sup> , 54 <sup>th</sup> and 72 <sup>nd</sup> month from the drawdown date; (2) 0.50% of the amount drawn payable on the 36 <sup>th</sup> , 42 <sup>nd</sup> , 60 <sup>th</sup> and 66 <sup>th</sup> month from the drawdown date; and (3) 18% of the amount drawn payable upon maturity on October 2, 2026	April 2, 2020	2,500	—	—	1,992	(*) 2,488
PLDT Php3,000M	May 20, 2020	LBP	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity on May 28, 2030	May 28, 2020	3,000	—	—	2,923	(*) 2,951
Smart Php4,000M	May 20, 2020	LBP	Annual amortization rate equivalent to 1% of principal amount of the loan starting on the first-year up to the ninth-year anniversary of the initial advance and the balance payable upon maturity on November 20, 2030	November 20, 2020	4,000	—	—	3,895	(*) 3,933
PLDT Php3,000M	May 21, 2020	LBP	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity on December 18, 2030	December 18, 2020	3,000	—	—	2,921	(*) 2,949
								<b>20,345</b>	<b>21,002</b>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount Php (in millions)	Cancelled Undrawn Amount Php	Paid in full on	Outstanding Amounts	
								2022	2021
								Php	Php
PLDT Php5,000M	February 9, 2021	BPI	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the tenth-year anniversary of the drawdown date and the balance payable upon maturity on February 16, 2032	February 15, 2021	5,000	—	—	4,918 (*)	4,965 (*)
Smart Php3,000M	March 4, 2021	LBP	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity on March 9, 2031	March 9, 2021	3,000	—	—	2,951 (*)	2,979 (*)
Smart Php3,000M	March 5, 2021	LBP	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity on May 25, 2031	May 25, 2021	3,000	—	—	2,951 (*)	2,979 (*)
Smart Php4,000M	March 8, 2021	LBP	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity on March 30, 2031	March 30, 2021	4,000	—	—	3,935 (*)	3,972 (*)
PLDT Php3,000M	March 31, 2021	BPI	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the tenth-year anniversary of the drawdown date and the balance payable upon maturity on April 14, 2032	April 14, 2021	3,000	—	—	2,950 (*)	2,979 (*)
PLDT Php2,000M	March 31, 2021	BPI	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the tenth-year anniversary of the drawdown date and the balance payable upon maturity on April 29, 2032	April 29, 2021	2,000	—	—	1,980	2,000
								<b>19,685</b>	<b>19,874</b>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount Php	Cancelled Undrawn Amount Php	Paid in full on	Outstanding Amounts	
								2022 Php	2021 Php
								(in millions)	
Smart Php4,000M	April 14, 2021	Metrobank	Annual amortization rate equivalent to 1% of the advance starting on the second-year up to the tenth-year anniversary of the drawdown date and the balance payable upon maturity on June 8, 2032	June 8, 2021	4,000	—	—	3,974	(*) 3,971
Smart Php3,000M	April 15, 2021	Metrobank	Annual amortization rate equivalent to 1% of the advance starting on the second-year up to the tenth-year anniversary of the drawdown date and the balance payable upon maturity on September 1, 2032	September 1, 2021	3,000	—	—	2,980	(*) 2,978
PLDT Php3,000M	April 30, 2021	Metrobank	Annual amortization rate equivalent to 1% of the advance starting on the second-year up to the tenth-year from drawdown date and the balance of 91% payable upon maturity on June 21, 2032	June 21, 2021	3,000	—	—	2,980	(*) 2,978
PLDT Php3,000M	June 14, 2021	RCBC	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the eighth-year and tenth-year from drawdown date and equal amortization equivalent to 45.5% of the advance on the ninth-year and upon maturity on July 15, 2032	July 15, 2021	3,000	—	—	2,951	(*) 2,978
PLDT Php4,000M	June 14, 2021	RCBC	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the eighth-year and tenth-year from drawdown date and equal amortization equivalent to 45.5% of the advance on the ninth-year and upon maturity on September 1, 2032	September 1, 2021	4,000	—	—	3,934	(*) 3,971
Smart Php1,000M	September 28, 2021	BDO	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year from the drawdown date and the balance of 91% payable upon maturity on October 15, 2031	October 15, 2021	1,000	—	—	990	1,000
								<b>17,809</b>	<b>17,876</b>

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount Php	Cancelled Undrawn Amount Php	Paid in full on	Outstanding Amounts	
								2022	2021
								Php	Php
Smart Php3,000M	November 17, 2021	BDO	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the sixth-year from the drawdown date and the balance of 94% payable upon maturity on November 22, 2028	November 22, 2021	3,000	—	—	2,951 <sup>(*)</sup>	2,978 <sup>(*)</sup>
PLDT Php1,000M	November 24, 2021	BPI	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the tenth-year anniversary of the drawdown date and the balance payable upon maturity on March 1, 2033	December 1, 2021	1,000	—	—	990	1,000
PLDT Php3,000M	November 24, 2021	BPI	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the tenth-year anniversary of the drawdown date and the balance payable upon maturity on March 17, 2033	December 17, 2021	3,000	—	—	2,949 <sup>(*)</sup>	2,978 <sup>(*)</sup>
PLDT Php4,000M	November 24, 2021	BPI	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the tenth-year anniversary of the drawdown date and the balance payable upon maturity on March 17, 2033	December 17, 2021	4,000	—	—	3,932 <sup>(*)</sup>	3,970 <sup>(*)</sup>
PLDT Php2,500M	December 10, 2021	LBP	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity on December 17, 2031	December 17, 2021	2,500	—	—	2,475	2,500
Smart Php3,000M	December 14, 2021	DBP	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the seventh-year from the drawdown date and the balance of 93% payable upon maturity on January 21, 2030	January 20, 2022	3,000	—	—	2,980 <sup>(*)</sup>	—
Smart Php2,000M	December 14, 2021	DBP	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the eight-year from the drawdown date and the balance of 92% payable upon maturity on January 20, 2031	January 20, 2022	2,000	—	—	2,000	—
PLDT Php10,000M	January 31, 2023	BPI	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity	—	—	—	—	—	—
PLDT Php5,500M	February 27, 2023	LBP	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity	—	—	—	—	—	—
ePLDT Php8,000M	March 10, 2023	BPI	Semi-annual amortizations equivalent to 1% of the advance on the 1st to 5th year after drawdown date, 5% of the advance on the 6th to 9th year after drawdown date, and the balance of 75% payable on maturity date	—	—	—	—	—	—
PLDT Php2,000M	March 22, 2023	BPI	Annual amortization rate equivalent to 1% of the advance starting on the first-year up to the ninth-year anniversary of the drawdown date and the balance payable upon maturity	—	—	—	—	—	—
								15,327	13,426
								192,140	209,524

(\*) Amounts are net of unamortized debt discount/premium and/or debt issuance cost.

## Short-term Debt

In March and April 2020, PLDT and Smart availed unsecured short-term debt from various banks amounting to Php6,000 million and Php4,000 million, respectively, with an interest rate ranging from 5.00% to 5.75%. In May 2020, PLDT and Smart prepaid their outstanding short-term debt amounting to Php3,000 million and Php4,000 million, respectively. PLDT prepaid its remaining short-term debt in the aggregate amount of Php3,000 million in June 2020.

In March and April 2022, PLDT and Smart availed unsecured short-term debt from various banks amounting to Php6,000 million and Php4,000 million, respectively, with an interest rate of 2.60%. In July 2022, PLDT prepaid its outstanding short-term debt amounting to Php2,000 million. In October 2022, Smart paid its outstanding short-term debt amounting to Php4,000 million. In November 2022, PLDT and Smart availed unsecured short-term debt amounting to Php4,000 million and Php2,000 million, respectively, with an interest rate of 5.16%. As at December 31, 2022, PLDT and Smart have an outstanding short-term debt amounting to Php10,000 million. In March 2023, PLDT paid its outstanding short-term debt amounting to Php3,000 million.

## U.S. Dollar Fixed Rate Notes

On June 23, 2020, PLDT issued US\$300 million 10-year and US\$300 million 30-year senior unsecured fixed-rate notes with coupon of 2.50% and 3.45%, respectively. Proceeds from the issuance of these notes have been used to refinance maturing debt obligations, prepay outstanding loans and partially finance capital expenditures. The 2031 Notes will mature on January 23, 2031 and the 2050 Notes will mature on June 23, 2050.

## Compliance with Debt Covenants

PLDT's debt instruments contain restrictive covenants, including covenants that require us to comply with specified financial ratios tests, such as total debt to EBITDA and interest cover ratio, at relevant measurement dates, principally at the end of each quarterly period. We have complied with all of our maintenance financial ratios as required under our loan covenants and other debt instruments.

The principal factors that could negatively affect our ability to comply with these financial ratio covenants and other financial tests are poor operating performance of PLDT and its subsidiaries, depreciation of the Philippine Peso relative to the U.S. Dollar, impairment or similar charges in respect of investments or other long-lived assets that may be recognized by PLDT and its subsidiaries, and increases in our interest expense. Interest expense may increase as a result of various factors including issuance of new debt, the refinancing of lower cost indebtedness by higher cost indebtedness, depreciation of the Philippine Peso relative to the U.S. Dollar, the lowering of PLDT's credit ratings or the credit ratings of the Philippines, increase in reference interest rates, and general market conditions. Of our total consolidated debts (net of consolidated debt discount), approximately 17% and 16% were denominated in U.S. Dollars as at December 31, 2022 and 2021, respectively. Considering our consolidated outstanding hedges, the unhedged portion of the PLDT's net debt amounts was approximately 7% (or 5%, net of our consolidated U.S. Dollar cash balances allocated for debt) as at December 31, 2022 and 8% (or 5%, net of our consolidated U.S. Dollar cash balances allocated for debt) as at December 31, 2021. Therefore, the financial ratio and other tests are expected to be negatively affected by any weakening of the Philippine Peso relative to the U.S. Dollar. See *Note 28 – Financial Assets and Liabilities – Foreign Currency Exchange Risk*.

PLDT's debt instruments contain a number of other negative covenants that, subject to certain exceptions and qualifications, restrict PLDT's ability to take certain actions without lenders' approval, including: (a) making or permitting any material change in the character of its business; (b) selling, leasing, transferring or disposing of all or substantially all of its assets or any significant portion thereof other than in the ordinary course of business; (c) creating any lien or security interest; (d) permitting set-off against amounts owed to PLDT; (e) merging or consolidating with any other company; and (f) making or permitting any preference or priority in respect of any other relevant indebtedness of PLDT.

PLDT's debt instruments also contain customary and other default provisions that permit the lender to accelerate amounts due or terminate their commitments to extend additional funds under the debt instruments. These default provisions include: (a) cross-defaults that will be triggered only if the principal amount of the defaulted indebtedness exceeds a threshold amount specified in these debt instruments; (b) failure by PLDT to meet certain financial ratio covenants referred to above; (c) the occurrence of any material adverse change in circumstances that a lender reasonably believes materially impairs PLDT's ability to perform its obligations under its debt instrument with the lender; (d) the revocation, termination or amendment of any of the permits or franchises of PLDT in any manner unacceptable to the lender; (e) the nationalization or sustained discontinuance of all or a substantial portion of PLDT's business; and (f) other typical events of default, including the commencement of bankruptcy, insolvency, liquidation or winding up proceedings by PLDT.

Smart's debt instruments contain certain restrictive covenants that require Smart to comply with specified financial ratios and other financial tests at semi-annual measurement dates. Smart's loan agreements include compliance with financial tests such as Smart's consolidated debt to consolidated EBITDA and interest coverage ratio. The agreements also contain customary and other default provisions that permit the lender to accelerate amounts due under the loans or terminate their commitments to extend additional funds under the loans. These default provisions include: (a) cross-defaults and cross-accelerations that permit a lender to declare a default if Smart is in default under another loan agreement. These cross-default provisions are triggered upon a payment or other default permitting the acceleration of Smart debt, whether or not the defaulted debt is accelerated; (b) failure by Smart to comply with certain financial ratio covenants; and (c) the occurrence of any material adverse change in circumstances that the lender reasonably believes materially impairs Smart's ability to perform its obligations or impair the guarantors' ability to perform their obligations under its loan agreements.

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

As at December 31, 2022 and 2021, we were in compliance with all of our debt covenants. See *Note 28 – Financial Assets and Liabilities – Derivative Financial Instruments*.

## 22. Deferred Credits and Other Noncurrent Liabilities

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
Contract liabilities and unearned revenues (Note 5)	7,615	3,558
Provision for asset retirement obligations	1,514	2,121
Accrual of capital expenditures under long-term financing	316	300
Others	56	105
	<b>9,501</b>	<b>6,084</b>

The following table summarizes the changes to provision for asset retirement obligations for the years ended December 31, 2022 and 2021:

	2022	2021
	(in million pesos)	
Provision for asset retirement obligations at beginning of the year	2,121	2,000
Revaluation due to change in IBR	442	(102)
Capitalized to ROU assets during the year	65	239
Accretion expenses	54	65
Settlement of obligations and others	(1)	(19)
Reclassification to liabilities associated with assets classified as held-for-sale	(232)	—
Change in assumptions	(935)	(62)
Provision for asset retirement obligations at end of the year	<b>1,514</b>	<b>2,121</b>

Accrual of capital expenditures under long-term financing represents expenditures related to the expansion and upgrade of our network facilities which are not due to be settled within one year. Such accruals are settled through refinancing from long-term loans obtained from the banks. See *Note 21 – Interest-bearing Financial Liabilities*.

## 23. Accounts Payable

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
Suppliers and contractors (Note 28)	80,725	85,903
Taxes (Note 27)	4,052	1,741
Carriers and other customers (Note 28)	1,745	1,469
Related parties (Notes 25 and 28)	270	200
Others	18,395	10,405
	<b>105,187</b>	<b>99,718</b>

Accounts payable are noninterest-bearing and are normally settled within 180 days.

In 2021, two of our major suppliers entered into Trade Financing Arrangements, or TFA, to sell a portion of their Philippine Peso receivables from the Parent Company amounting to Php7,559 million and from Smart amounting to Php1,834 million. Under the terms of the TFA, the Purchaser will have exclusive ownership of the purchased receivables and all of its rights, title and interest.

In 2022, four of our major suppliers entered into new TFAs to sell a portion of their Philippine Peso receivables from the Parent Company amounting to Php7,049 million and from Smart amounting to Php10,882 million.

The balance of the amount reclassified from “Accounts Payable – Suppliers and contractors” to “Accounts Payable – Others” amounted to Php17,931 million and Php9,393 million as at December 31, 2022 and 2021, respectively. There were no changes in the payment terms.

For terms and conditions pertaining to the payables to related parties, see *Note 25 – Related Party Transactions*.

For detailed discussion on the PLDT Group’s liquidity risk management processes, see *Note 28 – Financial Assets and Liabilities – Liquidity Risk*.

## 24. Accrued Expenses and Other Current Liabilities

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
Accrued utilities and related expenses (Notes 25 and 28)	63,731	63,105
Contract liabilities and unearned revenues (Note 5)	9,499	10,063
Accrued taxes and related expenses (Note 27)	9,445	11,464
Accrued employee benefits and other provisions (Note 28)	6,615	9,087
Accrued interests and other related costs (Note 29)	1,868	1,783
Liability from redemption of preferred shares (Notes 20 and 28)	—	7,842
Others	2,387	2,769
	<b>93,545</b>	<b>106,113</b>

Accrued utilities and related expenses pertain to costs incurred for electricity and water consumption, repairs and maintenance, selling and promotions, professional and other contracted services, rent, insurance and security services and other operational related expenses pending receipt of billings and statement of accounts from suppliers. These liabilities are noninterest-bearing and are normally settled within a year.

Accrued taxes and related expenses pertain to licenses, permits and other related business taxes, which are normally settled within a year.

Contract liabilities and unearned revenues represent advance payments for leased lines, installation fees, monthly service fees and unused and/or unexpired portion of prepaid loads.

Accrued interests and other related costs are noninterest-bearing and are normally settled within a year. This pertains to other costs incurred for operations-related expenses pending receipt of invoice and statement of accounts from suppliers.

Other accrued expenses and other current liabilities are noninterest-bearing and are normally settled within a year. This pertains to other costs incurred for operations-related expenses pending receipt of invoice and statement of accounts from suppliers.

## 25. Related Party Transactions

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Transactions with related parties are on an arm's length basis, similar to transactions with third parties.

Settlement of outstanding balances of related party transactions at year-end are expected to be settled with cash.

The following table provides the summary of outstanding balances as at December 31, 2022 and 2021, and transactions for the years ended December 31, 2022, 2021 and 2020 that have been entered into with related parties:

Company Name	Particulars	Terms	Conditions	Statement of Financial Position Classification	2022		2021		Income Statement Classification	2020	
					(in million pesos)	(in million pesos)	(in million pesos)	(in million pesos)			
<i>Indirect investment in joint ventures through PCEV:</i>											
Manila Electric Company, or Meralco	Electricity services to PLDT and certain subsidiaries' offices within Meralco's franchise area	Immediately upon receipt of invoice	Unsecured	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	527	186	Repairs and maintenance	3,219	2,519	2,231	
	Pole attachment contracts, wherein Meralco leases its pole spaces to accommodate PLDT and Smart's cable network facilities	45 days upon receipt of billings	Unsecured	Accrued expenses and other current liabilities (Note 24)	—	—	Rent	40	40	38	
		Upon depreciation or expiration of lease	Unsecured	ROU assets (Note 10)	2,775	2,433	Depreciation and amortization	665	486	473	
		2022 – due after December 31, 2023; 2021 – due after December 31, 2022	Unsecured	Lease liabilities - net of current portion (Note 10)	727	1,118					
		2022 – due on or before December 31, 2023; 2021 – due on or before December 31, 2022	Unsecured	Current portion of lease liabilities (Note 10)	642	487					
Meralco Industrial Engineering Services Corporation, or MIESCOR	Customer line installation, repair, rehabilitation and maintenance activities	30 days upon receipt of invoice	Unsecured	Accrued expenses and other current liabilities (Note 24)	5	1					



Company Name	Particulars	Terms	Conditions	Statement of Financial Position Classification	Statement of Financial Position		Income Statement Classification	Income Statement			
					2022	2021		2022	2021	2020	
					(in million pesos)		(in million pesos)				
<b>Transactions with major stockholders, directors and officers:</b>											
NTT TC Leasing	PLDT signed a US\$25 million term loan facility agreement on March 22, 2016	Non-amortizing, payable upon maturity on March 30, 2023	Unsecured	Interest-bearing financial liabilities (Note 21)	1,396	1,272	Financing costs – net	46	17	29	
	PLDT signed a US\$25 million term loan facility agreement on January 31, 2017	Non-amortizing, payable upon maturity on March 27, 2024	Unsecured	Interest-bearing financial liabilities (Note 21)	1,395	1,271	Financing costs – net	46	18	30	
NTT World Engineering Marine Corporation	On February 1, 2008, PLDT entered into a service agreement, wherein NTT World Engineering Marine Corporation provides offshore submarine cable repair and other allied services for the maintenance of PLDT's domestic fiber optic network submerged plant.	1st month of each quarter; noninterest-bearing	Unsecured	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	318	240	Repairs and maintenance	80	97	139	
NTT Communications	On March 24, 2000, PLDT entered into an advisory service agreement (as amended on March 31, 2003, March 31, 2005 and June 16, 2006), under which NTT Communications provides PLDT with technical, marketing and other consulting services for various business areas of PLDT starting April 1, 2000.	30 days upon receipt of invoice; noninterest-bearing	Unsecured	Accrued expenses and other current liabilities (Note 24)	18	12	Professional and other contracted services	87	68	81	

Company Name	Particulars	Terms	Conditions	Statement of Financial Position Classification	2022		Income Statement			
					2022	2021	Classification	2022	2021	2020
	On March 24, 2000, PLDT entered into an agreement with NTT Communications under which PLDT and NTT Communications agreed to cooperative arrangements for conventional international telecommunications services to enhance their respective international businesses.	30 days upon receipt of invoice; Unsecured noninterest-bearing		Accounts payable (Note 23)	(in million pesos) 3	3		(in million pesos)		
NTT Worldwide Telecommunications Corporation	On March 24, 2000, PLDT entered into an agreement under which PLDT markets, and manages data and other services under NTT Communications' "Arcstar" brand to its corporate customers in the Philippines. PLDT also entered into a Trade Name and Trademark Agreement with NTT Communications under which PLDT has been given the right to use the trade name "Arcstar" and its related trademark, logo and symbols, solely for the purpose of PLDT's marketing, promotional and sales activities for the Arcstar services within the Philippines.	30 days upon receipt of invoice; Unsecured noninterest-bearing		Accounts payable (Note 23)	6	4	Selling and promotions	2	2	3

<sup>(1)</sup> Effective July 1, 2020, these loans were transferred from NTT Finance Corporation to NTT TC Leasing. See Note 21 - Interest-bearing Financial Liabilities.

Company Name	Particulars	Terms	Conditions	Statement of Financial Position Classification	2022		2021		2020			
					(in million pesos)		(in million pesos)		(in million pesos)			
<b>Transactions with major stockholders, directors and officers:</b>												
NTT DOCOMO	On June 5, 2006, in accordance with the Cooperation Agreement dated January 31, 2006, an Advisory Services Agreement was entered into by NTT DOCOMO and PLDT. Pursuant to the Advisory Services Agreement, NTT DOCOMO will provide the services of certain key personnel in connection with certain aspects of the business of PLDT and Smart. Also, this agreement governs the terms and conditions of the appointments of such key personnel and the corresponding fees related thereto.	30 days upon receipt of invoice; noninterest-bearing	Unsecured	Accrued expenses and other current liabilities (Note 24)	14		12		Professional and other contracted services	105	80	58
JGSHI and Subsidiaries	PLDT and certain of its subsidiaries have existing agreements with Universal Robina Corporation and Robinsons Land Corporation for office and business office rental.	1st month of each quarter; 30 days upon receipt of invoice; noninterest-bearing	Unsecured	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	17		52		Rent	269	232	314
		Upon depreciation or expiration of lease	Unsecured	ROU assets (Note 10)	59		83		Depreciation and amortization	44	29	34
		2022 – due after December 31, 2023; 2021 – due after December 31, 2022	Unsecured	Lease liabilities - net of current portion (Note 10)	35		62					
		2022 – due on or before September 30, 2023 2021 – due on or before December 31, 2022	Unsecured	Current portion of lease liabilities (Note 10)	28		30					
	PLDT group's other transactions with JGSHI and subsidiaries	30 days upon receipt of invoice; noninterest-bearing	Unsecured	Accrued expenses and other current liabilities (Note 24)	45		7		Repairs and maintenance	23	25	6
									Professional and other contracted services		—	2
									Communication, training and travel	—	—	1
									Financing costs – net	—	5	13
									Miscellaneous expenses	—	—	—

Company Name	Particulars	Terms	Conditions	Statement of Financial Position Classification	2022		2021		2020		
					(in million pesos)		(in million pesos)		(in million pesos)		
<b>Transactions with major stockholders, directors and officers:</b>											
Malayan Insurance Co., Inc., or Malayan	PLDT and certain of its subsidiaries have insurance policies with Malayan covering directors, officers, liability to employees and material damages for buildings, building improvements, equipment and motor vehicles. The premiums are directly paid to Malayan.	Immediately upon receipt of invoice	Unsecured	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	10		10		229	196	194
		Immediately upon receipt of invoice	Unsecured	Prepayments (Note 19)	27		23				
Gotuaco del Rosario and Associates, or Gotuaco	Gotuaco acts as the broker for certain insurance companies to cover certain insurable properties of the PLDT Group. Insurance premiums are remitted to Gotuaco and the broker's fees are settled between Gotuaco and the insurance companies.	Immediately upon receipt of invoice	Unsecured	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	—		1		144	179	149
First Pacific Investment Management Limited, or FPIML	On March 1, 2018, Smart entered into an Advisory Services Agreement with FPIML effective for a period of one-year subject to a 12-month automatic renewal unless either party notifies the other party of its intent not to renew the agreement. FPIML provides advisory and related services in connection with the operation of Smart's business of providing mobile communications services, high-speed internet connectivity, and access to digital services and content. The agreement provides that Smart shall pay monthly service fee of US\$250 thousand and any additional fee shall be mutually agreed upon by both parties on a monthly basis. On March 26, 2020, Smart and FPIML mutually agreed to reduce the monthly service fee to US\$100 thousand in consideration of the services provided under this agreement, effective April 1, 2020. Starting April 2021, the fee has been increased to \$220k per month. Smart prepaid the fees for the period April to October 2021 (US\$1.54 million).	—	Unsecured	Prepayments (Note 19)	—		—		133	111	72

Company Name	Particulars	Terms	Conditions	Statement of Financial Position Classification	2022		2021		2020	
					(in million pesos)		(in million pesos)			
							Income Statement Classification	2022	2021	2020
<b>Other related parties:</b>										
Cignal Cable Corporation, or Cignal Cable	PLDT and Smart entered into a two-year agreement with Cignal Cable to resell and distribute the iflix service to their respective subscribers effective June 18, 2019. The agreement stipulates that PLDT and Smart will each pay a minimum guarantee of US\$1,500 thousand annually, which is committed for the Advertising Spend Guarantee. iflix shall pay PLDT and Smart 30% each of the monthly marketing costs subject to a monthly cap of US\$500 thousand each. This agreement was pre-terminated of March 2021.	30 days upon receipt of invoice	Unsecured	Accrued expenses and other current liabilities (Note 24)	—	—	Cost of services	—	—	22
							Selling and promotions	—	—	23
							Other income – net	—	—	51
Various	PLDT and certain of its subsidiaries provide telephone, data communication and other services to various related parties.	30 days upon receipt of invoice	Unsecured	Trade and other receivables (Note 17)	3,155	1,892	Revenues	2,518	2,368	2,145
		2022 – due after December 31, 2023; 2021 – due after December 31, 2022	Unsecured	Lease liabilities - net of current portion (Note 10)	384	386	Expenses	5,687	2,386	1,582
		2022 – due on or before December 31, 2023; 2021 – due on or before December 31, 2022	Unsecured	Current portion of lease liabilities (Note 10)	229	234				
		Upon depreciation or expiration of lease	Unsecured	ROU assets (Note 10)	1,404	750				
		30 days upon receipt of billing; noninterest-bearing	Unsecured	Accounts payable (Note 23)	947	1,314				
		Immediately upon receipt of billing	Unsecured	Accrued expenses and other current liabilities (Note 24)	57	11				

### ***Material Related Party Transactions, or MRPT, Policy***

On September 24, 2019, the Board of Directors approved and adopted the MRPT Policy in compliance with the Philippine SEC Memorandum Circular No. 10, Series of 2019, or the Rules on MRPT for Publicly-Listed Companies.

This MRPT Policy applies to the PLDT Group and covers related party transactions that meet the Materiality Threshold of 10% of PLDT's total consolidated assets. It defines 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.

Related party transactions involving an amount below the Materiality Threshold shall be covered by our Guidelines on the Proper Handling of Related Party Transactions.

### ***Compensation of Key Officers of the PLDT Group***

The compensation of key officers of the PLDT Group by benefit type for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
		(in million pesos)	
Other long-term employee benefits (Note 26)	480	115	297
Short-term employee benefits	358	311	327
Post-employment benefits (Note 26)	22	21	22
Total compensation paid to key officers of the PLDT Group	860	447	646

The amounts disclosed in the table above are the amounts recognized as expenses during the period related to key management personnel.

Effective January 2014, each of the directors, including the members of the advisory board of PLDT, was entitled to a director's fee in the amount of Php250 thousand for each board meeting attended. Each of the members or advisors of the audit, governance, nomination and sustainability, executive compensation, technology strategy, and risk and data privacy and information security committees was entitled to a fee in the amount of Php125 thousand for each committee meeting attended.

Total fees paid for board meetings and board committee meetings amounted to Php82 million, Php85 million and Php72 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Except for the fees mentioned above, the directors are not compensated, directly or indirectly, for their services as such directors.

There are no agreements between PLDT Group and any of its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under PLDT Group's retirement and incentive plans.

## **26. Pension and Other Employee Benefits**

### **Pension**

#### *Defined Benefit Pension Plans*

PLDT has defined benefit pension plans, operating under the legal name "The Board of Trustees for the account of the Beneficial Trust Fund created pursuant to the Benefit Plan of PLDT Co." and covering all of our permanent and regular employees. Certain subsidiaries of PLDT have not yet drawn up a specific retirement plan for its permanent or regular employees. For the purpose of complying with Revised PAS 19, *Employee Benefits*, pension benefit expense has been actuarially computed based on defined benefit plan.

PLDT's actuarial valuation is performed every year-end. Based on the latest actuarial valuation, the actual present value of accrued (prepaid) benefit costs, net periodic benefit costs and average assumptions used in developing the valuation as at and for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
	(in million pesos)		
<b>Changes in the present value of defined benefit obligations:</b>			
Present value of defined benefit obligations at beginning of the year	22,298	28,197	22,638
Interest costs on benefit obligation	1,173	922	1,056
Service costs	1,093	1,614	1,313
Actuarial losses on obligations – experience	78	538	265
Actual benefits paid/settlements	(102)	(3,471)	(369)
Actuarial losses on obligations – economic assumptions	(3,972)	(5,502)	3,507
Curtailment and others	(4,685)	—	(213)
<b>Present value of defined benefit obligations at end of the year</b>	<b>15,883</b>	<b>22,298</b>	<b>28,197</b>
<b>Changes in fair value of plan assets:</b>			
Fair value of plan assets at beginning of the year	14,683	15,000	13,724
Actual contributions	6,359	3,614	3,227
Interest income on plan assets	983	605	322
Return on plan assets (excluding amount included in net interest)	—	(1,065)	(1,904)
Actual gain on plan assets	(421)	—	—
Actual benefits paid/settlements	(5,313)	(3,471)	(369)
<b>Fair value of plan assets at end of the year</b>	<b>16,291</b>	<b>14,683</b>	<b>15,000</b>
Unfunded status – net	408	(7,615)	(13,197)
Accrued benefit costs	482	7,760	13,342
Prepaid benefit costs (Note 19)	890	145	145
<b>Components of net periodic benefit costs:</b>			
Service costs	1,093	1,614	1,313
Interest costs - net	190	317	734
Curtailment/settlement gains and other adjustments	261	—	(99)
<b>Net periodic benefit costs (Note 5)</b>	<b>1,544</b>	<b>1,931</b>	<b>1,948</b>

Actual net gain on plan assets amounted to Php562 million for the year ended December 31, 2022, while actual net loss on plan assets amounted to Php460 million and Php1,582 million for the years ended December 31, 2021 and 2020, respectively.

Based on the latest actuarial valuation, our expected contribution to the defined benefit plan in 2023 will amount to Php4,613 million.

The following table sets forth the expected future settlements by the Plan of maturing defined benefit obligation as at December 31, 2022:

	(in million pesos)
2023	261
2024	317
2025	433
2026	826
2027	1,077
2028 to 2032	11,904

The average duration of the defined benefit obligation at the end of the reporting period is 10.91 years.

The weighted average assumptions used to determine pension benefits for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Rate of increase in compensation	5.7%	5.7%	6.0%
Discount rate	7.3%	5.3%	3.5%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2022 and 2021, assuming if all other assumptions were held constant:

	Increase (Decrease)	
		(in million pesos)
Discount rate	1%	(14,223)
	(1%)	17,579
Future salary increases	1%	17,587
	(1%)	(4,189)

#### *PLDT's Retirement Plan*

The Board of Trustees, which manages the beneficial trust fund, is composed of: (i) a member of the Board of Directors of PLDT, who is not a beneficiary of the Plan; (ii) a member of the Board of Directors or a senior officer of PLDT, who is a beneficiary of the Plan; (iii) a senior member of the executive staff of PLDT; and (iv) two persons who are not executives nor employees of PLDT.

Benefits are payable in the event of termination of employment due to: (i) compulsory, optional, or deferred retirement; (ii) death while in active service; (iii) physical disability; (iv) voluntary resignation; or (v) involuntary separation from service. For a plan member with less than 15 years of credited services, retirement benefit is equal to 100% of final compensation for every year of service. For those with at least 15 years of service, retirement benefit is equal to 125% of final compensation for every year of service, with such percentage to be increased by an additional 5% for each completed year of service in excess of 15 years, but not to exceed a maximum of 200%. In case of voluntary resignation after attainment of age 40 and completion of at least 15 years of credited service, benefit is equal to a percentage of his vested retirement benefit, in accordance with percentages prescribed in the retirement plan.

The Board of Trustees of the beneficial trust fund uses an investment approach with the objective of maximizing the long-term expected return of plan assets.

The majority of the Plan's investment portfolio consists of listed and unlisted equity securities while the remaining portion consists of passive investments like temporary cash investments and fixed income investments.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Board of Trustees invests at least the equivalent amount of actuarially computed expected compulsory retirement benefit payments for the year to liquid/semi-liquid assets such as government securities, savings and time deposits with commercial banks.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the PSE. In order to effectively manage price risk, the Board of Trustees continuously assesses these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.



The following table sets forth the fair values, which are equal to the carrying values, of PLDT's plan assets recognized as at December 31, 2022 and 2021:

	2022	2021
	(in million pesos)	
<b>Noncurrent Financial Assets</b>		
Investments in:		
Unquoted equity investments	13,509	11,332
Shares of stock	1,913	2,316
Corporate bonds	318	242
Mutual funds	7	7
Government securities	129	17
Total noncurrent financial assets	15,876	13,914
<b>Current Financial Assets</b>		
Cash and cash equivalents	410	518
Receivables	8	5
Total current financial assets	418	523
Total PLDT's Plan Assets	16,294	14,437
Subsidiaries Plan Assets	(3)	246
Total Plan Assets of Defined Benefit Pension Plans	16,291	14,683

Investment in shares of stocks is valued using the latest bid price at the reporting date. Investments in corporate bonds, mutual funds and government securities are valued using the quoted market prices at reporting date.

### *Unquoted Equity Investments*

As at December 31, 2022 and 2021, this account consists of:

	2022	2021	2022	2021
	Percentage of Ownership		(in million pesos)	
MediaQuest	100%	100%	12,634	10,508
Tahanan Mutual Building and Loan Association, Inc., or TMBLA, (net of subscriptions payable of Php32 million)	100%	100%	625	584
BTFHI	100%	100%	250	240
			13,509	11,332

### *Investments in MediaQuest*

MediaQuest was registered with the Philippine SEC on June 29, 1999 primarily to purchase, subscribe for or otherwise acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property or every kind and description, and to pay thereof in whole or in part, in cash or by exchanging, stocks, bonds and other evidences of indebtedness or securities of this any other corporation. Its investments include common shares of stocks of various communication, broadcasting and media entities.

Investments in MediaQuest are carried at fair value. The VIU calculations were derived from cash flow projections over a period of five years based on the 2021 financial budgets approved by the MediaQuest's Board of Directors and calculated terminal value. Other key assumptions used in the cash flow projections include revenue growth rate, direct costs and capital expenditures. The post-tax discount rates applied to cash flow projections range from 11.4% to 11.8%. Cash flows beyond the five-year period are determined using 0.0% to 4.8% growth rates.

On May 8, 2012, the Board of Trustees of the PLDT Beneficial Trust Fund approved the issuance by MediaQuest of PDRs amounting to Php6 billion. The underlying shares of these PDRs are the shares of stocks of Cignal TV held by MediaQuest through Satventures (Cignal TV PDRs). On the same date, MediaQuest Board of Directors approved the investment in Cignal TV PDRs by ePLDT, which gave ePLDT a 40% economic interest in Cignal TV. In June 2012, MediaQuest received a deposit for future PDRs subscription of Php4 billion from ePLDT. Additional deposits of Php1 billion each were received on July 6, 2012 and August 9, 2012.

On January 25, 2013, the Board of Trustees of the PLDT Beneficial Trust Fund and the MediaQuest Board of Directors approved the issuance of additional MediaQuest PDRs amounting to Php3.6 billion. The underlying shares of these additional PDRs are the shares of Satventures held by MediaQuest (Satventures PDRs), the holder of which will have a 40% economic interest in Satventures. Satventures is a wholly-owned subsidiary of MediaQuest and the investment vehicle for Cignal TV. From March to August 2013, MediaQuest received from ePLDT an amount aggregating to Php3.6 billion representing deposits for future PDRs subscription. The Satventures PDRs and Cignal TV PDRs were subsequently issued on September 27, 2013, providing ePLDT an effective 64% economic interest in Cignal TV.

Also, on January 25, 2013, the Board of Trustees of the PLDT Beneficial Trust Fund and the MediaQuest Board of Directors approved the issuance of additional MediaQuest PDRs amounting to Php1.95 billion. The underlying shares of these additional PDRs are the shares of stocks of Hastings held by MediaQuest (Hastings PDRs). Hastings is a wholly-owned subsidiary of MediaQuest, which holds all the print-related investments of MediaQuest, including equity interests in the three leading newspapers: The Philippine Star, Philippine Daily Inquirer, and Business World. From June 2013 to October 2013, MediaQuest received from ePLDT an amount aggregating to Php1.95 billion representing deposits for future PDRs subscription.

On February 19, 2014, ePLDT's Board of Directors approved an additional Php500 million investment in Hastings PDRs. On March 11, 2014, MediaQuest received from ePLDT an amount aggregating to Php300 million representing deposits for future PDRs subscription. As at December 31, 2014, total deposit for PDRs subscription amounted to Php2,250 million.

On May 21, 2015, ePLDT's Board of Directors approved an additional Php800 million investment in Hastings PDRs and settlement of the Php200 million balance of the Php500 million Hastings PDR investment in 2014. Subsequently, on May 30, 2015, the Board of Trustees of the PLDT Beneficial Trust Fund and the Board of Directors of MediaQuest approved the issuance of Php3,250 million Hastings PDRs. This provided ePLDT with 70% economic interest in Hastings. In February 2018, ePLDT entered into a Deed of Assignment with the Board of Trustees of the PLDT Beneficial Trust Fund transferring the Hastings PDRs for Php1,664 million.

In 2019 and 2020, the Board of Trustees of the PLDT Beneficial Trust Fund approved additional investment in MediaQuest amounting to Php3,100 million and Php1,400 million, respectively, to fund MediaQuest's investment requirements. The full amounts were fully drawn by MediaQuest during 2019 and 2020.

In 2021 and 2022, the Board of Trustees of the PLDT Beneficial Trust Fund approved the additional investment in MediaQuest to fund its cash requirements amounting to Php2,000 million and Php1,000 million, respectively. As at December 31, 2022, both investments were already fully drawn by MediaQuest.

#### *Investment in TMBLA*

TMBLA was incorporated for the primary purpose of accumulating the savings of its stockholders and lending funds to them for housing programs. The beneficial trust fund's total investment into TMBLA amounted to Php119 million consisting of initial direct subscription in shares of stocks of TMBLA in the amount of Php20 million (net of unpaid subscription amounting to Php32 million) and subsequently via a Deed of Pledge amounting to Php99 million. The cumulative change in the fair market values of this investment amounted to Php494 million and Php465 million as at December 31, 2022 and 2021, respectively.

#### *Investment in BTFHI*

BTFHI was incorporated for the primary purpose of acquiring voting preferred shares in PLDT and while the owner, holder of possessor thereof, to exercise all the rights, powers, and privileges of ownership or any other interest therein.

On October 26, 2012, BTFHI subscribed to a total of 150 million shares of Voting Preferred Stock of PLDT at a subscription price of Php1.00 per share for a total subscription price of Php150 million. Total cash dividend income amounted to Php10 million for each of the years ended December 31, 2022, 2021 and 2020. Dividend receivables amounted to Php2 million each as at December 31, 2022 and 2021.

### *Shares of Stocks*

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
	(in million pesos)	
Common shares		
PSE	1,054	1,401
PLDT	35	48
Others	464	507
Preferred shares	360	360
	<b>1,913</b>	<b>2,316</b>

Dividends earned on PLDT common shares amounted to Php3 million for the year ended December 31, 2022 and Php2 million for each of the years ended December 31, 2021 and 2020.

Preferred shares represent 300 million unlisted preferred shares of PLDT at Php10 par value, net of subscription payable of Php2,640 million as at December 31, 2022 and 2021. These shares, which bear dividend of 13.5% per annum based on the paid-up subscription price, are cumulative, non-convertible and redeemable at par value at the option of PLDT. Dividends earned on this investment amounted to Php49 million, Php47 million and Php49 million for the years ended December 31, 2022, 2021 and 2020, respectively.

### *Corporate Bonds*

Investment in corporate bonds includes various long-term peso and dollar denominated bonds with maturities ranging from July 2022 to September 2027 and fixed interest rates from 3.25% to 6.94% per annum.

### *Government Securities*

Investments in government securities includes Retail Treasury Bonds bearing an interest rate of 3.7% per annum. This security is fully guaranteed by the government of the Republic of the Philippines.

### *Mutual Funds*

Investment in mutual funds includes UITF, bond and equity funds, which aims to out-perform benchmarks in various indices as part of its investment strategy.

The allocation of the fair value of the assets for the PLDT pension plan as at December 31, 2022 and 2021 are as follows:

	2022	2021
Investments in listed and unlisted equity securities	95%	94%
Temporary cash investments	2%	4%
Debt and fixed income securities	2%	2%
Mutual funds	1%	—
	<b>100%</b>	<b>100%</b>

### *Defined Contribution Plans*

Smart's and certain of its subsidiaries' contributions to the plan are made based on the employees' years of tenure and range from 5% to 10% of the employee's monthly salary. Additionally, an employee has an option to make a personal contribution to the fund, at an amount not exceeding 10% of his monthly salary. The employer then provides an additional contribution to the fund ranging from 10% to 50% of the employee's contribution based on the employee's years of tenure. Although the plan has a defined contribution format, Smart and certain of its subsidiaries regularly monitor their compliance with Republic Act No. 7641. As at December 31, 2022 and 2021, Smart and certain of its subsidiaries were in compliance with the requirements of Republic Act No. 7641.

Smart's and certain of its subsidiaries' actuarial valuation is performed every year-end. Based on the latest actuarial valuation, the actual present value of prepaid benefit costs, net periodic benefit costs and average assumptions used in developing the valuation as at and for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
	(in million pesos)		
<b>Changes in the present value of defined benefit obligations:</b>			
Present value of defined benefit obligations at beginning of the year	3,264	2,775	2,813
Service costs	262	313	294
Interest costs on benefit obligation	156	101	118
Actuarial losses – economic assumptions	(20)	(40)	28
Actuarial losses – experience	(216)	12	69
Actual benefits paid/settlements	(396)	—	(567)
Curtailement and others	(273)	103	20
<b>Present value of defined benefit obligations at end of the year</b>	<b>2,777</b>	<b>3,264</b>	<b>2,775</b>
<b>Changes in fair value of plan assets:</b>			
Fair value of plan assets at beginning of the year	4,137	3,651	3,084
Actual contributions	299	306	282
Interest income on plan assets	213	132	142
Return on plan assets (excluding amount included in net interest)	(322)	(18)	143
Actual benefits paid/settlements	(842)	—	—
Others	—	66	—
<b>Fair value of plan assets at end of the year</b>	<b>3,485</b>	<b>4,137</b>	<b>3,651</b>
<b>Funded status – net</b>	<b>708</b>	<b>873</b>	<b>876</b>
<b>Prepaid benefit costs (Note 19)</b>	<b>708</b>	<b>873</b>	<b>876</b>
<b>Components of net periodic benefit costs:</b>			
Service costs	262	313	294
Interest costs - net	(57)	(31)	(24)
Curtailement/settlement gains and other adjustments	—	—	—
<b>Net periodic benefit costs (Note 5)</b>	<b>205</b>	<b>282</b>	<b>270</b>

Actual net loss on plan assets amounted to Php109 million for the year ended December 31, 2022, while actual net gains on plan assets amounted to Php114 million and Php285 million for the years ended December 31, 2021 and 2020, respectively.

Based on the latest actuarial valuation, Smart and certain of its subsidiaries expect to contribute the amount of approximately Php309 million to the plan in 2023.

The following table sets forth the expected future settlements by the Plan of maturing defined benefit obligation as at December 31, 2022:

	(in million pesos)
2023	81
2024	143
2025	142
2026	210
2027	216
2028 to 2062	2,163

The average duration of the defined benefit obligation at the end of the reporting period is 10 years.

The weighted average assumptions used to determine pension benefits for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Rate of increase in compensation	5.0%	5.0%	5.0%
Discount rate	7.3%	5.0%	3.5%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021 and 2020, assuming if all other assumptions were held constant:

	Increase (Decrease)	
	(in million pesos)	
Discount rate	(0.1%)	(4)
	0.2%	614
Future salary increases	0.2%	614
	(0.1%)	(4)

### *Smart's Retirement Plan*

The fund is being managed and invested by BPI Asset Management and Trust Corporation, as Trustee, pursuant to an amended trust agreement dated February 21, 2012.

The plan's investment portfolio seeks to achieve regular income, long-term capital growth and consistent performance over its own portfolio benchmark. In order to attain this objective, the Trustee's mandate is to invest in a diversified portfolio of bonds and equities, both domestic and international. The portfolio mix is kept at 70% and 30% for fixed income securities and equity securities, respectively.

The following table sets forth the fair values, which are equal to the carrying values, of Smart's plan assets recognized as at December 31, 2022 and 2021:

	2022	2021
	(in million pesos)	
<b>Noncurrent Financial Assets</b>		
Investments in:		
Domestic fixed income	2,152	2,833
Domestic equities	676	997
International fixed income	222	558
Philippine foreign currency bonds	220	224
International equities	—	844
Total noncurrent financial assets	3,270	5,456
<b>Current Financial Assets</b>		
Cash and cash equivalents	1,411	37
Total current financial assets	1,411	37
Total plan assets	4,681	5,493
Less: Employee's share, forfeitures and mandatory reserve account	1,196	1,356
Total Plan Assets of Defined Contribution Plans	3,485	4,137

### *Domestic Fixed Income*

Investments in domestic fixed income include Philippine Peso denominated bonds, such as government securities and corporate debt securities, with fixed interest rates from 3.00% to 10.13% per annum.

### *Domestic Equities*

Investments in domestic equities include direct equity investments in common shares listed in the PSE. These investments earn on stock price appreciation and dividend payments. This includes investment in PLDT shares with fair value of Php21 million and Php45 million as at December 31, 2022 and 2021, respectively.

### *International Equities*

Investments in international equities include exchange traded funds managed by BlackRock.

### *Philippine Foreign Currency Bonds*

Investments in Philippine foreign currency bonds include U.S. Dollar denominated fixed income instruments issued by the Philippine government and local corporations with fixed interest rates from 2.95% to 10.63% per annum.

### ***International Fixed Income***

Investments in international fixed income include exchange traded funds in iSHARES U.S. Treasury Bond ETF and iSHARES International Treasury Bond ETF.

### ***Cash and Cash Equivalents***

This pertains to the fund's excess liquidity in Philippine Peso and U.S. Dollars including investments in time deposits, money market funds and other deposit products of banks with duration or tenor less than a year.

The asset allocation of the Plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the Plan and risk appetite of the Plan sponsor. This considers the expected benefit cash flows to be matched with asset durations.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Plan Trustees invest a portion of the fund in readily tradeable and liquid investments which can be sold at any given time to fund liquidity requirements.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the PSE. In order to effectively manage price risk, the Plan Trustees continuously assess these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

The allocation of the fair value of Smart and certain of its subsidiaries pension plan assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
Investments in debt and fixed income securities and others	86%	67%
Investments in listed and unlisted equity securities	14%	33%
	100%	100%

### ***Other Long-term Employee Benefits***

#### *TIP*

In 2017, the Board of Directors of PLDT approved the TIP which intended to provide incentive compensation to key officers, executives and other eligible participants who are consistent performers and contributors to the Company's strategic and financial goals, based on the achievement of telco core income targets. The program was divided into two cycles. Cycle 1 covered the performance period from 2017 to 2019, was in the form of PLDT common shares of stocks and later modified to a mix of equity shares and cash grants, and was released in three annual grants. Cycle 2 covered the performance period from 2020 to 2021, was settled in cash and was released in 2022. TIP was administered by the ECC.

#### *LTIP*

On December 23, 2021, the ECC approved the LTIP covering the years 2022 to 2026, covering two cycles, based on the achievement of telco core income targets, with additional performance metrics on Customer Experience and Sustainability to impact the LTIP pay-out. Cycle 1 covers performance period from 2022 to 2024. Payout will be split at the end of the 2nd year and at the end of the 3rd year, based on the achievement of performance targets. Cycle 2 covers performance period from 2025 and 2026, and is subject to the ECC's further evaluation and approval of the final terms.

The expense accrued for the LTIP amounted to Php1,272 million for the year ended December 31, 2022 and expense accrued for the TIP amounted to Php1,186 million and Php1,134 million for the years ended December 31, 2021 and 2020, respectively.

The accrued incentive payable amounted to Php1,294 million and Php2,384 million as at December 31, 2022 and 2021, respectively. See *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions – Estimating Pension Benefit Costs and Other Employee Benefits* and *Note 5 – Income and Expenses – Compensation and Employee Benefits*.

## 27. Provisions and Contingencies

### *PLDT’s Local Business and Franchise Tax Assessments*

As at December 31, 2022, PLDT has no contested LGU assessments for franchise taxes based on gross receipts received or collected for services within its respective territorial jurisdiction.

### *Smart’s Local Business and Franchise Tax Assessments*

The Province of Cagayan issued a tax assessment against Smart for alleged local franchise tax. In 2011, Smart appealed the assessment to the Regional Trial Court, or RTC, of Makati on the ground that Smart cannot be held liable for local franchise tax mainly because it has no sales office within the Province of Cagayan pursuant to Section 137 of the Local Government Code (Republic Act No. 7160). The RTC issued a TRO and a writ of preliminary injunction. On April 30, 2012, the RTC rendered a decision nullifying the tax assessment. The Province of Cagayan was also directed to cease and desist from imposing local franchise taxes on Smart’s gross receipts. The Province of Cagayan then appealed to the Court of Tax Appeals, or CTA. In a Decision promulgated on July 25, 2013, the CTA ruled that the franchise tax assessment is null and void for lack of legal and factual justifications. Cagayan’s Motion for Reconsideration was denied. Cagayan then appealed before the CTA En Banc. The CTA En Banc issued a Decision dated December 8, 2015 affirming the nullity of the tax assessment. On January 26, 2016, the Province of Cagayan filed a Partial Motion for Reconsideration, praying among others, that the Court enter a new decision declaring as valid and legal the tax assessment issued by Province of Cagayan to Smart. The CTA En Banc then issued a Resolution dated June 22, 2016 denying the Partial Motion for Reconsideration filed by the Province of Cagayan for lack of merit. On July 31, 2016, the Decision dated December 8, 2015 became final and executory and recorded in the book of entries of judgement of the CTA.

In 2016, Cagayan issued another local franchise tax assessment against Smart covering years 2011-2015. Using the same grounds in the first case, Smart appealed the assessment with the RTC of Tuguegarao where the case is pending. The RTC then directed the parties to file their respective Memorandum within 30 days from date of receipt. Smart filed its Memorandum on November 7, 2018. On November 29, 2021, the RTC rendered its Decision dismissing the appeal of Smart for lack of jurisdiction without prejudice. Smart has filed its Motion for Reconsideration last February 2, 2022.

The City of Makati sent letters to Smart for alleged franchise tax liability. Smart, through a Letter Protest, replied and refuted the alleged franchise tax liability on the ground that Makati is imposing tax on revenues outside its jurisdiction. However, the City of Makati failed to act on the protest; hence, Smart filed a Petition for Review with the RTC of Makati City. The City of Makati refused to issue assessments and business permits of Smart’s head office and its branches within the city. Smart filed with the RTC of Makati Petitions for Mandamus with Consignation and Application for the Issuance of Writ of Preliminary Injunction to compel the City of Makati to undertake its ministerial duty to act upon, approve, and consequently issue the physical Business Permits of Smart.

On February 27, 2023, while the Petitions were still pending, the City of Makati issued a Closure Order that was posted at Smart’s head office. On February 28, 2023, Smart submitted its accounting records to reconcile against assessments issued by the City of Makati. On March 2, 2023, Smart and the City of Makati, executed a Compromise Agreement that will be the subject of joint motions to be filed and submitted to the respective RTC for decision with a prayer to approve the compromise agreement and cancel the assessment. The RTC has yet to act upon and issue its decision on whether to approve the Compromise Agreement.

Based on management’s assessment, appropriate provisions were made in the books. However, management has decided not to disclose further details as it may prejudice Smart's position in the ongoing proceedings.

### *Digitel’s Local Government Unit, or LGU, Assessments*

Digitel is discussing with various LGUs, as to the settlement of its local taxes.

*DMPI vs. City of Trece Martires*

In 2010, DMPI petitioned to declare void the City of Trece Martires ordinance of imposing tower fee of Php150 thousand for each cell site every year. Application for the issuance of a preliminary injunction by DMPI is pending resolution as of date.

*ACeS Philippines' Withholding Tax Assessments*

ACeS Philippines has a pending case with the Supreme Court (*ACeS Philippines Satellite Corporation vs. Commissioner of Internal Revenue* Supreme Court G.R. No. 226680) for alleged 2006 deficiency withholding tax. On July 23, 2014, the CTA Second Division affirmed the assessment of the Commissioner of Internal Revenue for deficiency basic withholding tax, surcharge plus deficiency interest, and delinquency interest amounting to Php87 million. On November 18, 2014, ACeS Philippines filed a Petition for Review with the CTA En Banc. On August 16, 2016, the CTA En Banc also affirmed the assessment with finality. On October 19, 2016, ACeS Philippines filed a petition before the Supreme Court assailing the decision of the CTA. On February 23, 2017 and March 15, 2017, respectively, the Company paid a compromise settlement amounting to Php27 million and filed a formal request for compromise of tax liabilities before the Bureau of Internal Revenue, or BIR, while the case is pending before the Supreme Court.

On February 19, 2021, ACeS Philippines entered into an amicable settlement with the BIR pursuant to the provisions of the Civil Code of the Philippines and paid an additional compromise settlement amounting to Php20 million. On April 18, 2021, the Commissioner of Internal Revenue signed the judicial compromise agreement. The corresponding Certificate of Availment (Compromise Settlement) was issued by the BIR. On July 21, 2022, Parties filed with the Supreme Court a Joint Motion for Judgment based on Judicial Compromise Agreement. On January 31, 2023, ACeS Philippines received the Decision of the Supreme Court dated August 31, 2022 affirming the decision of the CTA En Banc. On February 15, 2023, ACeS Philippines filed its Motion for Reconsideration praying to consider the Joint Motion for Judgment based on Judicial Compromise Agreement filed on July 21, 2022.

*Arbitration with Eastern Telecommunications Philippines, Inc., or ETPI*

Since 1990 up to the present, PLDT and ETPI have been engaged in legal proceedings involving a number of issues in connection with their business relationship. Among PLDT's claims against ETPI are ETPI's alleged uncompensated bypass of PLDT's systems from July 1, 1998 to November 28, 2003; unpaid access charges from July 1, 1999 to November 28, 2003; and non-payment of applicable rates for Off-Net and On-Net traffic from January 1, 1999 to November 28, 2003 arising from ETPI's unilateral reduction of its rates for the Philippines-Hong Kong traffic stream through Hong Kong REACH-ETPI circuits. ETPI's claims against PLDT, on the other hand, involve an alleged Philippines-Hong Kong traffic shortfall for the period July 1, 1998 to November 28, 2003; unpaid share of revenues generated from PLDT's activation of additional growth circuits in the Philippines-Singapore traffic stream for the period July 1, 1999 to November 28, 2003; under reporting of ETPI share of revenues under the terms of a Compromise Agreement for the period January 1, 1999 to November 28, 2003 (which ETPI is seeking to retroact to February 6, 1990); lost revenues arising from PLDT's blocking of incoming traffic from Hong Kong from November 1, 2001 up to November 2003; and lost revenues arising from PLDT's circuit migration from January 1, 2001 up to December 31, 2001.

While the parties have entered into Compromise Agreements in the past (one in February 1990 and another in March 1999), said agreements have not put to rest the issues between them. To avoid protracted litigation and to preserve their business relationship, PLDT and ETPI agreed to submit their differences and issues to voluntary arbitration. On April 16, 2008, PLDT and ETPI signed an Arbitration Settlement Agreement and submitted their respective Statement of Claims and Answers. Subsequent to such submissions, PLDT and ETPI agreed to suspend the arbitration proceedings. ETPI's total claim against PLDT is about Php2.9 billion while PLDT's total claim against ETPI is about Php2.8 billion.

In an agreement, PLDT and Globe have agreed that they shall cause ETPI, within a reasonable time after May 30, 2016, to dismiss Civil Case No. 17694 entitled *Eastern Telecommunications Philippines, Inc. vs. Philippine Long Distance Telephone Company*, and all related or incidental proceedings (including the voluntary arbitration between ETPI and PLDT), and PLDT, in turn, simultaneously, shall withdraw its counterclaims against ETPI in the same entitled case, all with prejudice. As of date of this report, there are no changes on the status of the case.



In a series of orders including a Compliance Order issued by the DOLE Regional Office on July 3, 2017, which was partly affirmed by DOLE Secretary Silvestre Bello, III, or DOLE Secretary, in his resolutions dated January 10, 2018 and April 24, 2018, the DOLE had previously ordered PLDT to regularize 7,344 workers from 38 of PLDT's third party service contractors. PLDT questioned these "regularization orders" before the CA, which led to the July 31, 2018 Decision of the CA.

In sum, the CA: (i) granted PLDT's prayer for an injunction against the regularization orders; (ii) set aside the regularization orders insofar as they declared that there was labor-only contracting of the following functions: (a) janitorial services, messengerial and clerical services; (b) information technology, or IT, firms and services; (c) IT support services, both hardware and software, and applications development; (d) back office support and office operations; (e) business process outsourcing or call centers; (f) sales; and (g) medical, dental engineering and other professional services; and (iii) remanded to the DOLE for further proceedings, the matters of: (a) determining which contractors, and which individuals deployed by these contractors, are performing installation, repair and maintenance, or IRM, of PLDT lines which individuals will be covered by the regularization orders because they are performing the core functions of PLDT; and (b) properly computing monetary awards for benefits such as unpaid overtime or 13th month pay, which in the regularization orders amounted to Php51.8 million.

The CA agreed with PLDT's contention that the DOLE Secretary's regularization order was "tainted with grave abuse of discretion" because it did not meet the "substantial evidence" standards set out by the Supreme Court in landmark jurisprudence. The Court also said that the DOLE's appreciation of evidence leaned in favor of the contractor workers, and that the DOLE Secretary had "lost sight" of distinctions involving the labor law concepts of "control over means and methods," and "control over results."

On August 20, 2018, PLDT filed a motion seeking a partial reconsideration of that part of the CA decision, which ordered a remand to the Office of the Regional Director of the DOLE-National Capital Region of the matter of the regularization of individuals performing installation, repair and maintenance, or IRM, services. In its motion, PLDT argued that the fact-finding process contemplated by the Court's remand order is actually not part of the visitorial power of the DOLE (i.e., the evidence that will need to be assessed cannot be gleaned in the 'normal course' of a labor inspection) and is therefore, outside the jurisdiction of the DOLE Secretary.

PLDT also questioned that part of the CA ruling which seems to conclude that all IRM jobs are "regular or core functions of PLDT." It argued that the law recognizes that some work of this nature can be project-based or seasonal in nature. Instead of the DOLE, PLDT suggested that the National Labor Relations Commission – a tribunal with better fact-finding powers – take over from the DOLE to determine whether the jobs are in fact IRM, and if so, whether they are "regular" or can be considered project-based or seasonal.

Both adverse parties, the PLDT rank-and-file labor union *Manggagawa sa Komunikasyon ng Pilipinas*, or MKP, and the DOLE filed Motions for Reconsideration.

On February 14, 2019, the CA issued a Resolution denying all Motions for Reconsideration and upheld its July 31, 2018 Decision. After filing a Motion for Extension of Time on March 7, 2019, PLDT filed on April 5, 2019 a Petition for Review with the Supreme Court, questioning only one aspect of the CA decision i.e. its order remanding to the DOLE the determination of which jobs fall within the scope of "installation, repair and maintenance," without however a qualification as to the "project" or "seasonal" nature of those engagements. The Supreme Court has consolidated PLDT's Petition with the separate Petitions for Review filed by the DOLE and MKP. On February 17, 2020, PLDT submitted its Comment on the Petitions for Review filed by the DOLE Secretary and MKP. PLDT also received the Comment filed by MKP and the DOLE Secretary dated January 13, 2020 and September 3, 2020, respectively. On September 10, 2020, PLDT filed a Motion for Leave and for Time to File a Consolidated Reply (re: MKP's Comment dated January 13, 2020 and DOLE Secretary's Comment dated September 3, 2020). On December 23, 2020, PLDT filed its Reply to the Comment submitted by MKP and the DOLE Secretary. On March 11, 2021, PLDT received DOLE's Reply dated March 2, 2021. To date, the consolidated petitions filed by PLDT, DOLE and MKP are pending resolution with the Supreme Court.

This is a Petition for Mandamus filed on October 23, 2018 by Attys. Joseph Lemuel Baligod Baquiran and Ferdinand C. Tecson against the Respondents NTC, the PCC, Liberty, BellTel, Globe, PLDT and Smart. Briefly, the case involves the 700 MHz frequency, among others, or Subject Frequencies, that was originally assigned to Liberty and which eventually became subject of the Co-Use Agreement between Globe, on the one hand, and PLDT and Smart, on the other, or the Co-Use Agreement.

The Petition prayed that: (a) a Temporary Restraining Order, or TRO, /Writ of Preliminary Injunction, or WPI, be issued to enjoin and restrain Globe, PLDT and Smart from utilizing and monopolizing the Subject Frequencies and the NTC from bidding out or awarding the frequencies returned by PLDT, Smart and Globe; (b) the NTC's conditional assignment of the Subject Frequencies be declared unconstitutional, illegal and void; (c) alternatively, Liberty and its successors-in-interest be divested of the Subject Frequencies and the same be reverted to the State; (d) Liberty be declared to have transgressed Section 11 (1), Article XVI of the Constitution; (e) Liberty and its parent company be declared to have contravened paragraph 2 of Section 10, Article XII of the 1987 Constitution; (f) Liberty's assignment of the Subject Frequencies to BellTel be declared illegal and void; (g) the Co-Use Agreement be declared invalid; (h) the NTC be found to have unlawfully neglected the performance of its positive duties; (i) the PCC be found to have unlawfully neglected the performance of its positive duties; (j) a Writ of Mandamus be issued commanding the NTC to revoke the Co-Use Agreement, recall the Subject Frequencies in favor of the State, and make the same available to the best qualified telecommunication players; (k) a Writ of Mandamus be issued commanding the PCC to conduct a full review of PLDT's and Globe's acquisition of all issued and outstanding shares of Vega Telecom; (l) an Investigation of NTC be ordered for possible violation of Section 3 (e) of Republic Act No. 3019 and other applicable laws; and (m) the said TRO/WPI be made permanent.

Essentially, petitioners contend that the NTC's assignments of the Subject Frequencies of Liberty were void for failing to comply with Section 4 (c) of Republic Act No. 7925 which essentially states that "the radio frequency spectrum is a scarce public resource xxx." Even assuming the assignments were valid, Liberty should be deemed divested of the same by operation of law (with the Subject Frequencies reverted to the State), considering that it underutilized or never utilized the Subject Frequencies in violation of the terms and conditions of the assignments. Assuming further that the NTC's assignments of the Subject Frequencies were valid and that Liberty was not divested of the same by operation of law, still, Liberty did not validly assign the Subject Frequencies to BellTel because of the absence of Congressional approval. Petitioners conclude that since the assignments of the Subject Frequencies from the NTC to Liberty, and from Liberty to BellTel, were all illegal and void, it follows that the Subject Frequencies could not serve as the object of the Co-Use Agreement between PLDT, Smart and Globe.

On November 23, 2018, PLDT filed an Entry of Appearance on behalf of PLDT and Smart. On January 17, 2019, PLDT and Smart filed their Comment. Essentially, the Comment raised the following arguments: *first*, that the requisites for judicial review and for a mandamus petition are lacking; *second*, that there was no need for Liberty to obtain prior Congressional approval before it assigned the Subject Frequencies to BellTel; and *third*, that the Co-Use Agreement is valid and approved by the NTC, and did not violate the Constitution or any laws.

On January 15, 2019, PLDT received a copy of BellTel's Comment/Opposition dated January 10, 2019. On February 12, 2019, PLDT received a copy of Globe Telecom, Inc.'s, or Globe's Comment/Opposition dated January 21, 2019. In a Resolution dated March 19, 2019, the Supreme Court noted the aforesaid filings. As at the date of the report, however, PLDT has not received any pleadings from the OSG on behalf of the public respondents.

On June 18, 2019, the Supreme Court issued a Resolution consolidating this case with G.R. No. 230798 (Philippine Competition Commission vs. CA [Twelfth Division] and PLDT; Globe, intervenor) and G.R. No. 234969 (Philippine Competition Commission vs. PLDT and Globe). The consolidated cases were assigned to the Supreme Court Division in charge of G.R. No. 230798, the case with the lowest docket number.

*Notice of Material Breach and Demand for Payment on Dito*

In February 2021, PLDT and Dito entered into an agreement for the construction of a transmission facility that served as the point of interconnection for their subscribers. Under the agreement, PLDT established and managed the interconnection facility that operated as the primary physical interface for both companies. The planned facility was completed in March 2021.

On September 22, 2021, Dito filed a petition with the NTC seeking the latter's intervention in directing Smart to grant Dito's request for additional capacity for interconnection. In response, Smart filed an answer on October 4, 2021 stating that the petition should be denied for Dito's failure to prevent, detect, or block International Simple Resale ("ISR")/Bypass Traffic emanating from its network and Dito's failure to set up an effective fraud management system; and requesting for compensation for losses incurred due to these ISR/ bypass activities, in violation of its Interconnection Agreement with Smart, the provisions of R.A. No. 7925, and NTC MC No. 14-07-2000. The NTC facilitated mediation conferences on November 5, 2021, November 18, 2021, February 4, 2022, and February 16, 2022. The case remains pending with the NTC.

Following news reports on August 8, 2022 that Dito had filed a complaint with the PCC against Globe and Smart involving the same issue pending with the NTC on ISR, Smart received a subpoena duces tecum dated December 7, 2022 from the PCC Competition Enforcement Office in relation to an ongoing full administrative investigation involving the telecommunications industry. The subpoena notified Smart that it was the subject of ongoing investigation pursuant to Section 2.9 of the 2017 PCC Rules of Procedure, involving allegations of violations by Smart of Section 14(b)(1), 15(b), 15(c) and 15(i) of the Philippine Competition Act. Smart was directed to submit its corporate documents, documents and information pertaining to its operations as a PTE and its relationship with other PTEs, and documents and information on ISR. to the PCC on January 23, 2023, followed by the submission of a supplemental submission on January 27, 2023. As of the date of this report, Smart has not received any other notices from the PCC with regards to this investigation.

On October 6, 2022, PLDT served a Notice of Material Breach and Demand for Payment on Dito which refused to pay the outstanding balance of Php430 million for contracted services provided by PLDT in relation to the building and provisioning of transmission facilities used by Dito to deliver telecommunication services to its subscribers.

#### *Class Action Suit Against PLDT*

On February 6, 2023, plaintiff Sophia Olsson filed a putative class action suit in the United States District Court for the Central District of California alleging that PLDT, Inc. and nine of its current and former directors and officers (collectively, the "Defendants") made materially false and misleading statements regarding capital expenditures during the period 2019 to 2022. Plaintiff asserts claims under Sections 10(b) and 20(a) of the United States Securities and Exchange Act of 1934 (and related rules) but does not specify purported damages. While a complaint was filed, no Defendant has been served and there has been no other activity in the matter. Due to the early stage of this matter and uncertainties related to class certification and potential amounts to be claimed by the class, PLDT is unable to determine if any liability will arise or estimate the range of any potential liability. The Company plans to vigorously defend against the allegations.

Other disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice our position in on-going claims, litigations and assessments. See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Provision for legal contingencies and tax assessments*.

## 28. Financial Assets and Liabilities

We have various financial assets such as trade and non-trade receivables, cash and short-term deposits. Our principal financial liabilities, other than derivatives, comprise of bank loans, lease liabilities, trade and non-trade payables. The main purpose of these financial liabilities is to finance our operations. We also enter into derivative transactions, primarily principal only-currency swap agreements, interest rate swaps and forward foreign exchange contracts and options to manage the currency and interest rate risks arising from our operations and sources of financing. Our accounting policies in relation to derivatives are set out in *Note 2 – Summary of Significant Accounting Policies – Financial Instruments*.

The following table sets forth our consolidated financial assets and financial liabilities as at December 31, 2022 and 2021:

	Financial instruments at amortized cost	Financial instruments at FVPL	Total financial instruments
	(in million pesos)		
<b>Assets as at December 31, 2022</b>			
<b>Noncurrent:</b>			
Financial assets at fair value through profit or loss	—	432	432
Debt instruments at amortized cost – net of current portion	596	—	596
Derivative financial assets – net of current portion	—	81	81
Other financial assets – net of current portion	3,489 <sup>(1)</sup>	—	3,489
<b>Current:</b>			
Cash and cash equivalents	25,211	—	25,211
Short-term investments	129	254 <sup>(2)</sup>	383
Trade and other receivables	26,255	—	26,255
Current portion of other financial assets	206 <sup>(1)</sup>	—	206
<b>Total assets</b>	<b>55,886</b>	<b>767</b>	<b>56,653</b>
<b>Liabilities as at December 31, 2022</b>			
<b>Noncurrent:</b>			
Interest-bearing financial liabilities – net of current portion	217,288	—	217,288
Lease liabilities – net of current portion	31,958	—	31,958
Derivative financial liabilities – net of current portion	—	190	190
Customers' deposits	2,313	—	2,313
Deferred credits and other noncurrent liabilities	363	—	363
<b>Current:</b>			
Accounts payable	101,107	—	101,107
Accrued expenses and other current liabilities	74,227	—	74,227
Current portion of interest-bearing financial liabilities	32,292	—	32,292
Current portion of lease liabilities	10,477	—	10,477
Dividends payable	1,821	—	1,821
Current portion of derivative financial liabilities	—	960	960
Liabilities associated with assets classified as held-for-sale	1,668	—	1,668
<b>Total liabilities</b>	<b>473,514</b>	<b>1,150</b>	<b>474,662</b>
<b>Net assets (liabilities)</b>	<b>(417,628)</b>	<b>(383)</b>	<b>(418,011)</b>

<sup>(1)</sup> Includes refundable deposits and notes receivables.

<sup>(2)</sup> Includes investments in the funds of Credit Suisse and Julius Baer. In 2021, PLDT withdrew US\$6.6 million from the Supply Chain Finance fund of Credit Suisse and impaired the remaining fund value of US\$3.4 million. In November 2021, Smart invested US\$5.0 million in the Focus Fixed Income Asia Defensive fund of Julius Baer. As at December 31, 2022, the fund's value is US\$4.5 million.

	Financial instruments at amortized cost	Financial instruments at FVPL	Total financial instruments
(in million pesos)			
<b>Assets as at December 31, 2021</b>			
<b>Noncurrent:</b>			
Financial assets at fair value through profit or loss	—	339	339
Debt instruments at amortized cost – net of current portion	400	—	400
Derivative financial assets – net of current portion	—	48	48
Other financial assets – net of current portion	3,099 <sup>(1)</sup>	—	3,099
<b>Current:</b>			
Cash and cash equivalents	23,907	—	23,907
Short-term investments	1,986	255 <sup>(2)</sup>	2,241
Trade and other receivables	21,790	—	21,790
Current portion of derivative financial assets	—	93	93
Current portion of debt instruments at amortized cost	207	—	207
Current portion of other financial assets	208 <sup>(1)</sup>	6,856 <sup>(3)</sup>	7,064
<b>Total assets</b>	<b>51,597</b>	<b>7,591</b>	<b>59,188</b>
<b>Liabilities as at December 31, 2021</b>			
<b>Noncurrent:</b>			
Interest-bearing financial liabilities – net of current portion	241,075	—	241,075
Lease liabilities – net of current portion	17,131	—	17,131
Derivative financial liabilities – net of current portion	—	100	100
Customers' deposits	2,270	—	2,270
Deferred credits and other noncurrent liabilities	398	—	398
<b>Current:</b>			
Accounts payable	97,959	—	97,959
Accrued expenses and other current liabilities	76,377	7,842	84,219
Current portion of interest-bearing financial liabilities	11,482	—	11,482
Current portion of lease liabilities	4,555	—	4,555
Dividends payable	1,708	—	1,708
Current portion of derivative financial liabilities	—	115	115
<b>Total liabilities</b>	<b>452,955</b>	<b>8,057</b>	<b>461,012</b>
<b>Net assets (liabilities)</b>	<b>(401,358)</b>	<b>(466)</b>	<b>(401,824)</b>

<sup>(1)</sup> Includes refundable deposits and notes receivables.

<sup>(2)</sup> Includes investments in the funds of Credit Suisse and Julius Baer. PLDT withdrew US\$6.6 million from the Supply Chain Finance fund of Credit Suisse in 2021. As at December 31, 2021, the fund's value is US\$3.4 million which was fully impaired as at year-end. In November 2021, Smart invested US\$5.0 million in the Focus Fixed Income Asia Defensive fund of Julius Baer. As at December 31, 2021, the fund's value is US\$5.02 million.

<sup>(3)</sup> Includes RCBC Redemption Trust Account. See Note 20 – Equity – Redemption of Preferred Stock.

The following table sets forth our consolidated offsetting of financial assets and liabilities recognized as at December 31, 2022 and 2021:

	Gross amounts of recognized financial assets and liabilities	Gross amounts of recognized financial assets and liabilities set-off in the consolidated statements of financial position (in million pesos)	Net amount presented in the consolidated statements of financial position
<b>December 31, 2022</b>			
<b>Current Financial Assets</b>			
Trade and other receivables			
Foreign administrations	5,160	4,236	924
Domestic carriers	492	197	295
Total	5,652	4,433	1,219
<b>Current Financial Liabilities</b>			
Accounts payable			
Suppliers and contractors	80,769	44	80,725
Carriers and other customers	22,659	2,548	20,112
Total	103,429	2,592	100,837
<b>December 31, 2021</b>			
<b>Current Financial Assets</b>			
Trade and other receivables			
Foreign administrations	6,916	5,696	1,220
Domestic carriers	507	280	227
Total	7,423	5,974	1,447
<b>Current Financial Liabilities</b>			
Accounts payable			
Suppliers and contractors	85,912	9	85,903
Carriers and other customers	15,349	3,493	11,855
Total	101,261	3,502	97,759

There are no financial instruments subject to an enforceable master netting arrangement as at December 31, 2022 and 2021.

The following table sets forth our consolidated carrying values and estimated fair values of our financial assets and liabilities recognized as at December 31, 2022 and 2021 other than those whose carrying amounts are reasonable approximations of fair values:

	Carrying Value		Fair Value	
	2022	2021	2022	2021
	(in million pesos)			
<b>Noncurrent Financial Assets</b>				
Debt instruments at amortized cost	596	400	573	403
Other financial assets – net of current portion	3,489	3,099	3,278	2,664
Total	4,085	3,499	3,851	3,067
<b>Noncurrent Financial Liabilities</b>				
Interest-bearing financial liabilities:				
Long-term debt – net of current portion	217,288	241,075	201,703	242,545
Customers' deposits	2,313	2,270	1,449	1,619
Deferred credits and other noncurrent liabilities	363	398	307	404
Total	219,964	243,743	203,459	244,568

Below is the list of our consolidated financial assets and liabilities carried at fair value that are classified using a fair value hierarchy as required for our complete sets of consolidated financial statements as at December 31, 2022 and 2021. This classification provides a reasonable basis to illustrate the nature and extent of risks associated with those financial statements.

	2022				2021			
	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total
(in million pesos)								
<b>Noncurrent Financial Assets</b>								
Financial assets at FVPL	—	407	25	432	—	315	24	339
Derivative financial assets – net of current portion	—	81	—	81	—	48	—	48
<b>Current Financial Assets</b>								
Short-term investments	—	254	—	254	—	255	—	255
Current portion of derivative financial assets	—	—	—	—	—	93	—	93
Current portion of other financial assets	—	—	—	—	—	6,856	—	6,856
<b>Total</b>	<b>—</b>	<b>742</b>	<b>25</b>	<b>767</b>	<b>—</b>	<b>7,567</b>	<b>24</b>	<b>7,591</b>
<b>Noncurrent Financial Liabilities</b>								
Derivative financial liabilities – net of current portion	—	190	—	190	—	100	—	100
<b>Current Financial Liabilities</b>								
Accrued expenses and other current liabilities	—	—	—	—	—	7,842	—	7,842
Current portion of derivative financial liabilities	—	960	—	960	—	115	—	115
<b>Total</b>	<b>—</b>	<b>1,150</b>	<b>—</b>	<b>1,150</b>	<b>—</b>	<b>8,057</b>	<b>—</b>	<b>8,057</b>

(1) Fair values determined using observable market inputs that reflect quoted prices in active markets for identical assets or liabilities.

(2) Fair values determined using inputs other than quoted market prices that are either directly or indirectly observable for the assets or liabilities.

(3) Fair values determined using discounted values of future cash flows for the assets or liabilities.

As at December 31, 2022 and 2021, there were no transfers into and out of Level 3 fair value measurements.

As at December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Long-term financial assets and liabilities:*

Fair value is based on the following:

Type	Fair Value Assumptions	Fair Value Hierarchy
Noncurrent portion of advances and other noncurrent assets	Estimated fair value is based on the discounted values of future cash flows using the applicable zero-coupon rates plus counterparties' credit spread.	Level 3
Fixed rate loans: U.S. Dollar notes	Quoted market price.	Level 1
Investment in debt securities	Fair values were determined using quoted prices. For non-quoted securities, fair values were determined using discounted cash flow based on market observable rates.	Level 1 Level 2
Other loans in all other currencies	Estimated fair value is based on the discounted value of future cash flows using the applicable Commercial Interest Reference Rate and BVAL rates for similar types of loans plus PLDT's credit spread.	Level 3
Variable rate loans	The carrying value approximates fair value because of recent and regular repricing based on market conditions.	Level 2

### *Derivative Financial Instruments*

*Forward foreign exchange contracts, foreign currency swaps, foreign currency options and interest rate swaps:* The fair values were computed as the present value of estimated future cash flows using market U.S. Dollar and Philippine Peso interest rates as at valuation date.

The valuation techniques considered various inputs including the credit quality of counterparties.

Due to the short-term nature of the transactions, the fair value of cash and cash equivalents, short-term investments, trade and other receivables, accounts payable, accrued expenses and other current liabilities and dividends payable approximate their carrying values as at the end of the reporting period.

Our derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges. Cash flow hedges refer to those transactions that hedge our exposure to variability in cash flows attributable to a particular risk associated with a recognized financial asset or liability and exposures arising from forecast transactions. Changes in the fair value of these instruments representing effective hedges are recognized directly in other comprehensive income until the hedged item is recognized in our consolidated income statement. For transactions that are not designated as hedges, any gains or losses arising from the changes in fair value are recognized directly to income for the period.

As at December 31, 2022 and 2021, we have taken into account the counterparties' credit risks (for derivative assets) and our own non-performance risk (for derivative liabilities) and have included a credit or debit valuation adjustment, as appropriate, by assessing the maximum credit exposure and taking into account market-based inputs which considers the risk of default occurring and corresponding losses once the default event occurs. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.



The table below sets out the information about our consolidated derivative financial instruments as at December 31, 2022 and 2021:

	Original Notional Amount	Trade Date	Underlying Transaction in U.S. Dollar	Termination Date	Weighted Average Hedge Cost	Weighted Average Foreign Exchange Rate	2022		2021	
							Notional Amount	Net Mark-to-market Gains (Losses) in Php	Notional Amount	Net Mark-to-market Gains (Losses) in Php
	(in millions)		(in millions)				(in millions)			
<i>Transactions not designated as hedges:</i>										
<b>PLDT</b>										
Forward foreign exchange contracts	US\$257	Various dates in July to December 2022	U.S. Dollar Liabilities	Various dates in January to May 2023	—	Php57.16	US\$257	(353)	US\$69	17
	US\$96	Various dates in January 2023	U.S. Dollar Liabilities	Various dates in February to March 2023	—	Php54.97	—	—	—	—
Forward exchange options capped forward	US\$6	Various dates in October 2021	U.S. Dollar Liabilities	Various dates in April and May 2022	—	Php50.80	—	—	US\$6	(2)
Foreign exchange options seagull <sup>(a)</sup>	US\$7	June 10, 2022	U.S. Dollar Liabilities	January 9, 2023	—	Php52.64	7	(7)	4	(1)
					—	Php52.96	—	—	—	—
					—	Php54.00	—	—	—	—
								(360)		14
<b>Smart</b>										
Forward foreign exchange contracts	US\$332	Various dates in 2020 and 2021	U.S. Dollar Liabilities	Various dates in 2021	—	Php49.03	—	—	—	—
	US\$369	Various dates in July to December 2022	U.S. Dollar Liabilities	Various dates in January 2022 to June 2023	—	Php57.08	US\$369	(481)	US\$116	40
	US\$157	Various dates in January and February 2023	U.S. Dollar Liabilities	Various dates in February to July 2023	—	Php54.93	—	—	—	—
Subsized forwards <sup>(b)</sup>	US\$52	Various dates in November 2021	U.S. Dollar Liabilities	Various dates in April and May 2022	—	Php50.38	—	—	—	—
					—	Php51.65	—	—	US\$2	(1)
Foreign exchange options seagull <sup>(c)</sup>	US\$71	Various dates in June 2022	U.S. Dollar Liabilities	Various dates in October 2022 to February 2023	—	Php52.82	—	—	—	—
					—	Php53.37	—	—	—	—
					—	Php54.46	US\$37	(40)	US\$3	(2)
								(521)		37
								(881)		51
<i>Transactions designated as hedges:</i>										
<b>PLDT</b>										
Interest rate swaps <sup>(d)</sup>	US\$150	April and June 2015	200 Term Loan	February 25, 2022	2.70%	—	—	—	US\$11	(5)
Long-term currency swaps <sup>(e)</sup>	US\$27	November 2018 to August 2020	200 MUFG Bank, Ltd.	February 25, 2022	2.15%	Php50.78	—	—	US\$5	2
Long-term foreign currency options <sup>(f)</sup>	US\$290	Various dates in July 2020 and February to March 2021	300M Notes 2031	January 23, 2031	1.20%	Php49.61 Php55.28	US\$290	(265)	US\$290	(175)
								(265)		(178)
<b>Smart</b>										
Interest rate swaps <sup>(g)</sup>	US\$30	February 2016	100 Mizuho	December 7, 2021	2.03%	—	—	—	—	—
Long-term currency swaps <sup>(h)</sup>	US\$6	February 2019	100 Mizuho	December 7, 2021	2.22%	Php51.83	—	—	—	—
	US\$6	August 2020	100 Mizuho	December 7, 2022	1.99%	Php48.64	—	—	US\$3	9
						Php48.00				
Long-term foreign currency options <sup>(i)</sup>	US\$109	February to April 2021	140 PNB	December 13, 2030	1.63%	Php53.34	US\$88	77	US\$99	44
								77		53
								(188)		(125)
								(1,069)		(74)

- (a) If the Philippine Peso to U.S. dollar spot exchange rate on fixing date settles between Php52.96 to Php54.00, PLDT will purchase the U.S. Dollar for Php52.96. However, if on maturity, the exchange rate settles above Php54.00, PLDT will purchase the U.S. Dollar for Php52.96 plus the excess above Php54.00, and if the exchange rate is lower than Php52.96, PLDT will purchase the U.S. Dollar at the prevailing Philippine peso to U.S. Dollar spot exchange rate, subject to a floor of Php52.64.
- (b) If the Philippine Peso to U.S. Dollar spot exchange rate on fixing date settles above Php51.65, Smart will purchase the U.S. Dollar for Php50.38 plus the excess above Php51.65, and if the exchange rate is at or lower than Php51.65, Smart will purchase the U.S. Dollar at Php50.38.
- (c) If the Philippine Peso to U.S. Dollar spot exchange rate on fixing date settles between Php53.37 to Php54.46, Smart will purchase the U.S. Dollar for Php53.37. However, if on maturity, the exchange rate settles above Php54.46, Smart will purchase the U.S. Dollar for Php53.37 plus the excess above Php54.46, and if the exchange rate is lower than Php53.37, Smart will purchase the U.S. Dollar at the prevailing Philippine Peso to U.S. Dollar spot exchange rate, subject to a floor of Php52.82.
- (d) PLDT's interest rate swap agreements outstanding as at December 31, 2022 and 2021 were designated as cash flow hedges, wherein the effective portion of the movements in fair value is recognized in our consolidated statements of other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statements. The mark-to-market losses amounting to nil and Php1 million were recognized in our consolidated statements of other comprehensive income as at December 31, 2022 and 2021, respectively. Interest accrual on the interest rate swaps amounting to nil and Php3 million were recorded as at December 31, 2022 and 2021, respectively. There were no ineffective portion in the fair value recognized in our consolidated income statements for the years ended December 31, 2022, 2021 and 2020.
- (e) PLDT's long-term principal only-currency swap agreements outstanding as at December 31, 2022 and 2021 were designated as cash flow hedges, wherein effective portion of the movements in the fair value is recognized in our consolidated statements of other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statements. The mark-to-market gains amounting to nil and Php4 million were recognized in our consolidated statements of other comprehensive income as at December 31, 2022 and 2021, respectively. Hedge cost accrual on the long-term principal only-currency swaps amounting to nil and Php2 million were recognized as at December 31, 2022 and 2021, respectively. The amounts recognized as other comprehensive income are transferred to profit or loss when the hedged loan is revalued for changes in the foreign exchange rate. The hedge cost portion of the movements in the fair value amounting to nil, Php0.5 million and Php2 million were recognized in our consolidated income statements for the years ended December 31, 2022, 2021 and 2020, respectively.
- (f) PLDT's long-term foreign currency option agreements outstanding as at December 31, 2022 and 2021 were designated as cash flow hedges, wherein the effective portion of the movements in fair value is recognized in our consolidated statements of other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statements. Settlement of the foreign currency option agreements will depend on the spot exchange rate on the fixing date. If the Philippine peso to U.S. dollar spot exchange rate on fixing date is between Php49.61 and Php55.28, PLDT will purchase the U.S. dollar at Php49.61. However, if on fixing date, the exchange rate is beyond Php55.28, PLDT will purchase the U.S. dollar at the prevailing Philippine peso to U.S. dollar spot exchange rate minus a subsidy of Php5.67, and if the exchange rate is lower than Php49.61, PLDT will purchase the U.S. dollar at the prevailing Philippine peso to U.S. dollar spot exchange rate. The mark-to-market losses amounting to Php190 million and Php100 million were recognized in our consolidated statement of other comprehensive income as at December 31, 2022 and 2021, respectively. Hedge cost accrual on the long-term foreign currency option agreements amounting to Php75 million each was recognized as at December 31, 2022 and 2021. The intrinsic value of the long-term foreign currency options recognized as other comprehensive income are transferred to profit or loss when the hedged loan is revalued for changes in the foreign exchange rate. The hedge cost portion of the movements in the fair value amounting to Php4 million, Php89 million and Php26 million were recognized in our consolidated income statement for the years ended December 31, 2022, 2021 and 2020, respectively.
- (g) Smart's interest rate swap agreements outstanding as at December 31, 2022 and 2021 were designated as cash flow hedges, wherein the effective portion of the movements in fair value is recognized in our consolidated statements of other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statements. The mark-to-market losses amounting to nil was recognized in our consolidated statements of other comprehensive income as at December 31, 2022 and 2021. Interest accrual amounting to nil was recognized as at December 31, 2022 and 2021. There were no ineffective portion in the fair value recognized in our consolidated income statements for the years ended December 31, 2022, 2021 and 2020.

- (h) Smart's long-term principal only-currency swap agreements outstanding as at December 31, 2022 and 2021 were designated as cash flow hedges, wherein the effective portion of the movements in fair value is recognized in our consolidated statements of other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statements. The mark-to-market gains amounting to nil and Php8 million were recognized in our consolidated statements of other comprehensive income as at December 31, 2022 and 2021, respectively. Hedge cost accrual on the long-term principal only-currency swaps amounting to nil and Php201 thousand were recognized as at December 31, 2022 and 2021, respectively. The amounts recognized as other comprehensive income are transferred to profit or loss when the hedged loan is revalued for changes in the foreign exchange rate. The hedge cost portions of the movements in the fair value amounting to nil, Php309 thousand and Php1 million were recognized in our consolidated income statements for the years ended December 31, 2022, 2021 and 2020, respectively.
- (i) Smart's long-term foreign currency option agreements outstanding as at December 31, 2022 and 2021 were designated as cash flow hedges, wherein the effective portion of the movements in fair value is recognized in our consolidated statements of other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statements. Settlement of the foreign currency option agreements will depend on the spot exchange rate on the fixing date. If the Philippine Peso to U.S. Dollar spot exchange rate on fixing date is between Php48.00 and Php53.34, Smart will purchase the U.S. Dollar at Php48.00. However, if on fixing date the exchange rate is beyond Php53.34, Smart will purchase the U.S. Dollar at the prevailing Philippine Peso to U.S. Dollar spot exchange rate minus a subsidy of Php5.34, and if the exchange rate is lower than Php48.00, Smart will purchase the U.S. Dollar at the prevailing Philippine Peso to U.S. Dollar spot exchange rate. The mark-to-market gains amounting to Php81 million and Php48 million were recognized in our consolidated statement of other comprehensive income as at December 31, 2022 and 2021, respectively. Hedge cost accrual on the long-term foreign currency option agreements amounting to Php3 million and Php4 million were recognized as at December 31, 2022 and 2021, respectively. The intrinsic value of the long-term foreign currency options recognized as other comprehensive income are transferred to profit or loss when the hedged loan is revalued for changes in the foreign exchange rate. The hedge cost portion of the movements in the fair value amounting to Php5 million and Php8 million were recognized in our consolidated income statement for the years ended December 31, 2022 and 2021, respectively.

Our derivative financial instruments as at December 31, 2022 and 2021 are presented in the statements of financial position as follows:

	2022	2021
	(in million pesos)	
Noncurrent assets	81	48
Current assets	—	93
Noncurrent liabilities (Note 29)	(190)	(100)
Current liabilities (Note 29)	(960)	(115)
Net liabilities	(1,069)	(74)

Movements of our consolidated mark-to-market gains (losses) for the years ended December 31, 2022 and 2021 are summarized as follows:

	2022	2021
	(in million pesos)	
Net mark-to-market losses at beginning of the year	(74)	(514)
Gains on derivative financial instruments (Note 4)	2,572	1,651
Settlements and interest expense	1,135	(169)
Effective portion recognized in the profit or loss for the cash flow hedges	(77)	(75)
Net fair value losses on cash flow hedges charged to other comprehensive income	(3,228)	(967)
Others	(1,397)	—
Net mark-to-market losses at end of the year	(1,069)	(74)

Our consolidated analysis of gains on derivative financial instruments for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
	(in million pesos)		
Gains (losses) on derivative financial instruments (Note 4)	2,572	1,651	(284)
Hedge costs	(250)	(251)	(94)
Net gains (losses) on derivative financial instruments (Notes 4 and 5)	2,322	1,400	(378)

## Financial Risk Management Objectives and Policies

The main risks arising from our financial instruments are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk. The importance of managing those risks has significantly increased in light of the considerable change and volatility in both the Philippine and international financial markets. Our Board of Directors reviews and approves policies for managing each of these risks, which are summarized below. We also monitor the market price risk arising from all financial instruments.

### Liquidity Risk

Our exposure to liquidity risk refers to the risk that our financial requirements, working capital requirements and planned capital expenditures will not be met.

We manage our liquidity profile to be able to finance our operations and capital expenditures, service our maturing debts and meet our other financial obligations. To cover our financing requirements, we use internally generated funds and proceeds from debt and equity issues and sales of certain assets.

As part of our liquidity risk management program, we regularly evaluate our projected and actual cash flows, including our loan maturity profiles, and continuously assess conditions in the financial markets for opportunities to pursue fund-raising initiatives. These activities may include bank loans, export credit agency-guaranteed facilities, debt capital and equity market issues.

Any excess funds are primarily invested in short-term and principal-protected bank products that provide flexibility of withdrawing the funds anytime. We also allocate a portion of our cash in longer tenor investments such as fixed income securities issued or guaranteed by the Republic of the Philippines, and Philippine banks and corporates and managed funds. We regularly evaluate available financial products and monitor market conditions for opportunities to enhance yields at acceptable risk levels. Our investments are also subject to certain restrictions contained in our debt covenants. Our funding arrangements are designed to keep an appropriate balance between equity and debt and to provide financing flexibility while enhancing our businesses.

Our cash position remains sufficient to support our planned capital expenditure requirements and service our debt and financing obligations; however, we may be required to finance a portion of our future capital expenditures from external financing sources. We have cash and cash equivalents, and short-term investments amounting to Php25,211 million and Php383 million, respectively, as at December 31, 2022, which we can use to meet our short-term liquidity needs. See *Note 16 – Cash and Cash Equivalents*.

The following table summarizes the maturity profile of our financial assets based on our consolidated undiscounted claims outstanding as at December 31, 2022 and 2021:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in million pesos)				
<b>December 31, 2022</b>					
<i>Financial instruments at amortized cost:</i>	<i>53,604</i>	<i>48,929</i>	<i>3,740</i>	<i>852</i>	<i>83</i>
Debt instruments at amortized cost	596	—	225	361	10
Other financial assets	4,285	206	3,515	491	73
Temporary cash investments	8,678	8,678	—	—	—
Short-term investments	129	129	—	—	—
Retail subscribers	17,216	17,216	—	—	—
Corporate subscribers	15,151	15,151	—	—	—
Foreign administrations	1,058	1,058	—	—	—
Domestic carriers	296	296	—	—	—
Dealers, agents and others	6,195	6,195	—	—	—
<i>Financial instruments at FVPL:</i>	<i>860</i>	<i>428</i>	<i>—</i>	<i>—</i>	<i>432</i>
Financial assets at fair value through profit or loss	432	—	—	—	432
Short-term investments	428	428	—	—	—
<b>Total</b>	<b>54,464</b>	<b>49,357</b>	<b>3,740</b>	<b>852</b>	<b>515</b>

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
(in million pesos)					
<b>December 31, 2021</b>					
<i>Financial instruments at amortized cost:</i>	55,428	51,317	2,898	430	783
Debt instruments at amortized cost	607	207	100	—	300
Other financial assets	3,919	208	2,798	430	483
Temporary cash investments	13,291	13,291	—	—	—
Short-term investments	1,986	1,986	—	—	—
Retail subscribers	15,676	15,676	—	—	—
Corporate subscribers	13,079	13,079	—	—	—
Foreign administrations	1,341	1,341	—	—	—
Domestic carriers	241	241	—	—	—
Dealers, agents and others	5,288	5,288	—	—	—
<i>Financial instruments at FVPL:</i>	7,624	7,285	—	—	339
Financial assets at fair value through profit or loss	339	—	—	—	339
Other financial assets	6,856	6,856	—	—	—
Short-term investments	429	429	—	—	—
<b>Total</b>	<b>63,052</b>	<b>58,602</b>	<b>2,898</b>	<b>430</b>	<b>1,122</b>

The following table summarizes the maturity profile of our financial liabilities based on our consolidated contractual undiscounted obligations outstanding as at December 31, 2022 and 2021:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
(in million pesos)					
<b>December 31, 2022</b>					
<i>Debt<sup>(1)</sup>:</i>	320,907	30,001	65,159	55,632	170,115
Principal	251,859	29,203	37,885	41,593	143,178
Interest	69,048	798	27,274	14,039	26,937
<i>Lease obligations</i>	62,216	14,658	13,504	10,591	23,463
<i>Various trade and other obligations:</i>	178,219	175,539	610	38	2,032
Suppliers and contractors	81,041	80,725	307	9	—
Utilities and related expenses	63,613	63,609	4	—	—
Employee benefits	6,615	6,615	—	—	—
Customers' deposits	2,313	—	252	29	2,032
Carriers and other customers	1,745	1,745	—	—	—
Dividends	1,821	1,821	—	—	—
Others	21,071	21,024	47	—	—
<b>Total contractual obligations</b>	<b>561,342</b>	<b>220,198</b>	<b>79,273</b>	<b>66,261</b>	<b>195,610</b>
<b>December 31, 2021</b>					
<i>Debt<sup>(1)</sup>:</i>	331,933	7,681	77,865	53,026	193,361
Principal	255,414	7,649	48,404	37,552	161,809
Interest	76,519	32	29,461	15,474	31,552
<i>Lease obligations</i>	30,770	11,609	9,004	4,523	5,634
<i>Various trade and other obligations:</i>	179,484	176,816	667	54	1,947
Suppliers and contractors	86,203	85,903	292	8	—
Utilities and related expenses	62,989	62,988	1	—	—
Employee benefits	9,090	9,090	—	—	—
Liability from redemption of preferred shares	7,842	7,842	—	—	—
Customers' deposits	2,270	—	277	46	1,947
Dividends	1,708	1,708	—	—	—
Carriers and other customers	1,469	1,469	—	—	—
Others	7,913	7,816	97	—	—
<b>Total contractual obligations</b>	<b>542,187</b>	<b>196,106</b>	<b>87,536</b>	<b>57,603</b>	<b>200,942</b>

<sup>(1)</sup> Consists of long-term and short-term debts, including current portion, gross of unamortized debt discount/premium and debt issuance costs.

#### Debt

See Note 21 – Interest-bearing Financial Liabilities – Long-term Debt for a detailed discussion of our debt.

Our consolidated future minimum lease commitments payable with non-cancellable leases as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Within one year	14,658	11,609
After one year but not more than five years	24,095	13,527
More than five years	23,463	5,634
<b>Total</b>	<b>62,216</b>	<b>30,770</b>

#### *Various Trade and Other Obligations*

PLDT Group has various obligations to suppliers for the acquisition of phone and network equipment, contractors for services rendered on various projects, foreign administrations and domestic carriers for the access charges, shareholders for unpaid dividends distributions, employees for benefits and other related obligations, and various business and operational related agreements. Total obligations under these various agreements amounted to approximately Php178,219 million and Php179,484 million as at December 31, 2022 and 2021, respectively. See *Note 23 – Accounts Payable* and *Note 24 – Accrued Expenses and Other Current Liabilities*.

#### **Commercial Commitments**

During the last quarter of 2022 up to the first quarter of 2023, discussions were undertaken with our major vendors representing more than 80% of our capital expenditure requirements, regarding the status of capital expenditure commitments and related outstanding balances covering 2022 and prior years. These discussions resulted in certain purchase orders being cancelled or revised pursuant to a number of Settlement and Mutual Release Agreements, or SMRAs, signed between us and the vendors on or prior to March 23, 2023, taking into consideration our program priorities and current business requirements. The financial impact of the signing of the SMRAs will be reflected in our consolidated financial statements as they occur. As a result of the signing of the SMRAs, our remaining significant commitment in respect of major capital expenditure vendors amounted to about Php33,000 million, net of advances paid to these vendors, as at March 23, 2023.

For other capital expenditure vendors, we will engage in similar discussions with such vendors to achieve similar results. Any adjustments as a result of these discussions shall be taken up in our 2023 consolidated financial statements.

We have no outstanding commercial commitments, in the form of letters of credit, as at December 31, 2022 and 2021.

#### **Collateral**

There are no pledges as collaterals with respect to our financial liabilities as at December 31, 2022 and 2021.

#### **Foreign Currency Exchange Risk**

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The revaluation of our foreign currency-denominated financial assets and liabilities as a result of the appreciation or depreciation of the Philippine Peso is recognized as foreign exchange gains or losses as at the end of the reporting period. The extent of foreign exchange gains or losses is largely dependent on the amount of foreign currency denominated financial assets and liabilities. While a certain percentage of our revenues are either linked to or denominated in U.S. Dollars, a substantial portion of our capital expenditures, a portion of our indebtedness and related interest expense and a portion of our operating expenses are denominated in foreign currencies, mostly in U.S. Dollars. As such, a strengthening or weakening of the Philippine Peso against the U.S. Dollar will decrease or increase in Philippine Peso terms both the principal amount of our foreign currency-denominated debts and the related interest expense, our foreign currency-denominated capital expenditures and operating expenses as well as our U.S. Dollar-linked and U.S. Dollar-denominated revenues. In addition, many of our financial ratios and other financial tests are affected by the movements in the Philippine Peso to U.S. Dollar exchange rate.

To manage our foreign exchange risks and to stabilize our cash flows in order to improve investment and cash flow planning, we enter into forward foreign exchange contracts, currency swap contracts, currency option contracts and other hedging products aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on our operating results and cash flows. Further details of the risk management strategy are recognized in our hedge designation documentation. We use forward foreign exchange purchase contracts, currency swap contracts and currency option contracts to manage the foreign currency risks associated with our foreign currency-denominated financial liabilities. We accounted for these instruments as either cash flow hedges, wherein changes in the fair value are recognized in our consolidated other comprehensive income until the hedged transaction affects our consolidated income statement or transactions not designated as hedges, wherein changes in the fair value are recognized directly as income or expense for the year.

The impact of the hedging instruments on our consolidated statements of financial position as at December 31, 2022 and 2021 are as follows:

	Notional Amount (U.S. Dollar)	Carrying Amount (Php)	Line item in our Consolidated Statements of Financial Position
(in million pesos)			
<b>December 31, 2022</b>			
Long-term foreign currency options	378	81	Derivative financial assets – net of current portion
	—	(190)	Derivative financial liabilities – net of current portion
	<b>378</b>	<b>(109)</b>	
<b>December 31, 2021</b>			
Long-term currency swaps	8	—	Derivative financial assets – net of current portion
	—	15	Current portion of derivative financial assets
	—	(2)	Current portion of derivative financial liabilities
Long-term foreign currency options	389	48	Derivative financial assets – net of current portion
	—	(100)	Derivative financial liabilities – net of current portion
	<b>397</b>	<b>(39)</b>	

The impact of the hedged items on our consolidated statements of financial position as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	Cash flow hedge reserve	Cost of hedging reserve	Cash flow hedge reserve	Cost of hedging reserve
(in million pesos)				
<b>PLDT:</b>				
US\$300M Term Loan	—	—	(273)	—
US\$100M PNB	—	—	(11)	—
US\$200M MUFG Bank, Ltd.	—	—	(8)	2
US\$300M Notes 2031	(3,288)	75	(1,011)	75
	<b>(3,288)</b>	<b>75</b>	<b>(1,303)</b>	<b>77</b>
<b>Smart:</b>				
US\$100M Mizuho	—	—	(9)	—
US\$140M PNB	28	3	(429)	4
	<b>28</b>	<b>3</b>	<b>(438)</b>	<b>4</b>

The effect of the cash flow hedge on our consolidated statements of financial position as at December 31, 2022 and 2021 are as follows:

	Total hedging loss recognized in OCI	Line item in our Consolidated Statements of Financial Position
(in million pesos)		
<b>December 31, 2022</b>		
Long-term foreign currency options	(3,260)	Other comprehensive loss
	<b>(3,260)</b>	
<b>December 31, 2021</b>		
Long-term currency swaps	(301)	Other comprehensive loss
Long-term foreign currency options	(1,440)	Other comprehensive loss
	<b>(1,741)</b>	

The following table shows our consolidated foreign currency-denominated monetary financial assets and liabilities and their Philippine Peso equivalents as at December 31, 2022 and 2021:

	2022		2021	
	U.S. Dollar	Php <sup>(1)</sup>	U.S. Dollar	Php <sup>(2)</sup>
	(in millions)			
<b>Noncurrent Financial Assets</b>				
Derivative financial assets – net of current portion	1	81	1	48
Other financial assets – net of current portion	—	1	—	19
<b>Total noncurrent financial assets</b>	<b>1</b>	<b>82</b>	<b>1</b>	<b>67</b>
<b>Current Financial Assets</b>				
Cash and cash equivalents	287	16,002	146	7,466
Short-term investments	5	254	5	254
Trade and other receivables – net	132	7,385	142	7,218
Current portion of derivative financial assets	—	—	2	93
Current portion of debt instruments at amortized cost	—	—	4	207
Current portion of other financial assets	—	12	—	—
<b>Total current financial assets</b>	<b>424</b>	<b>23,653</b>	<b>299</b>	<b>15,238</b>
<b>Total Financial Assets</b>	<b>425</b>	<b>23,735</b>	<b>300</b>	<b>15,305</b>
<b>Noncurrent Financial Liabilities</b>				
Interest-bearing financial liabilities – net of current portion	719	40,153	758	38,648
Derivative financial liabilities – net of current portion	3	190	2	100
Other noncurrent liabilities	—	27	—	23
<b>Total noncurrent financial liabilities</b>	<b>723</b>	<b>40,370</b>	<b>760</b>	<b>38,771</b>
<b>Current Financial Liabilities</b>				
Accounts payable	1,339	74,720	1,150	58,599
Accrued expenses and other current liabilities	218	12,184	239	12,164
Current portion of interest-bearing financial liabilities	39	2,165	44	2,252
Current portion of derivative financial liabilities	17	960	2	115
<b>Total current financial liabilities</b>	<b>1,613</b>	<b>90,029</b>	<b>1,435</b>	<b>73,130</b>
<b>Total Financial Liabilities</b>	<b>2,336</b>	<b>130,399</b>	<b>2,195</b>	<b>111,901</b>

<sup>(1)</sup> The exchange rate used to convert the U.S. Dollar amounts into Philippine Peso was Php55.82 to US\$1.00, the Philippine Peso-U.S. Dollar exchange rate as quoted through the Bankers Association of the Philippines, or BAP, as at December 31, 2022.

<sup>(2)</sup> The exchange rate used to convert the U.S. Dollar amounts into Philippine Peso was Php50.97 to US\$1.00, the Philippine Peso-U.S. Dollar exchange rate as quoted through the BAP as at December 31, 2021.

As at March 22, 2022, the Philippine Peso-U.S. Dollar exchange rate was Php54.52 to US\$1.00. Using this exchange rate, our consolidated net foreign currency-denominated financial liabilities would have decreased in Philippine Peso terms by Php2,484 million as at December 31, 2022.

Approximately 17% and 16% of our total consolidated debts (net of consolidated debt discount) was denominated in U.S. Dollars as at December 31, 2022 and 2021, respectively. Our consolidated foreign currency-denominated debt increased to Php41,894 million as at December 31, 2022 from Php40,439 million as at December 31, 2021 due to the weaker Philippine Peso-U.S. Dollar exchange rate. See Note 21 – Interest-bearing Financial Liabilities. The aggregate notional amount of our consolidated outstanding long-term principal only-currency swap contracts, long-term foreign currency options and short-term forwards allocated for debt were US\$441 million and US\$406 million as at December 31, 2022 and 2021, respectively. Consequently, the unhedged portion of our consolidated debt amounts were approximately 7% (or 5%, net of consolidated U.S. Dollar cash balances allocated for debt) as at December 31, 2022 and 8% (or 5%, net of consolidated U.S. Dollar cash balances allocated for debt) as at December 31, 2021.

Approximately 17%, 17% and 18% of our consolidated revenues were denominated in U.S. Dollars and/or were linked to U.S. Dollars for the years ended December 31, 2022, 2021 and 2020, respectively. Approximately 5%, 7% and 6% of our consolidated expenses were denominated in U.S. Dollars and/or linked to the U.S. Dollar for the years ended December 31, 2022, 2021 and 2020, respectively. In this respect, the higher weighted average exchange rate of the Philippine Peso against the U.S. Dollar increased our revenues and expenses, and consequently, affects our cash flow from operations in Philippine Peso terms. In view of the anticipated continued decline in dollar-denominated/dollar-linked revenues, which provide a natural hedge against our foreign currency exposure, we are progressively refinancing our dollar-denominated debts in Philippine Pesos.

The Philippine Peso depreciated by 9.52% against the U.S. Dollar to Php55.82 to US\$1.00 as at December 31, 2022 from Php50.97 to US\$1.00 as at December 31, 2021. As a result of our consolidated foreign exchange movements, as well as the amount of our consolidated outstanding net foreign currency financial assets and liabilities, we recognized net consolidated foreign exchange losses of Php4,685 million and Php3,890 million for the years ended December 31, 2022 and 2021, respectively, and net foreign exchange gains of Php1,488 million for the year ended December 31, 2020.



Management conducted a survey among our banks to determine the outlook of the Philippine Peso-U.S. Dollar exchange rate until March 31, 2023. Our outlook is that the Philippine Peso-U.S. Dollar exchange rate may weaken/strengthen by 0.33% as compared to the exchange rate of Php55.82 to US\$1.00 as at December 31, 2022. If the Philippine Peso-U.S. Dollar exchange rate had weakened/strengthened by 0.33% as at December 31, 2022, with all other variables held constant, consolidated profit after tax for the year 2022 and stockholders' equity as at year-end 2022 would have been approximately Php281 million and Php6 million, respectively, lower/higher, mainly as a result of consolidated foreign exchange gains and losses on conversion of U.S. Dollar-denominated net assets/liabilities and mark-to-market valuation of derivative financial instruments.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Our exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations with floating interest rates.

Our policy is to manage interest cost through a mix of fixed and variable rate debts. We evaluate the fixed to floating ratio of our loans in line with movements of relevant interest rates in the financial markets. Based on our assessment, new financing will be priced either on a fixed or floating rate basis. We enter into interest rate swap agreements in order to manage our exposure to interest rate fluctuations. Further details of the risk management strategy are recognized in our hedge designation documentation. We make use of hedging instruments and structures solely for reducing or managing financial risk associated with our debt obligations and not for trading purposes.

The impact of the hedging instruments on our consolidated statements of financial position as at December 31, 2022 and 2021 are as follows:

	Notional Amount (U.S. Dollar)	Carrying Amount (Php)	Line item in our Consolidated Statements of Financial Position
(in million pesos)			
<b>December 31, 2022</b>			
Interest rate swaps	—	—	Derivative financial assets – net of current portion
	—	—	Current portion of derivative financial assets
	—	—	Current portion of derivative financial liabilities
	—	—	
<b>December 31, 2021</b>			
Interest rate swaps	11	—	Derivative financial assets – net of current portion
	—	21	Current portion of derivative financial assets
	—	(26)	Current portion of derivative financial liabilities
	11	(5)	

The impact of the hedged items on our consolidated statements of financial position as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	Cash flow hedge reserve	Cost of hedging reserve	Cash flow hedge reserve	Cost of hedging reserve
	(in million pesos)			
US\$200M MUFG Bank, Ltd.	—	—	(1)	—

The effect of the cash flow hedge on our consolidated statements of financial position as at December 31, 2022 and 2021 are as follows:

	Total hedging loss recognized in OCI	Line item in our Consolidated Statements of Financial Position
(in million pesos)		
<b>December 31, 2022</b>		
Interest rate swaps	—	Other comprehensive loss
<b>December 31, 2021</b>		
Interest rate swaps	(1)	Other comprehensive loss

The following tables set out the carrying amounts, by maturity, of our financial instruments that are expected to have exposure on interest rate risk as at December 31, 2022 and 2021. Financial instruments that are not subject to interest rate risk were not included in the table.

**As at December 31, 2022**

	In U.S. Dollars					Total	In Php	Discount/ Debt Issuance Cost In Php	Carrying Value In Php	Fair Value	
	Below 1 year	1-2 years	2-3 years	3-5 years	Over 5 years					In U.S. Dollar	In Php
<b>Assets:</b>											
<i>Debt Instruments at Amortized Cost</i>											
Philippine Peso Interest rate	—	4 2.3750% to 2.9000%	1 4.2500%	6 4.6250% to 6.2500%	0 6.5000%	11	596	—	596	10	573
<i>Cash in Bank</i>											
U.S. Dollar Interest rate	23 0.0500% to 1.0000%	—	—	—	—	23	1,264	—	1,264	23	1,264
Philippine Peso Interest rate	123 0.0500% to 1.5000%	—	—	—	—	123	6,863	—	6,863	123	6,863
<i>Temporary Cash Investments</i>											
U.S. Dollar Interest rate	127 3.5000% to 4.7500%	—	—	—	—	127	7,092	—	7,092	127	7,092
Philippine Peso Interest rate	28 2.8000% to 5.0000%	—	—	—	—	28	1,586	—	1,586	28	1,586
<i>Short-term Investments</i>											
Philippine Peso Interest rate	2 0.5000% to 2.0000%	—	—	—	—	2	129	—	129	2	129
	303	4	1	6	—	314	17,530	—	17,530	313	17,507
<b>Liabilities:</b>											
<i>Long-term Debt</i>											
<i>Fixed Rate</i>											
U.S. Dollar Notes Interest rate	—	—	—	—	600 2.5000% to 3.4500%	600	33,489	597	32,892	435	24,316
Philippine Peso Interest rate	319 3.9500% to 4.0000%	124 3.9500% to 5.1560%	340 4.0000% to 5.3500%	576 4.0000% to 5.3500%	540 4.0000% to 5.2000%	1,899	106,018	919	105,099	1,744	97,327
<i>Variable Rate</i>											
U.S. Dollar Loans Interest rate	25 LIBOR + 1.0500%	53 LIBOR + 1.0500%	14 LIBOR + 1.0500%	28 LIBOR + 1.0500%	42 LIBOR + 1.0500%	162	9,042	40	9,002	162	9,042
Philippine Peso Interest rate	— to 0.5000%	93 0.5000% to 1.0000% over PHP BVAL (floor rate 4.5000% to 4.6250%)	55 0.6000% to 1.0000% over PHP BVAL (floor rate 4.5000% to 4.6250%)	141 0.6000% to 1.0000% over PHP BVAL (floor rate 4.5000% to 4.6250%)	1,383 0.6000% to 1.0000% over PHP BVAL (floor rate 4.5000% to 4.6250%)	1,672	93,310	723	92,587	1,672	93,310
<i>Short-term Debt</i>											
Notes Payable Interest rate	179 2.6000% to 5.1600%	—	—	—	—	179	10,000	—	10,000	179	10,000
	523	270	409	745	2,565	4,512	251,859	2,279	249,580	4,192	233,995

As at December 31, 2021

	In U.S. Dollars						In Php	Discount/ Debt Issuance Cost In Php	Carrying Value In Php	Fair Value	
	Below 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total				In U.S. Dollar	In Php
<b>Assets:</b>											
<i>Debt Instruments at Amortized Cost</i>											
U.S. Dollar	4	—	—	—	—	4	207	—	207	4	207
Interest rate	2.0000%	—	—	—	—	—	—	—	—	—	—
Philippine Peso	—	—	2	—	6	8	400	—	400	8	403
Interest rate	—	—	2.3750%	—	4.6250%	—	—	—	—	—	—
<i>Cash in Bank</i>											
U.S. Dollar	3	—	—	—	—	3	152	—	152	3	152
Interest rate	0.0500% to 0.5000%	—	—	—	—	—	—	—	—	—	—
Philippine Peso	99	—	—	—	—	99	5,068	—	5,068	99	5,068
Interest rate	0.0500% to 1.0000%	—	—	—	—	—	—	—	—	—	—
<i>Temporary Cash Investments</i>											
U.S. Dollar	53	—	—	—	—	53	2,676	—	2,676	53	2,676
Interest rate	0.0500% to 0.2000%	—	—	—	—	—	—	—	—	—	—
Philippine Peso	208	—	—	—	—	208	10,615	—	10,615	208	10,615
Interest rate	0.2000% to 1.9900%	—	—	—	—	—	—	—	—	—	—
<i>Short-term Investments</i>											
Philippine Peso	39	—	—	—	—	39	1,986	—	1,986	39	1,986
Interest rate	0.5000% to 1.9900%	—	—	—	—	—	—	—	—	—	—
	406	—	2	—	6	414	21,104	—	21,104	414	21,107
<b>Liabilities:</b>											
<i>Long-term Debt</i>											
<i>Fixed Rate</i>											
U.S. Dollar Notes	—	—	—	—	600	600	30,584	613	29,971	597	30,441
Interest rate	—	—	—	—	2.5000% to 3.4500%	—	—	—	—	—	—
U.S. Dollar Fixed Loans	4	—	—	—	—	4	191	—	191	4	193
Interest rate	2.8850%	—	—	—	—	—	—	—	—	—	—
Philippine Peso	120	519	185	649	1,122	2,595	132,285	1,056	131,229	2,571	131,039
Interest rate	4.5500% to 5.4000%	3.9000% to 6.3457%	4.0000% to 6.3457%	4.0000% to 6.3457%	4.2588% to 6.3457%	—	—	—	—	—	—
<i>Variable Rate</i>											
U.S. Dollar Loans	26	53	39	28	56	202	10,329	52	10,277	202	10,329
Interest rate	0.7900% to 0.9500% over LIBOR	1.0500% over LIBOR	1.0500% over LIBOR	1.0500% over LIBOR	1.0500% over LIBOR	—	—	—	—	—	—
Philippine Peso	—	59	95	59	1,396	1,609	82,025	1,136	80,889	1,609	82,025
Interest rate	—	0.5000% to 0.9000% over PHP BVAL/0.2500% over TDF (floor rate 3.9000% to 4.5000%)	0.5000% to 0.9000% over PHP BVAL/0.2500% over TDF (floor rate 3.9000% to 4.5000%)	0.6000% to 0.9000% over PHP BVAL/0.2500% over TDF (floor rate 3.9000% to 4.5000%)	0.6000% to 0.9000% over PHP BVAL/0.2500% over TDF (floor rate 3.9000% to 4.5000%)	—	—	—	—	—	—
	150	631	319	736	3,174	5,010	255,414	2,857	252,557	4,983	254,027

Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk.

Repricing of floating rate financial instruments is mostly done on intervals of three months or six months. Interest on fixed rate financial instruments is fixed until maturity of the particular instrument.

Approximately 41% and 36% of our consolidated debts (net of consolidated debt discount) were variable rate debts as at December 31, 2022 and 2021, respectively. Our consolidated variable rate debt increased to Php101,590 million as at December 31, 2022 from Php91,166 million as at December 31, 2021. Considering the aggregate notional amount of our consolidated outstanding long-term interest rate swap contracts of nil and US\$11 million as at December 31, 2022 and 2021, respectively, approximately 59% and 64% of our consolidated debts were fixed as at December 31, 2022 and 2021, respectively.

Management conducted a survey among our banks to determine the outlook of the U.S. Dollar and Philippine Peso interest rates until March 31, 2023. Our outlook is that the U.S. Dollar and Philippine Peso interest rates may move 30 basis points, or bps, and 60 bps higher/lower, respectively, as compared to levels as at December 31, 2022. If the U.S. Dollar interest rates had been 30 bps higher/lower as compared to market levels as at December 31, 2022, with all other variables held constant, consolidated profit after tax for the year 2022 and stockholders' equity as at year-end 2022 would have been approximately Php104 million and Php44 million, respectively, lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and loss/gain on derivative transactions. If the Philippine Peso interest rates had been 60 bps higher/lower as compared to market levels as at December 31, 2022, with all other variables held constant, consolidated profit after tax for the year 2022 and stockholders' equity as at year-end 2022 would have been approximately Php14 million and nil, respectively, lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and loss/gain on derivative transactions.

### ***Credit Risk***

Credit risk is the risk that we will incur a loss arising from our customers, clients or counterparties that fail to discharge their contracted obligations. We manage and control credit risk by setting limits on the amount of risk we are willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce our exposure to bad debts.

We established a credit quality review process to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial data on our counterparties' credit ratings, capitalization, asset quality and liquidity. Our credit quality review process allows us to assess the potential loss as a result of the risks to which we are exposed and allow us to take corrective actions.

### ***Maximum exposure to credit risk of financial assets not subject to impairment***

The gross carrying amount of financial assets not subject to impairment also represents our maximum exposure to credit risk as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(in million pesos)	
Financial assets at fair value through profit or loss (Note 12)	432	339
Derivative financial assets – net of current portion	81	48
Current portion of derivative financial assets	—	93
<b>Total</b>	<b>513</b>	<b>480</b>

*Maximum exposure to credit risk of financial assets subject to impairment*

The table below shows the maximum exposure to credit risk for the components of our consolidated statements of financial position, including derivative financial instruments as at December 31, 2022 and 2021. The maximum exposure is shown gross before both the effect of mitigation through use of master netting and collateral arrangements. The extent to which collateral and other credit enhancements mitigate the maximum exposure to credit risk is described in the footnotes to the table.

For financial assets recognized on our consolidated statements of financial position as at December 31, 2022 and 2021, the gross exposure to credit risk equal their carrying amount.

For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that we would have to pay if the guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

	December 31, 2022			
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(in million pesos)			
High grade	29,328	12,380	—	41,708
Standard grade	303	4,445	—	4,748
Substandard grade	—	9,430	—	9,430
Default	764	4,236	9,425	14,425
Gross carrying amount	30,395	30,491	9,425	70,311
Less allowance	764	4,236	9,425	14,425
Carrying amount	29,631	26,255	—	55,886

	December 31, 2021			
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(in million pesos)			
High grade	29,251	9,180	—	38,431
Standard grade	556	4,116	—	4,672
Substandard grade	—	8,494	—	8,494
Default	786	3,038	10,797	14,621
Gross carrying amount	30,593	24,828	10,797	66,218
Less allowance	786	3,038	10,797	14,621
Carrying amount	29,807	21,790	—	51,597

*Maximum exposure to credit risk after collateral held or other credit enhancements*

Collateral held as security for financial assets depends on the nature of the instrument. Debt investment securities are generally unsecured. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. Generally, collateral is not held over loans and advances to us except for reverse repurchase agreements. Collateral usually is not held against investment securities, and no such collateral was held as at December 31, 2022 and 2021.

Our policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by us during the year.

We have not identified significant risk concentrations arising from the nature, type or location of collateral and other credit enhancements held against our credit exposures.

An analysis of the maximum exposure to credit risk for the components of our consolidated statements of financial position, including derivative financial instruments as at December 31, 2022 and 2021:

	2022		
	Gross Maximum Exposure	Collateral and Other Credit Enhancements*	Net Maximum Exposure
	(in million pesos)		
<i>Financial instruments at amortized cost:</i>	55,886	505	55,381
Debt instruments at amortized cost	596	—	596
Other financial assets	3,695	—	3,695
Cash and cash equivalents	25,211	105	25,106
Short-term investments	129	—	129
Retail subscribers	10,327	46	10,281
Corporate subscribers	10,052	354	9,698
Foreign administrations	924	—	924
Domestic carriers	295	—	295
Dealers, agents and others	4,657	—	4,657
<i>Financial instruments at FVPL:</i>	767	—	767
Financial assets at FVPL	432	—	432
Long-term foreign currency options	81	—	81
Short-term investments	254	—	254
<b>Total</b>	<b>56,653</b>	<b>505</b>	<b>56,148</b>

\* Includes bank insurance, security deposits and customer deposits. We have no collateral held as at December 31, 2022.

	2021		
	Gross Maximum Exposure	Collateral and Other Credit Enhancements*	Net Maximum Exposure
	(in million pesos)		
<i>Financial instruments at amortized cost:</i>	51,597	513	51,084
Debt instruments at amortized cost	607	—	607
Other financial assets	3,307	—	3,307
Cash and cash equivalents	23,907	127	23,780
Short-term investments	1,986	—	1,986
Corporate subscribers	8,371	379	7,992
Retail subscribers	7,637	7	7,630
Foreign administrations	1,220	—	1,220
Domestic carriers	227	—	227
Dealers, agents and others	4,335	—	4,335
<i>Financial instruments at FVPL:</i>	7,591	—	7,591
Financial assets at FVPL	339	—	339
Long-term foreign currency options	48	—	48
Short-term investments	255	—	255
Forward foreign exchange contracts	57	—	57
Interest rate swap	22	—	22
Long-term currency swaps	14	—	14
Other financial assets	6,856	—	6,856
<b>Total</b>	<b>59,188</b>	<b>513</b>	<b>58,675</b>

\* Includes bank insurance, security deposits and customer deposits. We have no collateral held as at December 31, 2021.

The table below provides information regarding the credit quality by class of our financial assets according to our credit ratings of counterparties as at December 31, 2022 and 2021:

	Total	Neither past due nor credit impaired		Past due but not credit impaired	Impaired
		Class A <sup>(1)</sup>	Class B <sup>(2)</sup>		
(in million pesos)					
<b>December 31, 2022</b>					
<i>Financial instruments at amortized cost:</i>	<b>70,137</b>	<b>41,708</b>	<b>4,748</b>	<b>9,430</b>	<b>14,251</b>
Debt instruments at amortized cost	596	596	—	—	—
Other financial assets	4,285	3,694	1	—	590
Cash and cash equivalents	25,211	24,909	302	—	—
Short-term investments	129	129	—	—	—
Retail subscribers	17,216	7,782	458	2,087	6,889
Corporate subscribers	15,151	3,959	1,543	4,550	5,099
Foreign administrations	1,058	289	210	425	134
Domestic carriers	296	111	30	154	1
Dealers, agents and others	6,195	239	2,204	2,214	1,538
<i>Financial instruments at FVPL:</i>	<b>941</b>	<b>604</b>	<b>163</b>	<b>—</b>	<b>174</b>
Financial assets at FVPL	432	269	163	—	—
Long-term foreign currency options	81	81	—	—	—
Short-term investments	428	254	—	—	174
<b>Total</b>	<b>71,078</b>	<b>42,312</b>	<b>4,911</b>	<b>9,430</b>	<b>14,425</b>

<sup>(1)</sup> This includes low risk and good paying customer accounts with no history of account treatment for a defined period and no overdue accounts as at report date; and deposits or placements to counterparties with good credit rating or bank standing financial review.

<sup>(2)</sup> This includes medium risk and average paying customer accounts with no overdue accounts as at report date, and new customer accounts for which sufficient credit history has not been established; and deposits or placements to counterparties not classified as Class A.

	Total	Neither past due nor credit impaired		Past due but not credit impaired	Impaired
		Class A <sup>(1)</sup>	Class B <sup>(2)</sup>		
(in million pesos)					
<b>December 31, 2021</b>					
<i>Financial instruments at amortized cost:</i>	<b>66,044</b>	<b>38,431</b>	<b>4,672</b>	<b>8,494</b>	<b>14,447</b>
Debt instruments at amortized cost	607	607	—	—	—
Other financial assets	3,919	3,020	287	—	612
Cash and cash equivalents	23,907	23,638	269	—	—
Short-term investments	1,986	1,986	—	—	—
Retail subscribers	15,676	5,411	297	1,929	8,039
Corporate subscribers	13,079	2,650	1,044	4,677	4,708
Foreign administrations	1,341	193	486	541	121
Domestic carriers	241	78	46	103	14
Dealers, agents and others	5,288	848	2,243	1,244	953
<i>Financial instruments at FVPL:</i>	<b>7,765</b>	<b>7,467</b>	<b>124</b>	<b>—</b>	<b>174</b>
Financial assets at FVPL	339	215	124	—	—
Long-term foreign currency options	48	48	—	—	—
Short-term investments	429	255	—	—	174
Forward foreign exchange contracts	57	57	—	—	—
Interest rate swap	22	22	—	—	—
Long-term currency swaps	14	14	—	—	—
Other financial assets	6,856	6,856	—	—	—
<b>Total</b>	<b>73,809</b>	<b>45,898</b>	<b>4,796</b>	<b>8,494</b>	<b>14,621</b>

<sup>(1)</sup> This includes low risk and good paying customer accounts with no history of account treatment for a defined period and no overdue accounts as at report date; and deposits or placements to counterparties with good credit rating or bank standing financial review.

<sup>(2)</sup> This includes medium risk and average paying customer accounts with no overdue accounts as at report date, and new customer accounts for which sufficient credit history has not been established; and deposits or placements to counterparties not classified as Class A.

The aging analysis of past due but not impaired class of financial assets as at December 31, 2022 and 2021 are as follows:

	Total	Neither past due nor credit impaired	Past due but not credit impaired			Impaired
			1-60 days	61-90 days	Over 91 days	
(in million pesos)						
<b>December 31, 2022</b>						
<i>Financial instruments at amortized cost:</i>	70,137	46,456	3,289	1,709	4,432	14,251
Debt instruments at amortized cost	596	596	—	—	—	—
Other financial assets	4,285	3,695	—	—	—	590
Cash and cash equivalents	25,211	25,211	—	—	—	—
Short-term investments	129	129	—	—	—	—
Retail subscribers	17,216	8,240	1,439	372	276	6,889
Corporate subscribers	15,151	5,502	1,615	1,214	1,721	5,099
Foreign administrations	1,058	499	37	14	374	134
Domestic carriers	296	141	72	26	56	1
Dealers, agents and others	6,195	2,443	126	83	2,005	1,538
<i>Financial instruments at FVPL:</i>	941	767	—	—	—	174
Financial assets at FVPL	432	432	—	—	—	—
Long-term foreign currency options	81	81	—	—	—	—
Short-term investments	428	254	—	—	—	174
<b>Total</b>	<b>71,078</b>	<b>47,223</b>	<b>3,289</b>	<b>1,709</b>	<b>4,432</b>	<b>14,425</b>
<b>December 31, 2021</b>						
<i>Financial instruments at amortized cost:</i>	66,044	43,103	4,200	1,278	3,016	14,447
Debt instruments at amortized cost	607	607	—	—	—	—
Other financial assets	3,919	3,307	—	—	—	612
Cash and cash equivalents	23,907	23,907	—	—	—	—
Short-term investments	1,986	1,986	—	—	—	—
Retail subscribers	15,676	5,708	1,484	171	274	8,039
Corporate subscribers	13,079	3,694	2,420	926	1,331	4,708
Foreign administrations	1,341	679	119	55	367	121
Domestic carriers	241	124	47	17	39	14
Dealers, agents and others	5,288	3,091	130	109	1,005	953
<i>Financial instruments at FVPL:</i>	7,765	7,591	—	—	—	174
Financial assets at FVPL	339	339	—	—	—	—
Long-term foreign currency options	48	48	—	—	—	—
Short-term investments	429	255	—	—	—	174
Forward foreign exchange contracts	57	57	—	—	—	—
Interest rate swap	22	22	—	—	—	—
Long-term currency swaps	14	14	—	—	—	—
Other financial assets	6,856	6,856	—	—	—	—
<b>Total</b>	<b>73,809</b>	<b>50,694</b>	<b>4,200</b>	<b>1,278</b>	<b>3,016</b>	<b>14,621</b>

### Capital Management Risk

We aim to achieve an optimal capital structure in pursuit of our business objectives which include maintaining healthy capital ratios and strong credit ratings and maximizing shareholder value.

Our approach to capital management focuses on balancing the allocation of cash and the incurrence of debt as we seek new investment opportunities for new businesses and growth areas. On August 5, 2014, the PLDT Board of Directors approved an amendment to our dividend policy, increasing the dividend payout rate to 75% from 70% of our core EPS as regular dividends. However, in view of our elevated capital expenditures to build-out a robust, superior network to support the continued growth of data traffic, plans to invest in new adjacent businesses that will complement the current business and provide future sources of profits and dividends, and management of our cash and gearing levels, the PLDT Board of Directors approved on August 2, 2016, the amendment of our dividend policy, reducing the regular dividend payout to 60% of core EPS. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs.



As part of the dividend policy, in the event no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends or share buybacks. Philippine corporate regulations prescribe, however, that we can only pay out dividends or make capital distribution up to the amount of our unrestricted retained earnings.

Some of our debt instruments contain covenants that impose maximum leverage ratios. In addition, our credit ratings from the international credit ratings agencies are based on our ability to remain within certain leverage ratios.

No changes were made in our objectives, policies or processes for managing capital during the years ended December 31, 2022, 2021 and 2020.

## 29. Notes to the Statements of Cash Flows

The following table shows the changes in liabilities arising from financing activities as at December 31, 2022 and 2021:

	January 1, 2022	Cash flows	Foreign exchange movement	Others	December 31, 2022
			(in million pesos)		
Interest-bearing financial liabilities (Note 21)	252,557	(7,405)	3,778	650	249,580
Lease liabilities (Notes 3 and 10)	21,686	(8,331)	—	29,080	42,435
Derivative financial liabilities	215	87	—	848	1,150
Accrued interests and other related costs (Note 24)	1,783	(9,013)	—	9,098	1,868
Dividends (Note 20)	1,708	(25,235)	—	25,348	1,821
	277,949	(49,897)	3,778	65,024	296,854

	January 1, 2021	Cash flows	Foreign exchange movement	Others	December 31, 2021
			(in million pesos)		
Interest-bearing financial liabilities (Note 21)	222,765	28,538	2,440	(1,186)	252,557
Lease liabilities (Notes 3 and 10)	20,025	(6,547)	—	8,208	21,686
Derivative financial liabilities	536	(25)	—	(296)	215
Accrued interests and other related costs (Note 24)	1,872	(8,922)	—	8,833	1,783
Dividends (Note 20)	1,194	(17,712)	—	18,226	1,708
	246,392	(4,668)	2,440	33,785	277,949

Others include the effect of accretion of long-term borrowings, effect of recognition and accretion of lease liabilities, effect of accrued but not yet paid interest on interest-bearing loans and borrowings and accrual of dividends that were not yet paid at the end of the period.

### Non-cash Investing Activities

The following table shows our significant non-cash investing activities and corresponding transaction amounts as at December 31, 2022 and 2021:

	2022	2021
	(in million pesos)	
Additions to ROU assets (Note 10)	34,274	7,314
Acquisition of property and equipment on account	14,948	23,522
Capitalization to property and equipment of:		
Inventories	6,517	5,989
Borrowing costs (Notes 5 and 9)	1,748	1,582
Foreign exchange differences – net (Note 9)	351	29
	57,838	38,436

### Non-cash Financing Activities

The following table shows our significant non-cash financing activities and corresponding transaction amounts as at December 31, 2022 and 2021:

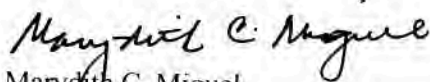
	2022	2021
	(in million pesos)	
Additions to lease liabilities (Note 10)	34,277	7,314

## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and Board of Directors  
PLDT Inc.  
Ramon Cojuangco Building  
Makati Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PLDT Inc. and subsidiaries (the Company) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated March 23, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel

Partner

CPA Certificate No. 65556

Tax Identification No. 102-092-270

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 65556-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-055-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564666, January 3, 2023, Makati City

March 23, 2023



Building a better  
working world

Sycip Gorres Velayo & Co.  
6760 Ayala Avenue  
1226 Makati City  
Philippines

Tel: (632) 8891 0307  
Fax: (632) 8819 0872  
ey.com/ph

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors  
PLDT Inc.  
Ramon Cojuangco Building  
Makati Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PLDT Inc. and subsidiaries (the Company) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 included in this Form 17-A and have issued our report thereon dated March 23, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Partner

CPA Certificate No. 65556

Tax Identification No. 102-092-270

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 65556-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-055-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564666, January 3, 2023, Makati City

March 23, 2023

**PLDT INC. AND SUBSIDIARIES**

Schedule A. Financial Assets  
December 31, 2022

Name of Issuing Entity and Association of Each Issue	Number of Shares	Amount Shown in the Balance Sheet	Valued Based on Market Quotation at Balance Sheet Date (In millions)	Income Received and Accrued
Financial assets at fair value through profit or loss				
Listed equity securities	various	Php407	Php-	Php-
Others	various	25	N/A	-
	-	<b>Php432</b>	N/A	<b>Php-</b>

**PLDT INC. AND SUBSIDIARIES**

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements  
December 31, 2022

	December 31, 2021	Additions	Collections	December 31, 2022
	(in millions)			
ACeS Philippines Cellular Corporation	Php18	Php –	Php –	Php18
BayanTrade	6	2	(8)	–
Bonifacio Communications Corporation	3	231	(226)	8
Chikka Phils. Inc.	–	–	–	–
Connectivity Unlimited Resource Enterprise, Inc.	–	–	–	–
CruzTelco (SBI-CC3)	–	–	–	–
Curo Teknika, Inc.	1	14	(15)	–
Datelco Global Communications, Inc.	1	–	(1)	–
Digital Information Technology Services, Inc.	–	–	–	–
Digital Telecommunications Phils., Inc.	22,550	3,126	(9,442)	16,234
Digital Mobile Philippines, Inc.	8	37	(30)	15
eInnovations Holdings	–	–	–	–
ePay Investments Pte. Ltd.	–	–	–	–
ePDS, Inc.	9	4	(4)	9
ePLDT, Inc.	767	4,428	(2,948)	2,247
iCommerce Pte. Ltd.	–	–	–	–
I-Contacts Corporation	2	–	–	2
IP Converge Data Services, Inc.	21	39	(33)	27
Mabuhay Satellite Corporation	–	–	–	–
PLDT-Maratel, Inc.	79	57	(136)	–
Metro Kidapawan Telephone Corporation	6	2	(8)	–
MVP Rewards and Loyalty Solutions, Inc.	2	2	(3)	1
Netgames, Inc.	–	–	–	–
Pacific Global One Aviation Co., Inc.	695	186	(881)	–
PayMaya Philippines, Inc.	–	–	–	–
PGNL Canada	–	–	–	–
PGNL (ROHQ) Phils.	160	37	(13)	184
PGNL US	–	–	–	–
Philcom Corporation	5	8	–	13
PLDT Inc.	2,848	3,132	(2,743)	3,237
Pilipinas Global Network Limited	–	–	–	–
PLDT (HK) Limited	34	342	(184)	192
PLDT (SG) Pte Ltd	3	26	(26)	3
PLDT SG Retail Service Pte Ltd.	–	–	–	–
PLDT (UK) Limited	–	–	–	–
PLDT (US) Limited	45	127	(127)	45
PLDT 1528 Unlimited	1	–	–	1
PLDT Capital Pte Ltd	–	–	–	–
PLDT-ClarkTel	8	445	(329)	124
PLDT Communication and Energy Ventures, Inc.	–	–	–	–
PLDT Digital Investments Pte. Ltd.	–	–	–	–
PLDT Global (Phils.) Corporation	752	66	(813)	5
PLDT Global Corporation	408	18,350	(18,001)	757
PLDT Global Investments Holdings Inc	–	–	–	–
PLDT Japan GK	–	1	–	1
PLDT Malaysia Sdn Bhd	–	–	–	–
PLDT Online Investments Pte. Ltd	–	–	–	–
Primeworld Digital Systems, Inc.	–	–	–	–
Rack I.T. Data Center, Inc.	–	–	–	–
Smart Broadband, Inc.	–	–	–	–
Smart Communications, Inc.	9,782	38,114	(40,167)	7,729
PLDT Subic Telecom, Inc.	11	111	(108)	14
Talas Data Intelligence, Inc.	–	–	–	–
Telesat, Inc.	–	34	–	34
Voyager Innovations, Inc.	–	–	–	–
Wifun, Inc.	–	–	–	–
Wolfpac Mobile Inc.	–	–	–	–
	Php38,225	Php68,921	(Php76,246)	Php30,900

All receivables eliminated during the consolidation of financial statements are classified as current. There were no receivables written off during the year.

**PLDT INC. AND SUBSIDIARIES**

Schedule D. Interest-bearing Financial Liabilities

December 31, 2022

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance
<i>(In Millions)</i>					
<i>U.S. Dollar Debts:</i>					
Fixed Rate Notes					
The Bank of New York Mellon, London Branch US\$300M Global Bonds Due 2031	Php16,490	Php –	(Php29)	Php16,745	(Php226)
The Bank of New York Mellon, London Branch US\$300M Global Bonds Due 2050	16,402	–	(7)	16,745	(336)
	<b>32,892</b>	–	<b>(36)</b>	<b>33,490</b>	<b>(562)</b>
Term Loans:					
Others					
PNB \$140M Term Loan	6,214	781	(9)	5,470	(28)
NTT TC Leasing Co. Ltd. US\$25M (2016)	1,395	1,395	–	–	–
NTT TC Leasing Co. Ltd. US\$25M (2017)	1,393	–	(2)	1,395	–
	<b>9,002</b>	<b>2,176</b>	<b>(11)</b>	<b>6,865</b>	<b>(28)</b>
<i>Philippine Peso Debts:</i>					
Fixed Rate Retail Bonds:					
Php15B Fixed Rate Retail Bonds	2,596	–	(3)	2,600	(1)
	<b>2,596</b>	–	<b>(3)</b>	<b>2,600</b>	<b>(1)</b>

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance Cost
(In Millions)					
Term Loans:					
Unsecured Term Loans:					
Union Bank of the Philippines (UBP) Php1.5B	1,380	15	–	1,365	–
Bank of Philippine Island (BPI) Php2B	1,811	20	(21)	1,840	(28)
BPI Php3B	2,790	30	–	2,760	–
Metropolitan Bank and Trust Company (MBTC) Php5B	4,650	50	–	4,600	–
MBTC Php5B	4,642	50	(3)	4,600	(5)
BPI Php5B	4,642	50	(3)	4,600	(5)
MBTC Php5B	4,641	50	(3)	4,600	(6)
MBTC Php3B	2,843	30	(2)	2,820	(5)
MBTC Php6B	5,637	5,640	(3)	–	–
Security Bank Corporation (SBC) Php8B	7,182	160	(4)	7,040	(14)
BPI Php6.5B	6,105	6,110	(5)	–	–
BDO Unibank, Inc. (BDO) Php3B	2,820	30	–	2,790	–
UBP Php5.4B	5,074	5,076	(2)	–	–
BPI Php5.3B	981	982	(1)	–	–
SBC Php4B	1,881	20	(2)	1,870	(7)
Philippine National Bank (PNB) Php1B	920	10	(5)	940	(25)
LBP Php2B	1,878	20	(8)	1,900	(34)
LBP Php3.5B	3,317	35	(2)	3,290	(6)
PNB Php1.5B	1,418	15	(11)	1,425	(11)
SBC Php2B	1,890	20	–	1,870	–
LBP Php3.5B	3,325	35	–	3,290	–
LBP Php1.5B	1,443	15	1	1,425	2
LBP Php2B	1,770	20	(25)	1,900	(125)
LBP Php1B	879	10	(12)	950	(69)
BPI Php2B	1,773	20	(22)	1,900	(125)
BPI Php2B	1,916	20	(3)	1,900	(1)
BPI Php3B	2,867	30	(2)	2,850	(11)
Development Bank of the Philippines (DBP) Php5B	4,830	50	(17)	4,900	(103)
UBP Php8.0B	8,053	80	40	7,680	253

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance Cost
		(In Millions)			
PNB Php4B	Php3,704	Php40	(Php38)	Php3,840	(Php138)
Bank of China (BOC) Php2B	1,931	20	(2)	1,920	(7)
PNB Php2B	1,931	20	(2)	1,920	(7)
CBC Php8B	6,901	800	(61)	6,400	(238)
DBP Php4B	3,938	40	(3)	3,920	(19)
BPI Php4.5B	4,340	45	(3)	4,320	(22)
BDO Php3B	2,871	30	(8)	2,910	(61)
BDO Php5B	4,814	50	(11)	4,850	(75)
RCBC Php4B	3,800	40	(16)	3,880	(104)
MUFG Bank, Ltd. Php2.5B	1,992	25	(3)	1,975	(5)
LBP Php3B	2,923	30	(2)	2,910	(15)
LBP Php4B	3,895	40	(3)	3,880	(22)
LBP Php3B	2,921	30	(2)	2,910	(17)
BPI Php5B	4,918	50	(3)	4,900	(29)
Php3B LBP	2,951	30	(2)	2,940	(17)
Php3B LBP	2,951	30	(2)	2,940	(17)
Php4B LBP	3,935	40	(3)	3,920	(22)
BPI Php3B	2,950	30	(2)	2,940	(18)
BPI Php2B	1,980	20	-	1,960	-
MBTC Php4B	3,974	40	(2)	3,960	(24)
MBTC Php3B	2,980	30	(2)	2,970	(18)
RCBC Php3B	2,951	30	(2)	2,940	(17)
MBTC Php3B	2,980	30	(2)	2,970	(18)
RCBC Php4B	3,934	40	(3)	3,920	(23)
BDO Php1B	990	10	-	980	-
BDO Php3B	2,951	30	(3)	2,940	(16)
BPI Php1B	990	10	-	980	-
BPI Php3B	2,949	30	(2)	2,940	(19)
BPI Php4B	3,932	40	(3)	3,920	(25)
LBP Php2.5B	2,475	25	-	2,450	-
DBP P5B	4,980	50	(2)	4,950	(18)
	<b>195,090</b>	<b>20,468</b>	<b>(302)</b>	<b>176,260</b>	<b>(1,336)</b>
<b>Total Long-term Debt</b>	<b>Php239,580</b>	<b>Php22,644</b>	<b>(Php352)</b>	<b>Php219,215</b>	<b>(Php1,927)</b>



Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance
<i>Short-term debt</i>					
MBTC P2B	Php2,000	Php2,000	-	-	-
MBTC P2B	2,000	2,000	-	-	-
RCBC P1B	1,000	1,000	-	-	-
HCBC P1B	1,000	1,000	-	-	-
MBTC P4B	4,000	4,000	-	-	-
<b>Total Short-term Debt</b>	<b>Php10,000</b>	<b>Php10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>Php249,580</b>	<b>Php32,644</b>	<b>(Php352)</b>	<b>Php219,215</b>	<b>(Php1,927)</b>

**PLDT INC.**

## Schedule E. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)

December 31, 2022

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance Cost
NTT TC Leasing Co. Ltd. US\$25M (2016)	Php1,395	Php1,395	Php-	Php-	Php-
NTT TC Leasing Co. Ltd. US\$25M (2017)	1,393	-	(2)	1,395	-

**PLDT INC.**

Schedule G. Capital Stock

December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued And Outstanding	Number of Shares Reserved For Options, Warrants, Conversion and Other Rights	Number of Shares Held By Related Parties	Directors and Executive Officers <sup>(1)</sup>	Others
			(In Millions)			
<b>Preferred Stock</b>	538	450	–	450	–	–
Non-Voting Preferred Stock (Php10 par value)	388	300	–	300	–	–
Cumulative Convertible Series II to JJ	88	– <sup>(2)</sup>	–	–	–	–
Cumulative Nonconvertible Series IV	300	300 <sup>(3)</sup>	–	300 <sup>(3)</sup>	–	–
Voting Preferred Stock (Php1 par value)	150	150	–	150	–	–
<b>Common Stock (Php5 par value)</b>	234	216	–	123 <sup>(4)</sup>	2	91

<sup>(1)</sup> Consists of 1,671,561 common shares directly and indirectly owned by directors and executive officers as at December 31, 2022.

<sup>(2)</sup> On June 8, 2015, the Company issued 870 shares of Series JJ 10% Cumulative Convertible Preferred Stock, which are currently outstanding. On January 28, 2020 the Board of Directors approved the redemption of PLDT's Series JJ 10% Cumulative Convertible Preferred Stock which were issued in the year 2014, effective May 12, 2020. In April 2011, the Company issued 370 shares of Series II 10% Cumulative Convertible Preferred Stock, all of which were redeemed by May 11, 2016.

<sup>(3)</sup> Includes 300,000,000 shares subscribed for Php3,000,000,000, of which Php360,000,000 has been paid.

<sup>(4)</sup> Represents 25.57% beneficial ownership of First Pacific Group and its Philippine affiliates, and 20.35% beneficial ownership of NTT Group in PLDT's outstanding shares.

**PLDT INC.**Schedule H. Reconciliation of Retained Earnings Available for Dividend Declaration  
December 31, 2022

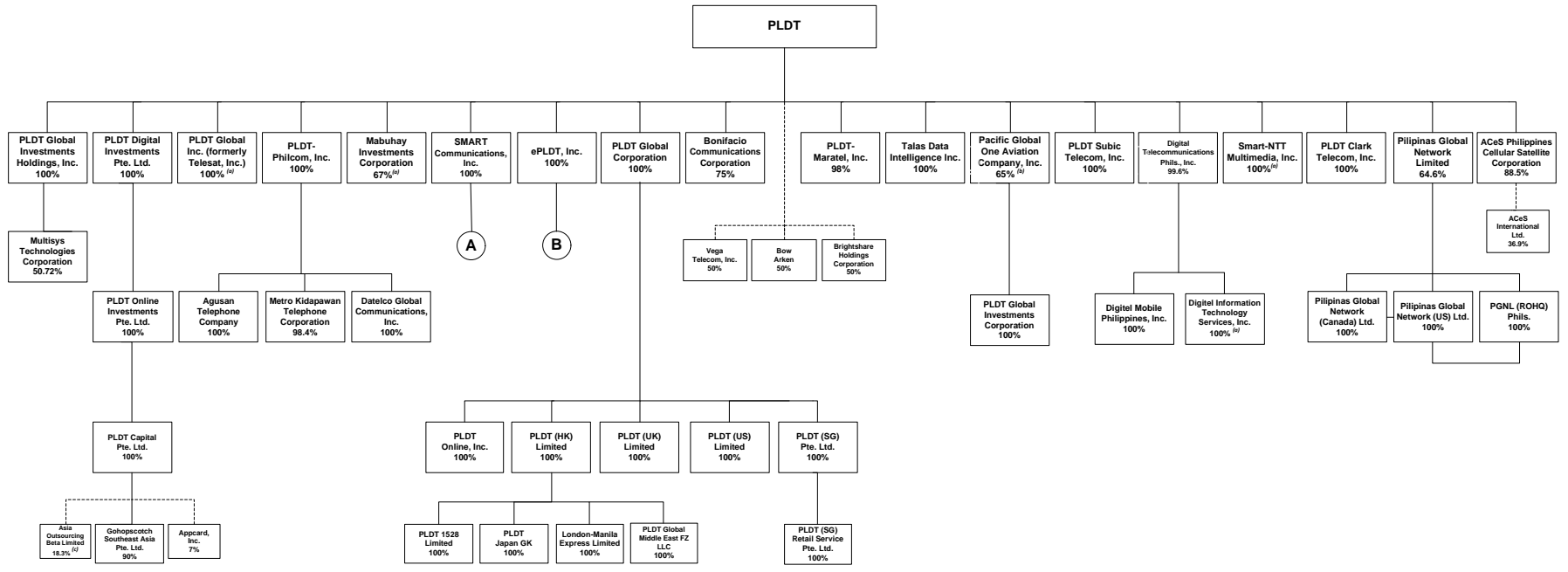
	<b>(in million pesos)</b>
Parent Company's unappropriated retained earnings at beginning of the year	37,249
Less: Cumulative unrealized income – net of tax:	
Fair value adjustments of investment property resulting to gain	(1,172)
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	(2,362)
Fair value adjustments (market-to-market gains)	(4,211)
Parent Company's unappropriated retained earnings available for dividends as at January 1, 2022	29,504
Parent Company's net income for the year	13,565
Less: Fair value adjustment of investment property resulting to gain	(95)
Fair value adjustments (mark-to-market gains)	(1,473)
	11,997
Less: Cash dividends declared during the year	
Preferred stock	(59)
Common stock	(25,279)
	(25,338)
<b>Parent Company's unappropriated retained earnings available for dividends as at December 31, 2022</b>	<b>16,163</b>

As at December 31, 2022, our consolidated unappropriated retained earnings amounted to Php18,799 million while the Parent Company's unappropriated retained earnings amounted to Php25,009 million. The difference of Php6,210 million pertains to the effect of PAS 27, *Separate Financial Statements*, in our investments in subsidiaries, associates and joint ventures accounted for under equity method.

**PLDT INC.**

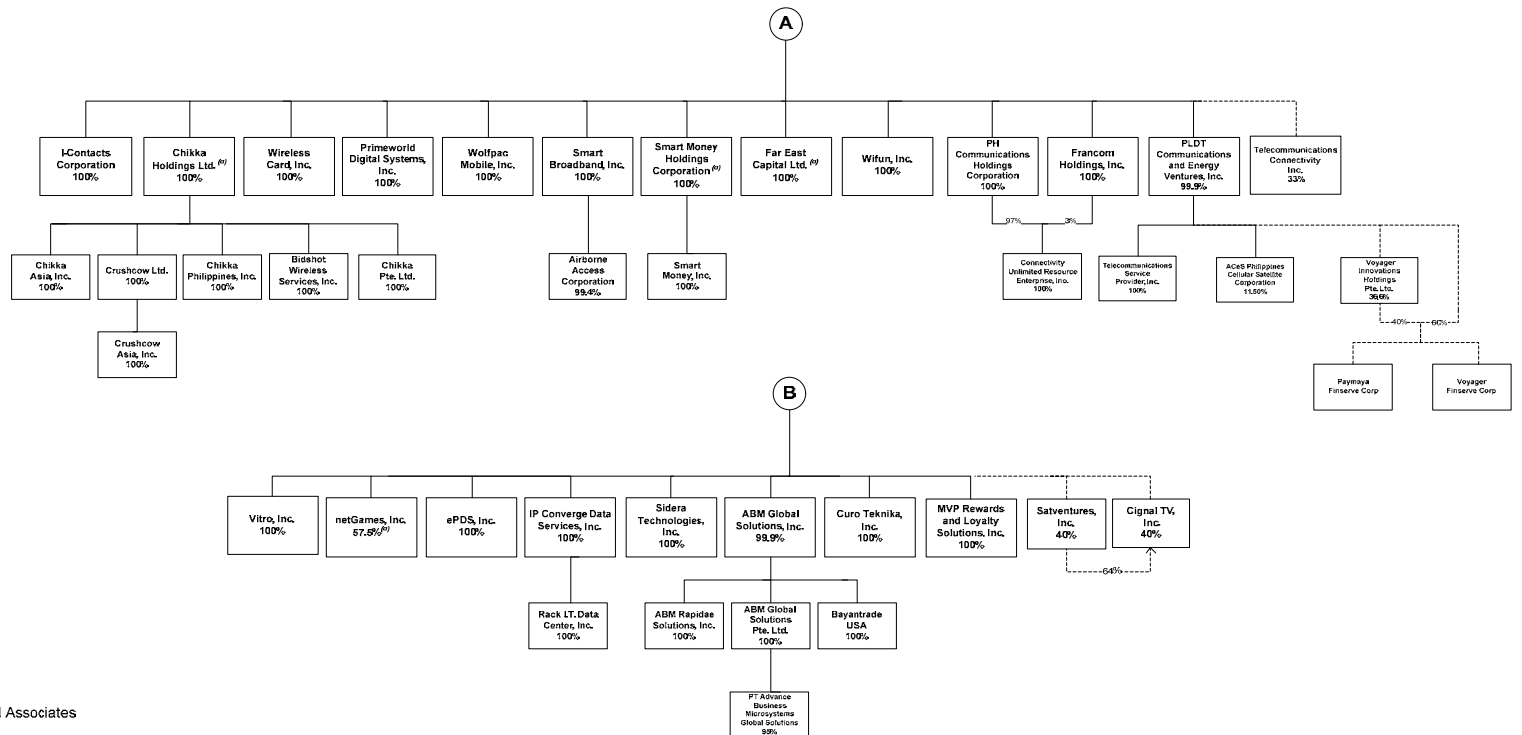
Schedule I. Map of the Relationships of the Companies within the Group

December 31, 2022



Legend:

----- Joint Ventures and Associates



Legend:  
 ----- Joint Ventures and Associates

<sup>(a)</sup> Ceased commercial operations.  
<sup>(b)</sup> Accounted as an investment in associate effective March 1, 2022.  
<sup>(c)</sup> Fully divested in May 2022.

PLDT INC.  
Schedule J. Financial Soundness Indicators  
December 31, 2022 and 2021

	December 31,	
	2022	2021
Current Ratio <sup>(1)</sup>	0.33:1.0	0.33:1.0
Acid Test Ratio <sup>(2)</sup>	0.21:1.0	0.21:1.0
Solvency Ratio <sup>(3)</sup>	0.46:1.0	0.34:1.0
Net Debt to Equity Ratio <sup>(4)</sup>	2.05:1.0	1.83:1.0
Net Debt to EBITDA Ratio <sup>(5)</sup>	2.38:1.0	2.35:1.0
Total Debt to EBITDA Ratio <sup>(6)</sup>	2.66:1.0	2.63:1.0
Asset to Equity Ratio <sup>(7)</sup>	5.74:1.0	5.08:1.0
Interest Coverage Ratio <sup>(8)</sup>	1.92:1.0	4.16:1.0
Profit Margin <sup>(9)</sup>	5%	14%
Return on Assets <sup>(10)</sup>	2%	4%
Return on Equity <sup>(11)</sup>	9%	22%
EBITDA Margin <sup>(12)</sup>	48%	52%

(1) Current ratio is measured as current assets divided by current liabilities (including current portion – LTD, unearned revenues and mandatory tender option liability.)

(2) Acid test ratio is measured as total of cash and cash equivalent, short-term investments and trade and other receivables divided by total current liabilities.

(3) Solvency ratio is measured as adding back non-cash expenses to the net income after tax divided by total debt (long-term debt, including current portion.)

(4) Net Debt to equity ratio is measured as total debt (long-term debt, including current portion) less cash and cash equivalent, short-term investments and debt instruments at amortized cost divided by total equity attributable to equity holders of PLDT.

(5) Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion) less cash and cash equivalent, short-term investments and debt instruments at amortized cost divided by EBITDA for the year.

(6) Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion) divided by EBITDA for the year.

(7) Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of PLDT.

(8) Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the year, divided by total financing cost for the year.

(9) Profit margin is derived by dividing net income for the year with total revenues for the year.

(10) Return on assets is measured as net income for the year divided by average total assets.

(11) Return on Equity is measured as net income for the year divided by average total equity attributable to equity holders of PLDT.

(12) EBITDA margin for the year is measured as EBITDA divided by service revenues for the year.

EBITDA for the year is measured as net income for the year excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associated and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net for the year.

SEC Number **PW-55**

File Number \_\_\_\_\_

**PLDT INC.**

\_\_\_\_\_  
(Company's Full Name)

**Ramon Cojuangco Building  
Makati Avenue, Makati City**

\_\_\_\_\_  
(Company's Address)

**(632) 8816-8534**

\_\_\_\_\_  
(Telephone Number)

**December 31st**

\_\_\_\_\_  
(Fiscal Year Ending)  
(month & day)

**Sustainability Report**

\_\_\_\_\_  
Report

**December 31, 2022**

\_\_\_\_\_  
Period Ended Date

**Melissa Vergel de Dios**

\_\_\_\_\_  
(Highest Ranking Person responsible for this report)



## SECURITIES AND EXCHANGE COMMISSION

### SUSTAINABILITY REPORT

[PURSUANT TO MEMORANDUM CIRCULAR No. 4, SERIES OF 2019 OF THE SECURITIES AND EXCHANGE COMMISSION]

1. Name of Organization: **PLDT INC.**
2. Location of Headquarters: **Ramon Cojuangco Building, Makati Avenue, Makati City**
3. Location of Operations: **Nationwide**
4. Report Boundary: **Legal Entities (e.g. subsidiaries) included in this report: PLDT Inc., ePLDT, Inc., Smart Communications Inc., and Maya Philippines Inc.**
5. Brand Model, including Primary Activities, Brands, Products, and Services:

**PLDT** is the leading fully integrated telecommunications and digital services provider in the Philippines. Through our principal business groups – fixed line, wireless, and others – PLDT offers a wide range of telecommunications and digital services across the Philippines’ most extensive fiber optic backbone, fixed line, and cellular networks.

PLDT Home is the Philippines’ fastest fixed network and digital services provider, serving over three million subscribers nationwide. PLDT Home offers broadband data services such as fixed wired (PLDT Home Fiber) and fixed wireless (PLDT Home Wifi) that run through PLDT’s superior Fiber-to-the-Home (FTTH) network that reaches about 1.1 million kilometers of fiber-optic cables, consisting of over 231,000 kilometers of international fiber and 866,000 kilometers of domestic fiber, around 6.1mn fiber ports, and approximately 17.2 million homes passed, as of December 31, 2022. PLDT Home’s broadband network is capable of delivering up to 1 Gbps of symmetrical internet speeds or equal upload and download speeds, which means unlimited, uninterrupted video streaming, lag-free gaming, and seamless internet browsing experience at home. With its strong commitment to fulfilling its subscribers’ digital home lifestyle needs, PLDT Home delivers product bundles for high-speed internet and digital services under its Smart Home banner – a digital ecosystem that is built on the pillars of Entertainment, Security, and Automation.

PLDT Enterprise is the preferred digital services partner of enterprises of all sizes. As the business unit of the PLDT Group, our vision is to make a positive impact on every single business.

Through PLDT Enterprise, clients can get the solutions for their digital communications needs — from the internet, data networking, voice communication, and data center to solutions for mobility, managed ICT, cybersecurity, collaboration, and productivity.

PLDT Enterprise is composed of several business units — each with its own core business segment focus — to deliver an array of solutions that enable business owners to adapt to evolving technological needs.

Through PLDT’s wholly-owned subsidiary, ePLDT, the industry-leading provider of digital business solutions in the Philippines, has led the industry to develop end-to-end ICT technologies for enterprises across the country and the Asia-Pacific region by delivering digital business solutions that are at par with global standards.

**ePLDT** offers products and services that include Cloud, Cyber Security, Managed IT Services, and purpose-built Data Center facilities—the country's largest data center footprint with 10 facilities nationwide. With a 7,000 ready rack capacity and aggregated I. T. power of almost 27MW, these world-class data centers enable the caching of popular content, resulting in reduced latency, which improves customer experience. An 11th hyperscaler data center, which will rise on a five-hectare property in Sta Rosa, Laguna, when fully built, will bring the group's total data center capacity to about 50MW. This hyperscaler data center will help advance the PLDT Group's drive to incorporate renewable energy and best sustainable practices in the operations of our facilities.

**PLDT Global** provides telecommunications solutions and other relevant customer services to Filipinos offshore. With offices in the Philippines and Hong Kong, it is PLDT's full-fledged international marketing, sales, and operating arm, offering a wide range of products and services, including those beyond telecommunications.

PLDT Global Enterprise, the Philippines' principal ICT and digital services provider, focuses on providing offshore businesses with customizable end-to-end industry solutions through its global network and Points-of-Presence (POPs) in key countries and cities.

The PLDT Group's wireless business is best known for brands maintained by our wholly-owned subsidiary, Smart Communications Inc. (Smart). We provide extensive voice and broadband coverage in the Philippines, covering substantially all of the major metropolitan areas and most of the other population centers in the Philippines. Our low spectrum band resources (700MHz, 850MHz and 900MHz) are primarily used to provide coverage while higher spectrum bands (1800MHz, 2100MHz, 2300MHz and 2600MHz) provide coverage and additional capacity. Our wireless broadband network supports HSPA+ and LTE-Advanced to provide an improved data experience for our customers of over 66 million subscribers as of end-2022.

**Smart** serves 97% of the country's cities and municipalities and covers 97% of the country's population through our 2G, 3G, 4G/LTE and 5G networks. To support the roll out of 5G technology, we continue to invest in our transmission and backhaul network. At the end of 2022, we had over 7,200 5G base stations.

**Maya** is PLDT's end-to-end digital payments ecosystem enabler in the Philippines. It provides merchant solutions across all types of enterprises, both online and on-ground. It also serves all consumer segments through e-wallet offerings and on-ground agent networks. Maya will leverage on this deep and unique ecosystem as it grows its digital banking business to further expand access to financial services for underserved businesses and consumers.

On September 20, 2021, Maya obtained the approval of the Bangko Sentral ng Pilipinas, to establish Maya Bank, a digital bank that will provide a mobile-first digital banking service using Maya's e-wallet and technology platforms.

6. Reporting Period: **for the year ended on December 31, 2022**

7. Highest Ranking Person responsible for report: **Melissa Vergel de Dios**, Chief Sustainability Officer

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## CERTAIN CONVENTIONS AND TERMS USED IN THIS SUSTAINABILITY REPORT

Unless the context indicates or otherwise requires, references to “company” “we,” “us,” “our” or “PLDT Group” in this sustainability report mean PLDT Inc. and its subsidiaries, Smart and ePLDT, and references to “PLDT” mean PLDT Inc., excluding subsidiaries.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

In this sustainability report, each reference to:

- \* *Board of Directors* – the board of directors of PLDT Inc.
- \* *Fixed Line or Fixed* – fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services such as data center, cloud, cyber security services, managed information technology services through PLDT’s subsidiary, ePLDT
- \* *Wireless* - mobile telecommunications services provided by Smart Communications Inc., or Smart

## MATERIALITY PRINCIPLE

We work closely with our stakeholders to come up with an effective sustainability roadmap. A materiality assessment workshop was conducted to identify the issues that are most important to our stakeholders and those that impact their relationship with us. These workshops considered and explored both internal and external factors that affect the material topics.

The identified material topics were streamlined and aligned with our sustainability focus areas, also known as our four Cs or sustainability pillars. The Governance, Nomination & Sustainability Committee (GNSC) concurred and confirmed the materiality of the identified topics.

PLDT Sustainability Pillar	Material Topic
Connection	Investments in Innovation & Infrastructure
	Digital Inclusion & Community Investments
	Customer Experience
Concern	Customer Welfare
	Employee Welfare
	Child Protection
Conservation	Operational Resource Efficiency
	Waste Management and Circularity
	Climate-related Risk Management
Commitment	Corporate Governance and Business Ethics
	Cyber Security & Data Privacy
	Greening of Supply Chain

The Sustainable Development Goals (SDGs) and the Philippine Development Plan or *Ambisyon Natin* 2040 input to the materiality assessment and provided an opportunity to review previous years’ assessments by introducing additional considerations and expectations. We used the final material topics identified to pinpoint impacts that fall under the SDGs, guiding our SDG prioritization exercise. The key priority SDG that supports our 2022 material topics is SDG 9: Industry, Innovation and Infrastructure, where we commit to promoting sustainable industries and investing in innovation and infrastructure as crucial drivers of economic growth and development.

Our Four Cs or Sustainability Pillars encompasses our purpose:

1. Connection: Connect and Empower Filipinos Everywhere with the Customer as our North Star
2. Conservation: Aspire for resource efficiency in all facets of operations and manage our environmental impact
3. Concern: Advocate for an inclusive culture that will develop transformational leaders in the company and in the communities we do business in
4. Commitment: Commit to the highest standards of business ethics and corporate governance requirements that will guide our business operations

These pillars are manifested through three main areas of focus:

Product:	Connecting everyone everywhere and creating value through our products and services
Planet:	Protecting our planet through innovation and technology
People:	Build resiliency through human capital and strong communities

## PART I - ECONOMIC

### Item 1. Economic Performance

#### Direct Economic Value Generated and Distributed

The following table summarizes our financial results of operations for the year ended December 31, 2022:

	Amount (in million Php)
Direct economic value generated (revenue)	266,714
Direct economic value distributed	144,133
Operating costs	71,129
Employee compensation and benefits	29,812
Payments to suppliers, other operating costs	**
Dividends to stockholders and interest payments on loans	34,248
Taxes given to the government	8,247
Investments to community (donations, CSRs)	697

\*\*Payments to suppliers amounting to Php26,328 million are already part of the Operating Costs

#### Impact/s and Management Approach

The path toward recovery for both global and local economies remained challenging for many sectors and industries. We chose to sustain its transformation initiatives against the backdrop of tough economic headwinds and undertake strategic initiatives to ensure telco leadership, including aggressive network transformation and continuous product and service innovations all directed toward serving our customers – our north star.

Committed to always being ahead of the curve as leaders in innovation in the Philippines, we have invested resources to improve the network and keep abreast with new technologies with the aim of leveling up customer experience, enabling the digital lifestyles of Filipinos, and helping the country achieve its digitalization aspirations.

Post-COVID lockdowns, the push for growth in every enterprise and organization resulted in a resurgence of business activities. Combined with strong support for the government's digitalization agenda, an exponential increase in data generated within the Philippines and regional transit traffic needed to be supported with reliable infrastructure.

Supporting the digital transformation needs of a wide array of businesses -- from micro SMEs to large conglomerates, even spanning global companies -- there is a focus on digital transformation to mitigate the impact of economic challenges and enable strategic business pivots to remain relevant and ensure corporate longevity. The unwavering commitment to put our customer first, the resilience of our network in the face of calamities like typhoons, along with improving operational efficiency gains on installs and repairs, have all helped sustain our company's growth momentum.

Meanwhile, with our continued investments to modernize our network and connect more Filipino homes nationwide to fiber, the country's broadband speeds are now among the fastest in the region. In Ookla's yearend report, it said that mobile internet speed in the country rose by 31 percent to 25.12 Mbps in December 2022 from 19.2 Mbps in December 2021. Likewise, fixed

broadband speed grew by 73 percent to 87.13 Mbps from 50.26 Mbps, boosted by the network upgrades made by internet providers.

To reinforce the Philippines' position as a regional hyperscale hub, we have expanded our total fiber footprint to over 1.1 million kilometers consisting of 866,000 and 231,000 kilometers of domestic and international cable, respectively.

In July 2022, we have activated the US-Transpacific Jupiter cable system to boost the international capacity of the company from 20 terabit/s to about 60 Terabit/s.

We are also on track to reach 100-terabit capacity by end-2023 with the completion of Asia Direct Cable System. In addition, we have announced our investment in the Apricot subsea cable system, which is expected to be in service by mid-2025 and aimed at increasing our total capacity to more than 130 Terabit/s.

We have further spurred the growth of the Philippine digital ecosystem through Maya, the most comprehensive fintech ecosystem in the country. Maya provides end-to-end financial services to consumer and enterprises, which includes a digital bank. Maya continues to be the leading payment processor for enterprises through Maya Business. It further unlocked synergies with the PLDT Group as it now provides more convenient access to financial services to PLDT Home, PLDT Enterprise, and Smart subscribers, as well as Smart's retailers.

At the same time, we have continued to work towards our ambition to achieve Environmental, Social, and Governance (ESG) leadership in the region. Moving forward with efforts to embed a sustainability mindset in the business, we are laying out a roadmap involving all the functional units of the organization to work as one in achieving our company's targets, including the decarbonization roadmap. Overseeing our transformation journey is our top management and Board of Directors who lean on strong corporate governance values. They review and assess corporate policies and strategies to be adaptive, agile, and responsive to the ever-changing market needs as well as regulations.

Through it all, the focus remains on customer centricity, improving our workplace culture, streamlining and enhancing our operations, growing our core business, expanding into new areas and capabilities, and ensuring that the path forward is responsible, sustainable, and improves people's welfare.

### **Risks and Management Approach**

The Risk Factors to which the PLDT Group is exposed in the course of its business are presented below.

They reflect the nuanced developments in the market where a wider and deeper experience of how human activities, technological advancements, and climate change affects every aspect of people's lives, including how their business can thrive in both short-term and long-term.

The effects of the Covid-19 pandemic, the physical impacts of climate change, and the fast-changing competitive market are the top risk factors, specifically under the economic performance of the company. The importance of our ability to execute transformation programs, keep workplaces safe, and protect data privacy are also related to these top concerns.

For 2022, top company risks are the following:

1. Prolonged Pandemic
2. Physical impacts of climate change and geophysical movements
3. Complexities of competing in an evolving industry with changes in technology and market
4. Shifting political and economic conditions
5. Inability to execute critical transformation programs
6. Failure to future-proof workplace, organizational structure, internal processes, and employee skillset
7. Inability to manage issues on customer experience leading to increased reputational risks and difficulty in building loyalty
8. Continued cybersecurity attacks and data privacy breaches driving expansion of responsibility to entrenched ecosystems
9. Failure to strengthen sustainability management and achieve environmental, social and governance goals
10. Increasing supply chain constraints

These as well as other risk factors are discussed at length in PLDT's Form 20-F.

To strategically manage the company's overall risk exposure, we implement an integrated Enterprise Risk Management Framework (ERMF) across all levels of the organization. Through this system that allows us to identify, analyze, and manage risks to a reasonably acceptable level, we are able to enhance opportunities, reduce risk, and sustain competitive advantage.

We also have a Governance, Risk, and Compliance (GRC) platform that enables us to collect risk data and calibrate among risk managers from all business units during monthly cross-functional discussions. Risk managers are also tasked to ensure the accuracy of the data being collected through the platform.

In addition, we are building a centralized risk data library, aligned Group Enterprise Risk Management Department's (GRMD) activities with Internal Audit, conducted education efforts to support the ERMF adoption and standards compliance, and established supporting operational processes. These enhancements will help GRMD meet regulatory requirements, develop an intelligent risk culture within the company, promote active risk assessment and monitoring, and facilitate real-time reporting of risks.

### **Opportunities and Management Approach**

It is widely recognized how the protracted crisis brought on by COVID-19 has accelerated digital transformation initiatives in almost all industries, expanding our market base. At the same time, we are cognizant of how the crisis also resulted in widening the gap between the rich and the poor, especially in their access to resources and opportunities for economic growth. We then see the need to improve the network not only to support the increased demand for connectivity, but also to respond to the unmet demands of struggling sectors as well as those in far-flung areas of the country.

As we offer convenient, reliable, and affordable products and services to unserved markets, we look forward to the potential increase in activities and creative interactions to spur further innovation, entrepreneurship, and economic growth in geographically isolated and disadvantaged areas in the country.



The increased access to the online and digital world consequently requires vigilance against unscrupulous criminal behavior, thus, we are committed to providing a safe online environment for our customers, particularly the most vulnerable stakeholders - children. We have integrated best practices in child safety and welfare into our system as we uphold a company-wide Child Protection Policy. We partnered with various organizations to develop the Child Protection Platform (CPP), an innovative cybersecurity solution that blocks illegal child sexual abuse and exploitation material (CSAEM) traffic at the content level. This was made possible by engaging Palo Alto Networks' technology as well as partnering with other international organizations such as the WeProtect Global Alliance, the Internet Watch Foundation (IWF) and the Canadian Centre for Child Protection (C3P).

Active participation in knowledge-sharing has been essential in this advocacy. Hence, we work with the Department of Justice Inter-Agency Council Against Trafficking, the International Justice Mission, and the We Protect Global Alliance. At the same time, we have continued to partner with UNICEF in piloting the updated version of the Mobile Operators Child Rights Impact Self-Assessment (MO-CRIA) tool.

Combined with other key business growth drivers such as health, education, urbanization, and climate change, the ability to manage ecosystems would require smarter designs and systems supported by the products and services we offer. leveraging both our technology and partnerships, we are able to harness opportunities along the digital transformation journey of our domestic and global markets while keeping the focus on sustainability to have a lasting positive impact on the lives of Filipinos.

## **Item 2. Climate-related Risks and Opportunities**

### **Governance**

The GRMD and the Corporate Sustainability Office (CSO) work closely to facilitate the proper identification and management of climate-related risks and opportunities. While the GRMD ensures that climate-related risks are strategically considered in the company's decisions, the CSO ensures that business units and operations are aware of these risks and their impact, as well as the mitigation plans to address them.

We implement a standardized Business Continuity Management System (BCMS) designed to continuously improve our organizational resilience and protect critical business functions that may be exposed to climate-related risks. This framework is followed by the Enterprise Business Continuity and Resilience Office (BCRO) which is mandated to oversee the management programs that would prepare PLDT to deal with operational and business disruptions.

Overseeing the effectiveness of these management processes is the Board's Governance, Nomination, and Sustainability Committee (GNSC). They are guided by the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in evaluating how climate change regulations may affect the value of our investments and the prospects of our business, our subsidiaries, and other entities whose securities we hold. Also in considering the various climate change scenarios, the TCFD provides guidance in assessing long-term business strategies and plans.

### **Strategy**

To deliver quality services to our customers, our business operations rely on the ability of our people, facilities, and physical and virtual equipment to work optimally under various conditions. As each essential element is exposed to any extreme weather events caused by the changing climate conditions, we acknowledge the need to take stock of our risks, study their impacts, develop adaptation strategies, and work on mitigating actions. Therefore, the mitigation strategies we employ are designed to address these potential risks considering resiliency and redundancy in the network architecture including reinforcement of vulnerable equipment, tower maintenance, retrofitting and replacement, transport network hardening, and protection and pre-positioning of network operations staff.

Our long-term strategy, meanwhile, is to look at the potential business impact of risks/opportunities, create mitigating actions and act on opportunities identified. We continuously strengthen our Business Continuity Plan (BCP) and Crisis Management Plans, seeking to build resilient infrastructures and processes.

The BCP prepares a line of defense to minimize the impact of natural disasters and restore normal operations and service delivery as quickly and safely as possible after their occurrence. It aims to:

1. Adopt a unified policy and create a dedicated organization to manage BCMS across the PLDT Group
2. Safeguard our interests by protecting our critical business functions against predetermined disruptions
3. Manage the program for an effective response that safeguards the interest of key stakeholders, reputation, brand, and value-creating activities
4. Reiterate our responsibility and commitment as a critical infrastructure utility company that provides communication services in both regular and emergency situations.

With the increased global awareness of climate-related risks, we also anticipate additional government regulations like the Energy Efficiency and Conservation Act which has been enacted into law. In line with this, the company not only complies with reporting requirements such as the Annual Energy Efficiency and Conservation Report (AEECR) and the Annual Energy Utilization Report (AEUR), but also conducts an Energy Audit of all designated facilities under Type 1 (with 4M kWh total consumption annually) and Type 2 (with 500K to less than 4M kWh total energy consumption annually).

We have also laid down a decarbonization roadmap to 2030, targeting greenhouse gas (GHG) reduction of 40% for Scope 1 and Scope 2 emissions, using 2019 as baseline. Abatement strategies include programs on energy efficiency, genset and energy consumption optimization, use of solar power energy in facilities as well as the increased purchase from renewable energy sources and move towards a carbon neutral fleet. Participation in the Department of Energy's Green Energy Option and Retail Competition and Open Access Programs is also part of our strategy to increase green energy use in proportion to our total energy consumption.

#### **ANALYSIS BASED ON THE TCFD FRAMEWORK**

##### **1. Low exposure to transition risk – policy risk.**

- In accordance with the Paris Agreement (where the Philippines is a signatory), the use of carbon tax measurements that promote actions aimed at lowering GHG emissions is not yet implemented by the present administration.
- Two initiatives have been put in place to manage and assess this risk in an efficient manner: First, in order to mimic our policy risk in relation to our GHG emissions, we are evaluating the adoption of an internal carbon price. Secondly, we plan to include in the evaluation of investment decisions sustainability considerations that include environmental and social costs.

##### **2. Low exposure to transition risk – market risk.**

- Using the calculated profit at risk (EBITDA at risk) of PLDT's Top 100 customers (primarily Enterprise/Carrier clients), a market risk exposure was undertaken.
- Impact is determined by the GHG emissions from the client sector and the presumptive carbon pricing.
- In the second phase of quantification, market risk exposure for the consumer market was found irrelevant on a stand-alone basis.

##### **3. Medium exposure to NCR transition risk – reputational risk.**

- As a reputational risk related to the climate, we took into account the possible heightened stakeholder concerns or negative complaints.
- If a company's overall reputation risk exposure is higher, as it is in the case of PLDT, they are more likely to face difficulties in attracting and retaining employees, establishing long-term customer relationships, acquiring capital, obtaining a license to operate, and engaging investors.
- The total risk exposure is determined by a matrix based on Industry Group, Carbon Global Standard Impact Classification, Carbon Intensity Decile Ranking, GHG Transition Pathway, and Climate Strategy Score. Preliminary analyses with industry peers show that PLDT has a medium exposure, which is comparable to that of its national and international competitors.

##### **4. High exposure to physical risk – both acute and chronic.**

- The Philippines ranked first in the world in risk among 193 countries worldwide according to the 2022 World Risk Index. Due to this, PLDT and Smart are at high physical risk and are

exposed to bigger typhoons, hotter temperatures, and a lack of potable water. Here are the results of our simulation of the main climate risks:

- From 2021 to 2050, stronger typhoons are predicted to strike Southern Luzon, NCR, and its surrounding towns, placing all of our infrastructures at a significant danger of damage and highlighting the necessity of strengthening all facilities.
- We face a high risk of typhoons, water stress, and flood for more than half of our Group's customer revenue.
- By 2030, 83% of our sites, particularly those in heavily populated areas, will have trouble finding sources of potable water if we carry on as usual.
- In relation to local weather circumstances, temperatures will be higher nearly throughout the nation. People in the southern region and Metro Manila will experience greater levels of excess heat, putting our infrastructures at risk.
- Evaluating adaption strategies and mitigation techniques are necessary at locations with high physical risk exposure from climate change.

## **Risk Management**

Given our thrust to enable risk-based decision-making, we focused on generating data streams across all levels of the organization and worked to enhance the Risk Reporting process for the visibility of the Management Committee through a Top Risk Reassessment activity.

Our Enterprise Risk Management (ERM) Team conducted the exercise with ten (10) members of the management committee (MANCOM) that were identified as Top Risk Owners. To aid in the reassessment, the ERM Team prepared a Risk Situation Report which includes an analysis of how international and local events affect the current operating environment of the company, the potential impact on the Top Risks, and key risks and opportunities for affected units. The results were presented by the GRMD Head to the MANCOM, and to the Risk Committee during the September 29 meeting.

We have also collaborated with our third-party partner Nexus Technologies, Inc. to embark on a digital pivot for the company's risk management processes and as the company sought to explore the potential of using the ServiceNow Governance, Risk & Compliance (GRC) platform in the future.

## **Metrics and Targets**

We track and monitor our operational GHG emissions that include those that come from our network operations, deployment of network equipment, facilities operations, and fleet transportation.

Scope 1 GHG Emissions or the direct GHG emissions from operations derived from the consumption of diesel and gas were recorded as 48,460 tCO<sub>2</sub>e, and the intensity of GHG emissions normalized by total full-time employees was 3.02 tCO<sub>2</sub>e/employee.

Meanwhile, Indirect (Scope 2) GHG Emissions, which refer to emissions from the consumption of purchased electricity, amounted to 675,083 tCO<sub>2</sub>e and were all purchased from the grid. The intensity of GHG emissions normalized by employees was 42.02 tCO<sub>2</sub>e/employee.

We are taking a collaborative approach to find and explore solutions that deliver efficiencies to our energy consumption. Aside from replacing network equipment with better models that consume less power to reduce carbon emissions, we also partner with our network equipment providers that offer energy-efficient technologies and provide recycling and reuse in the product cycle.

Forming part of our efforts to reduce our carbon footprint is the migration towards greater use of digital platforms for our transactions, including the reduced use of paper through paperless billing.

In 2022, we also disclosed the 2030 decarbonization roadmap which aims for a GHG reduction target of 40% for Scopes 1 and 2 supporting the global action and movement towards Net Zero by 2050. To reduce our carbon footprint, we intend to use more renewable energy sources in our operations and invest in environmental programs and carbon footprint offsetting initiatives. Renewables being explored today include solar and geothermal power, fuel cells for cell sites, and hybrid generators.

We are in the process of fine-tuning this roadmap to include other reduction initiatives as well as our Scope 3 target.

### Item 3. Procurement Practices

#### Proportion of Spending on Local Suppliers

The following table shows the proportion of spending on local suppliers for the year ended December 31, 2022:

	Quantity
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	77%

#### Impact and Management Approach

The capability to procure quality products and services to support our business and sustainable growth is essential. Efficient and reliable procurement management enables agility, resilience, and innovation and allows the company to deliver on brand promise and add value to our customers.

We have, therefore, formed an extensive network of local and foreign suppliers, vendors, and service providers that are assessed and accredited based on objective criteria. Considered partners, our suppliers are made aware of and fully understand the standards set for transactions and fair treatment. By establishing clear rules with both existing and prospective suppliers, transactions are kept transparent and fair for all.

Vendor management solutions such as SAP Ariba also help to connect our suppliers on a single platform to increase efficiency and monitoring of sourcing activities across the organization. We have also found that local presence enables faster response time and better support such that offshore suppliers differentiated by their innovative products and services are encouraged to establish a locally registered company or facilitate a partnership with a local reputable company.

#### Risks and Management Approach

For essential services such as what we provide to our customers, disruptions in its supply chain would imperil reliability and quality, affecting both customer and employee experience. Our Supply Chain management approach, therefore, is integrated with ERM and BCP mechanisms that enable hazard-based Emergency Response Plan to be included in contracts with key suppliers.

These mechanisms include those that address the following:

Disaster Risk. Our Procurement Group and BCRO evaluate the business continuity capabilities of key suppliers who will be relied upon to ensure continued provision during crisis events. We also make sure that critical network facilities have the support of reliable suppliers who conduct maintenance to keep facilities in optimal condition to face various situations. In case of extreme weather situations, the system allows for emergency purchases, with a return to regular process as soon as practical. Pre-set standard operating procedures designed for such circumstances allow people to address problems on the field in a timely manner.

Geo-political Risk. Advanced ordering and alternative sourcing have been used in efforts to mitigate geopolitical risk. Maintaining a high-trust partnership with supplier partners allows us to maintain a pipeline of new research and development products as well as a steady supply of technical components.

Emerging Technology Risk. In this high-tech industry, new technologies often emerge, and companies have to invest time and resources in testing, piloting, and knowledge transfer. Management relies on available data, market intelligence, and insight to choose which solution and which vendor to partner with. Mistakes made in this regard can mean lost market share. We have agreements with technology suppliers and closely work with them to continually develop and keep ahead of emerging technologies.

### **Opportunities and Management Approach**

We aim to have a reliable and resilient supply chain network for the present and at the same time maintaining access to technological advancements for the future. We do this by building strong partnerships with strategic suppliers that share the company's goals, values, and ethical standards.

## Item 4. Anti-corruption

### Training on Anti-corruption Policies and Procedures

The following table shows the proportion of training on Anti-corruption Policies and Procedures for the year ended December 31, 2022:

	<b>Quantity</b>
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated	99.93%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated	100.00%
Percentage of directors and management that have received anti-corruption training*	**
Percentage of employees that have received anti-corruption training***	99.50%

**Note:** \* - this pertains to directors only

*\*\*Since 2007, PLDT has organized an annual in-house training for its directors and officers referred to as the Annual Corporate Governance Enhancement Session (ACGES). Included among the topics covered in the ACGES are anti-corruption, anti-bribery and related topics such as the role of the Board of Directors in corporate ethics and compliance, business ethics and corporate culture, disclosure controls and procedures, insider trading, whistleblowing procedures, accounting and transparency requirements. Consistent with the Code of Corporate Governance for Publicly-Listed Companies, this is complemented with corporate governance-related training that ensures directors and officers are continually informed of developments in governance, business and regulatory environments, including emerging business trends and risks relevant to PLDT. In 2014, the ACGES was conducted specifically on the topic "Corporate Governance Requirements under US Laws and Regulations and Foreign Corrupt Practices Act of 1977." The ACGES topics approved by the SEC in 2022 were: "The Metaverse and How It Will Transform Business and Human Interaction" by Mr. Matthew Ball; and "Proof of Learn: A Philippine Perspective to the Metaverse" by Ms. Sheila Lirio Marcelo. One of our directors, James L. Go, has been granted permanent exemption by the SEC from its corporate governance training requirement.*

Every team member of the PLDT Group, from directors to officers and staff, adheres to the company's Code of Ethics and other policies meant to ensure the highest standards of corporate behavior and ethics. The same level of commitment to these policies is required from vendors and business partners whom we work with.

As a publicly-listed company, we recognize that these policies benefit not only the organization and its members, but also our customers, stockholders, regulators, and communities where we operate our business. At the same time, we are committed to continuous learning in this area and providing training on governance and anti-corruption policies to employees of all ranks and roles. We believe that sustained education and communication on this important topic is essential in strengthening a culture of compliance and good governance.

We provides refresher courses and online modules discussing our Code of Business Conduct and Ethics and the Policy on Gift-Giving Activities. For board members, advisors, and executive management, additional in-house seminars are conducted together with other affiliate companies of First Pacific Company Ltd.

For 2022, completion of the Corporate Governance (CG) e-learning course was completed by 10,419 of PLDT employees. Meanwhile, reminders on the Gifts Policies were published as advisories to all employees.



Integral to this anti-corruption drive is our internal control measures established to monitor compliance with applicable anti-corruption laws. This includes SOX 404 Internal Controls, Accounting and Auditing Controls, Third Party Due Diligence, Vendor Accreditation and performance review, anti-corruption and corporate governance provisions in procurement contracts, and more. We also have specific Guidelines in Handling Requests for Donations that provide the review and approval process to ensure transparency.

### **Third party due diligence**

Third party due diligence is one of our best practices for anti-corruption. Partnering with the company means a responsibility to report violations of our company policies on bribery and corruption or any laws and regulations of the country. It is through effective collaborations that we cultivate a culture of good governance and shared values of integrity, accountability, transparency, and fairness.

### **UNGC Participation**

PLDT and Smart are signatories to the United Nations Global Compact (UNGC) official statement calling for international cooperation on good governance and ethical business practices through values-based strategies, policies, operations, and relationships dealing with stakeholders.

We run communication and education initiatives throughout the year, directed to various stakeholders, in support of this campaign. Furthermore, effective implementation of our anti-corruption policy involves the following:

- (a) provision of specific policy guidance, procedural safeguards, and internal controls pertaining to the offering or giving of gifts which are prohibited or regulated by law;
- (b) policy implementation reinforced by related policies such as the Company’s Corporate Governance Guidelines for Suppliers; as well as Company policies on Gifts, Entertainment and Sponsored Travel; Whistleblowing; Supplier/Contractor Relations; and Conflict of Interest; and
- (c) appropriate monitoring and preventive measures that include internal controls, training and communication programs, whistleblowing facilities, third party due diligence and enforcement mechanisms.

### **Incidents of Corruption**

The following table shows a summary of incidents of corruption for the reporting year ended December 31, 2022:

	<b>Number of incidents</b>
Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0

## **Impacts and Management Approach**

An accusation of corruption, let alone an actual incident, harms a company's reputation and damages hard-earned trust from stakeholders. Aside from penalties imposed on errant organizations, it is the reputational damage to brands that lead to erosion of market share as customers lose trust in and loyalty to the brand.

For this concern, we choose to use a values-based approach and actively builds a corporate culture through consistent demonstration and practice of the principles of Integrity, accountability, fairness, and transparency. Maximizing the technology, channels, and platforms available that allows us extensive reach, varied approaches, and real-time feedback to promote awareness and engagement.

At the same time, we conduct periodic benchmarking with international standards and best practices to gain insight on other business practices in elevating the way we do business to the benefit of our customers, stockholders, and all other stakeholders.

## PART II - ENVIRONMENT

### Item 5. Resource Management

#### Resource Management

##### **Energy Consumption\***

The following table shows energy consumption within the organization for the year ended December 31, 2022:

	Quantity
Energy consumption (renewable sources)	66,286 GJ
Energy consumption (gasoline)	
1. Fixed	117,642 GJ
2. Wireless	16,774 GJ
Energy consumption (LPG)	N/A
Energy consumption (diesel)**	
1. Fixed	123,709 GJ
2. Wireless	436,587 GJ
Energy consumption (electricity)	
1. Fixed	306,915,801 kWh
2. Wireless	630,285,673 kWh

\*\*genset and vehicle fuel

##### **Reduction of energy consumption**

The following table shows the reduction of energy consumption within the organization for the year ended December 31, 2021:

	Quantity
Energy reduction (gasoline)	
1. Fixed	117,420 GJ
2. Wireless	0 GJ
Energy reduction (LPG)	N/A
Energy reduction (diesel)	
1. Fixed	0 GJ
2. Wireless	0 GJ
Energy reduction (electricity)	
1. Fixed	0 kWh
2. Wireless	0 kWh
Energy reduction (gasoline)	
1. Fixed	0 GJ
2. Wireless	0 GJ

\* – compared to energy consumption in 2021

## **Impacts and Management Approach**

The use of energy is a major component of our business operations, and as such, we fully recognize that proper management of energy consumption is a key factor in achieving our goal of resource optimization.

With the expansion of networks along with the introduction of new technologies, the energy requirement is consequently expected to rise. As such, the key objectives for the management approach would be maximizing efficiency and optimizing consumption.

Growing sustainably means actively seeking solutions that address these objectives. A successful energy management program then translates to consumption efficiency and a responsible level of GHG emissions that takes into consideration our ecological impact on our stakeholders and in the communities where we are present.

For PLDT and Smart, this means integrating sustainable practices into our daily operations. As inaugural members of the government-led Stakeholders' Chamber on the Sustainable Development Goals of the National Economic Development Authority (NEDA), we support the global movement towards net zero emissions by 2050.

## **Renewable Energy**

We have established a decarbonization roadmap that features initiatives in the use of renewables and green network technology, aiming to reduce Scope 1 and 2 GHG emissions by around 40% by 2030.

With the potential to have full renewable power sourcing seen as the long-term goal, our support today for renewable energy aims to stimulate the market for alternative power resulting in extra generating capacity and ultimately leading to lower costs.

We have already started and energized solar rooftop panels in five (5) sites in the Visayas. At the same time, we are exploring the use of solar power for base stations in our various Luzon sites. The idea is to use solar panels with battery storage to provide a more efficient source of energy particularly for off-grid sites.

In addition, we are switching to geothermal energy to power a total of thirteen (13) sites in the Visayas and Mindanao. For this, we are scheduled to sign an agreement with First Gen Corp.'s subsidiary, Energy Development Corporation (EDC), for the Renewable Energy supply.

## **Energy Efficiency**

Energy conservation measures include utilization of more efficient cooling and lighting systems, use of AI applications to manage the energy consumption of outlier sites, and adjustment of thermostats of air conditioning units.

A partnership with Meralco subsidiaries MSERV and Spectrum has also initiated programs aimed at improving energy efficiencies, on top of commercial contracts that include electrical preventive maintenance for PLDT and Smart offices.

Other conservation measures to be launched in 2023 include the use of cool roof technology which utilizes insulation materials for roofs and walls that will prevent heat transfer from outside to inside

the facilities; and the use of nanofluid to increase the heat capacity of chiller water, requiring less resource to attain desired cooling.

### **Risks and Management Approach**

The Energy Efficiency and Conservation Act approved in 2019, sets out the government’s plans to institutionalize fundamental policies on energy efficiency and conservation. This is an example of new climate-related laws being crafted in response to the growing awareness of risks posed by climate change. It required companies to conduct energy audits, implement conservation measures, and report on annual energy consumption.

Responding to both letter and spirit of the law, we have tasked our energy managers to conduct enterprise-wide energy audits and gather robust data that will support and shape the design of an Energy Management Plan that can cut inefficiencies effectively. An effective Energy Management Plan provides a framework with short-term and long-term views of solutions that require prudent investments.

Meanwhile, our Network Operations’ Energy Environment Safety and Health (EESH) and the Property and Facilities Management (PFM) groups operationalize the plan, implement process improvements, and monitor the impact of energy conservation programs.

It is reasonable to expect that more laws and regulations will be introduced in the future, and our company’s proactive stance demonstrates that the organization is prepared to comply and support initiatives that would help conserve resources and advocate for sustainability.

### **Opportunities and Management Approach**

Our digital transformation journey has presented opportunities to look at our energy consumption as an organization. With the optimization of the work-from-home setup along with other alternative work arrangements brought about as a response to the restrictions of the COVID crisis, we now have a carbon avoidance scheme that cuts down fuel-powered travel.

Furthermore, digital-enabled work not only provided for smoother and faster workflows but allowed for paperless documentation that also cut down on use of paper materials.

### **Water Consumption**

The following table shows the water consumption within the organization for the reporting year ended December 31, 2022:

	<b>Quantity</b>
<b>Water withdrawal *</b>	
1. Fixed	3,047 cubic meters
2. Wireless	60 cubic meters
<b>Water consumption **</b>	
1. Fixed	370,766 cubic meters
2. Wireless	47,114 cubic meters
<b>Water recycled and reused ***</b>	
1. Fixed	170 cubic meters
2. Wireless	118 cubic meters

\* – abstracted surface and groundwater

\*\* – include purchases from suppliers and bottled water

\*\*\* – from collected rainwater

### **Impacts and Management Approach**

As stewards of our natural resources, we consider responsible water consumption as one of the significant metrics of our non-financial performance.

Our PFM and EEHS groups are tasked to monitor major facilities for water consumption and provide reports to management. They also facilitate the implementation of water conservation measures such as closed loop cooling, recycling, and rainwater utilization, as well as conduct regular maintenance works including leak detection.

### **Risks and Management Approach**

In any circumstance, water as a resource is crucial to sustaining day-to-day life. In the business setting, it is essential for the efficient operation and upkeep of facilities; and for the comfort of employees in the workplace. Disruptions to the water supply affect the welfare of employees and the costs to maintain facilities as the company is forced to find alternative sources that would be more expensive than usual.

Hence, we are fully supportive and actively participative in the government’s water conservation campaigns. We continuously work with institutional partners to help protect watersheds, collaborate on reforestation programs and protect reforested lands as these are all important for the ecosystem of water supply.

### **Opportunities and Management Approach**

We recognize our position and ability to positively influence members of our organization, as well as business partners through campaigns that advocate for water conservation. The significant multiplier effect of our advocacy can extend to the families and communities of our employees. At the same time, we also support initiatives to provide alternative livelihood for communities living in the watershed areas, enabling them to be collaborators in the protection of watersheds while allowing them to provide for the needs of the families.

We continue to innovate and look for ways to conserve and reduce ground water extraction. For instance, four facilities in Mindanao use rainwater catchment, while there are two ongoing constructions for in the Visayas sites. Potentially, Mindanao sites can store rainwater up to 24,000 liters while for Visayas it is around 50,000 liters. Rainwater is mainly used for car washing, watering plants, and floor cleaning.

### **Materials Used**

The following table shows materials used within the organization for the reporting year ended December 31, 2022:

	Quantity
Materials used by weight of volume	
* Renewable	N/A
* non-renewable	N/A
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A

The PLDT Group does not consider this aspect as material because we do not manufacture goods and material usage is not applicable for reporting. Equipment and devices offered to subscribers are sourced from vendors who are compliant with global standards and provide the necessary reporting on their end.

***Ecosystem and biodiversity (whether in upland/watershed or coastal/marine)***

	Quantity
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	3
Habitats protected and restored	0
IUCN <sup>17</sup> Red list species and national conservation list species with habitats in areas affected by operations	none

**Impacts and Management Approach**

To deliver nationwide services to meet the demands of people across the country, some of our critical infrastructure are located in protected areas and in coastal settlements. These relay towers and cable landing stations are part of a nationwide network of which the company has sought proper approvals and permits from the communities and local government units to allow the presence and operation of the facilities.

Care is taken to ensure that submarine cables are laid at least two kilometers away from marine sanctuaries. Green buffer zones are also set up around the periphery of infrastructure, whenever possible, to attenuate noise levels and absorb pollutant emissions.

Furthermore, in the spirit of partnering with the community, we have put in place engagement programs, livelihood initiatives, and employment opportunities for residents affected by network facilities in their area. The company collaborates with the community on their initiatives and programs on health, education, and economic cooperatives.

**Risks and Management Approach**

Knowledge of and compliance with all relevant regulations that apply to our business operations and our facilities and equipment are important. Violations of existing and covering rules could result in delays, penalties, disapproval or cancellation of permits, all of which will translate to losses for the business.

We, therefore, secure proper approvals and permits from concerned national and local government agencies prior to starting any construction or operation. At the same time, we ensure strict adherence and compliance with the conditions of the permits and clearances, such as those laid down in the Environmental Compliance Certificates (ECC). Regular and transparent engagement with the local community provides assurance that we comply with environmental laws and local ordinances and that we follow through on our commitments.

## Environmental Stewardship Initiatives

As an organization committed to improving the lives of Filipinos, we choose to conduct our business in ways that help protect the planet and our communities. We choose to move beyond compliance and consider ourselves stewards of the environment.

Our partnership with the Department of Environment and Natural Resources – Biodiversity Management Bureau (DENR-BMB) for the pioneering wetlands conservation project, has had a successful assessment phase as the program has documented 7 probable peatlands across the Agusan Marsh Wildlife Sanctuary (AMWS).

In support of the identified AMWS, we have previously turned over drone equipment, mobile phones, radio devices, and personal protective gear to upgrade the biodiversity, disaster risk reduction, and carbon sequestration patrolling and monitoring activities of the Bantay Danao volunteers that protect the AMWS. The three-year extendable collaboration allowed us to deploy close to Php3 million worth of monitoring and patrolling materials.

We have also collaborated with Ericsson to protect mangroves and wetlands using technology as part of the Swedish company’s pledge to 1t.org, a global alliance of organizations committed to conserving and restoring forests and growing one trillion trees by 2030. The initiative involves the installation of Artificial Intelligence(AI)-enabled cameras to monitor the coastal wetlands and identify migratory birds in Sasmuan, Pampanga. The partners are also looking at using AI cameras to study plant and animal behavior throughout different seasons. Changes to these patterns could indicate worsening climate change.

Wetlands are crucial in regulating the amount of carbon dioxide or CO<sub>2</sub> released into the atmosphere, storing twice as much carbon as all the world’s forests combined. Dubbed as one of the most valuable ecosystems on Earth by the International Union for Conservation of Nature (IUCN), peatlands are carbon-rich, fragile ecosystems of partially decomposed plant matter that play a crucial role in climate change mitigation. But when damaged, they also release carbon dioxide back into the atmosphere at an alarming rate.

### ***Air Emissions***

#### **GHG\***

	<b>Quantity</b>
<b>Direct (Scope 1) GHG Emissions</b>	
1. Fixed – Vehicles	13,481 Tonnes CO <sub>2</sub> e
2. Wireless – Vehicles	3,943 Tonnes CO <sub>2</sub> e
3. Fixed – Gensets	3,161 Tonnes CO <sub>2</sub> e
4. Wireless – Gensets	27,876 Tonnes CO <sub>2</sub> e
<b>Energy indirect (Scope 2) GHG Emissions</b>	
1. Fixed	220,010 Tonnes CO <sub>2</sub> e
2. Wireless	455,073 Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	250 Tonnes CO <sub>2</sub> e

The digital communications industry plays a vital role in other sectors’ strategic plans to lower their carbon footprint and emissions. The ubiquitous communications technology enables their operations to be efficient and resilient, helps them innovate and makes them more sustainable.



The PLDT Group is committed to playing the role of enabler and we seek continuous improvement on our products and services to provide even faster data speeds, low latency, and a wide variety of customized services. Hence, the company plans to upgrade infrastructure and equipment, but without significantly increasing emissions.

This requires the replacement of network equipment with smaller, more cost-efficient structures that consume less power and subsequently reduce carbon emissions, along with choosing network equipment providers that offer more energy-efficient technologies.

However, our operations still necessitate the use of gasoline- and diesel-fueled equipment and the purchase of energy which are sources of GHG emissions that add to the country's overall emission. In turn, this generally affects our environment and those of neighboring regions.

In 2021, we crafted a decarbonization roadmap targeting a 40% reduction of our scope 1 and 2 emissions by 2030, using our 2019 GHG figures as our baseline. In 2022, Scopes 1 and 2 CO<sub>2</sub>e emission was monitored at 723,542 tCO<sub>2</sub>e.

Working with a third-party consultant, we established that about 70% of our emissions come from the supply chain and is customer-related while 28% come from purchased electricity. This insight has enabled us to identify specific initiatives we can pursue to achieve the 2030 reduction goal. Over the near term, we plan to focus on implementing Scope 1 and Scope 2 reduction, where we have a greater level of control, while working with our suppliers to identify opportunities for Scope 3 reduction.

To reduce our carbon footprint, our strategy for Scope 1 and 2 reduction includes the following:

1. Energy consumption optimization
2. Increase in share of purchased renewable energy sources
3. Solar solutions
4. Carbon-neutral Fleet
5. Genset Optimization

### **Decarbonization Opportunities**

We have laid down a decarbonization roadmap to 2030 that identifies opportunities where the company can meaningfully focus capital investment, research and development, partnerships, and work with our stakeholders to reduce emissions.

Our roadmap is guided by the principles and recommendations outlined in the TCFD, that fosters continuous improvement to reduce energy consumption translating to lower greenhouse gases and other pollutants that result from our operations.

We have initiated programs that may enable execution of carbon offsets, such as partnerships that utilize our products and services in natural resource management for marine protected areas, rainforests, and peatlands. Furthermore, we continue to build more efficient networks and processes; and promote product features that support responsible and environment-friendly use.

And to materially reduce Scope 3 GHG emissions, we will seek to positively influence behavior of those within the sphere of our value chain by creating engagement programs to raise awareness and collaborate on solutions. We are looking at creating products and services that will make up a low-carbon telco portfolio.

## Air Pollutants

	Quantity
NOx	785.79 Tonnes
SOx	58.88 Tonnes
Persistent organic pollutants (POPs)	N/A
Volatile organic compounds (VOCs)	62.10 Tonnes
Hazardous air pollutants (HAPs)	N/A
Particulate matter (PM)	54.59 Tonnes

To ensure continuity of network operations, we use equipment such as generator sets to provide primary and back-up power. These genset, however, may be sources of smoke and noise pollution if performing below standards. Such equipment are located in our office buildings, cell sites, and relay towers in various parts of the country.

Recognizing the adverse impact that pollution can have in our communities, our PFM and EEHS teams closely monitor the operational performance of facilities and equipment and maintain them at agreed standards. We are committed to establishing clean and energy-efficient operations in all our facilities and are looking to invest in clean and renewable energy supply.

Delivering services to areas without a reliable source of electricity typically entails the usage of diesel generators for power. However, we have initiated programs to explore the use of hybrid- and fuel-cell powered base stations in remote off-grid areas and we plan to have more initiatives such as this in the coming years.

## Solid and Hazardous Wastes

### Solid Waste

	Quantity
Total solid waste generated	
1. Fixed	2,598.85 metric tons
2. Wireless	1,399.99 metric tons
Reusable	N/A
Recyclable	
1. Fixed	2,598.85 metric tons
2. Wireless	1,399.99 metric tons
Composted	N/A
Incinerated	N/A
Residuals/Land-filled	N/A

Our marketing campaigns produce large volumes of printed merchandising collaterals and outdoor advertising materials. Such items end up as solid waste that requires proper disposal in compliance with laws and ordinances on waste management and waste segregation.

Therefore, we continue to monitor the solid waste generated and explore ways to shift to eco-friendly solutions and materials in the production of marketing collateral materials. For instance, we invest in more permanent and practical materials such as road and barangay signage and store signs.

Our company-wide ban on single-use plastics previously being implemented was temporarily suspended as the COVID-19 response required the use of plastics for hygiene purposes. We expect this policy to be again cascaded and implemented across the Group once practicable.

At the same time, we are evaluating partnerships that can offer creative waste management solutions and advocate for a more circular economy. Basic Environmental Systems and Technologies (BEST), whose efficient and sustainable waste disposal program enables businesses to earn environmental points from their waste is one of the organization that we have an active discussion with.

For new infrastructure and data center projects, strict adherence to the solid waste management plan provided for in the Environmental Management Plan and the Environmental Management Systems is observed.

#### *Hazardous Waste*

	<b>Quantity</b>
<b>Total weight of hazardous waste generated</b>	
1. Fixed	618.35 metric tons
2. Wireless	1,074.41 metric tons
<b>Total weight of hazardous waste transported</b>	
1. Fixed	618.35 metric tons
2. Wireless	1,074.41 metric tons

Business operations use up materials like batteries which at the end of their product life cycle are considered hazardous waste. The disposal of items considered hazardous waste is covered by specific regulations (RA 6969). Failure to abide by these hazardous waste management regulations pose health and safety risks and also entail corresponding penalties from regulators.

We adhere to the environmental compliance guidelines provided by RA 6969 which lays out the requirements for proper identification, labeling, segregation, handling, and disposal of hazardous wastes. We have Pollution Control Officers (PCOs) with sufficient technical training and background on environmental management, laws and regulations who identify, monitor, and report our hazardous wastes as required by the DENR. At the same time, we employ duly accredited third-party vendors who have the equipment and qualifications to handle, transport, and dispose of these types of waste.

The PCOs also actively promote environmental awareness in the organization, implement pollution prevention programs, and operationalize the environmental management framework to avoid violations and ensure a safe and healthy workplace for all.

#### **Used Lead Acid Batteries (ULABs)**

PLDT and Smart partnered with the DENR through its Environment Management Bureau (DENR-EMB) Region 3 and DENR-accredited provider JMR Trade & Transport Services (JMR) for an initiative aimed at the proper collection, transport, disposal, and recycling of electronic and hazardous waste from cell sites and offices. E-waste includes discarded phones, tablets, computers, chargers, and device accessories, while hazardous waste includes used lead-acid batteries (ULAB) and fiber optic cables. The involvement of DENR-EMB Region 3 covers coordination with other regional offices to provide support to the waste recovery project. The agency also links us to its network of scientific researchers and experts.

Such initiative also supports our long-running partnership with the Philippine Business for Social Progress (PBSP) for its battery recycling program. The program involves ULABs for disposal getting a trade-in value which is then used to fund educational and environmental projects.

We continue to explore new solutions to minimize other hazardous waste. This includes our partnership with the United Nations Industrial Development Organization (UNIDO), to educate communities on effective management of e-waste and provide collection programs in various locations.

### *Effluents*

	<b>Quantity</b>
Total volume of water discharges	N/A
Percentage of wastewater recycled	N/A

Effluents are not considered material metric of our Group’s operations because any effluents generated by our fixed line and wireless operations are considered municipal wastewaters and are sent to the third-party water utility for wastewater treatment. Effluents are therefore not included for monitoring and reporting by our Group.

### **Environmental Compliance**

#### ***Non-compliance with Environmental Laws and Regulations***

The following table shows the information on PLDT’s non-compliance with environmental laws and regulations:

	<b>Quantity</b>
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	Php0.00
Number of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0
Number of cases resolved through dispute resolution mechanism	0

Aligned with our mission of empowering Filipinos, we work to provide high-quality communications solutions and digital innovations to our customers while balancing the need to protect the environment. To be successful in this goal, we are firmly guided by corporate governance principles, industry best practices, and government regulations.

Compliance with environmental laws and regulations keeps the organization true to its vision and corporate values. We have therefore developed and implemented policies on pollution prevention and control, waste recycling and segregation, proper waste disposal, conservation of vital resources, and protection of employees’ health and safety.

Our group-wide Environmental Policy integrates environmental compliance into the business of providing high-quality services and good customer experience. Our EEHS and PFM teams monitor regulatory changes in environmental laws and subsequently cascade these to the business units. We demand environmental compliance from our contractors and vendors. We also maintain a proactive engagement with the DENR, creating programs that support compliance relating to the Special Land Use Plan and Special Use Agreement in Protected Areas.

## PART III - SOCIAL

### Item 6. Employee Management

#### Employee Hiring and Benefits

The following table shows the summary of employee data for Fixed line and Wireless operations as of December 31, 2022:

	<b>Quantity</b>
Total number of employees <sup>18</sup>	
a. Number of female employees	
1. Fixed	3,192
2. Wireless	2,246
b. Number of male employees	
1. Fixed	8,159
2. Wireless	2,470
Attrition rate <sup>19</sup>	
1. Fixed	9.02%
2. Wireless	18.64%
Ratio of lowest paid employee against minimum wage	
a. Fixed	1.43
b. Wireless	1.04

*18 Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)*

*19 Attrition rate = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)*

For all business enterprises, the capability to manage people well and take care of their professional development and welfare is essential to achieving their goals and targets. We aim to attract, hire and retain the right people who share our corporate values, with skills and talents to deliver on our brand promise to customers and enable sustainable growth for the company.

#### Talent Acquisition and Retention

In 2022, the talent market remained tightly competitive across industries such that the search for new and quality talent took longer than usual. Candidates have been looking for flexibility in work arrangements as work-life balance became an important factor together with the compensation package. Building a strong employer brand was also a challenge in a crowded market and channels.

To address these challenges, we leveraged social relationships and technology. We developed our hiring strategies based on the annual hiring forecast, enabling the Talent Team to identify the best sourcing channel to invest in to deliver the requirements. The hiring and onboarding strategy was candidate-driven, with the following initiatives:

- i. Strengthened partnership with hiring managers, getting them involved earlier in the process like sourcing and engaging top candidates
- ii. Automated high-touch candidate attraction and engagement at scale via automated emails that solicited personalized candidate experience feedback, published new hire onboarding announcements and released new hire welcome messages
- iii. Trained Recruiters with skills in driving meaningful virtual conversations

- iv. Replaced in-person interviews and onboarding with remote conversations to accelerate hiring timelines and promote a better experience in terms of safety, time, cost, and accessibility for our candidates and new hires

We conduct an annual evaluation to ensure that the processes enable them to have a deep pool of qualified candidates for current and future hiring requirements, increase the responsiveness of the candidates and accelerate delivery in hiring, improve the data analysis in making sound hiring decisions, and ultimately create a positive experience for the candidates.

As part of this continuous improvement, we are developing an official company policy on Equal Opportunity that aligns fully with its drive for sustainability.

Meanwhile, talent retention strategies and programs such as (a) pay for performance, (b) variable compensation programs, (c) recognition of competence, (d) career development and progression, and (e) employee engagement activities helped ensure a strong talent pool for our operations.

At the same time, we are developing a competency design and management program to help us assess the readiness of employees to take on a different or higher role. The program also aims to identify high-potential employees for leadership roles and provide them with the developmental programs needed to help them succeed.

### Compensation and Benefits

Our Compensation Program has been developed to attract, reward, and retain employees who contribute to the company's growth, profitability, and industry dominance.

The following table shows the summary of employee benefits for Fixed line and Wireless operations for the reporting year ended December 31, 2022:

	Y/N	% of female employees who availed for the year		% of male employees who availed for the year	
		Fixed	Smart	Fixed	Smart
SSS	Y	21.33%	26.22%	17.15%	17.94%
PhilHealth	Y	2.10%	8.37%	1.28%	4.21%
Pag-IBIG	Y	11.78%	13.54%	5.80%	9.55%
Parental leaves	Y	5.75%	5.43%	4.82%	2.75%
Vacation leaves	Y	100.00%	97.73%	100.00%	98.34%
Sick leaves	Y	18.27%	97.73%	12.47%	98.34%
Medical benefits (aside from PhilHealth)	Y	88.38%	74.18%	90.58%	67.65%
Housing assistance (aside from Pag-IBIG)	Y	0.31%	0.22%	0.34%	0.32%
Retirement fund (aside from SSS)	Y	9.34%	7.26%	4.94%	6.64%
Further education support	Y	1.73%	4.05%	0.64%	4.45%
Share-based incentive plan	N	0.00%	0.00%	0.00%	0.00%
Telecommuting	Y	1.33%	0.00%	0.74%	0.00%
Flexible-working Hours	Y	3.55%	0.00%	2.35%	0.00%

## Employee Training and Development

The following table shows the summary of employee training and development conducted for the reporting year ended December 31, 2022.

	Quantity
Total training hours provided to employees	
a. Female employees	
1. Fixed	43,836
2. Wireless	36,649
b. Male employees	
1. Fixed	83,089
2. Wireless	41,808
Average training hours provided to employees	
a. Female employees	
1. Fixed	13.73
2. Wireless	16.32
b. Male employees	
1. Fixed	10.18
2. Wireless	16.93

## Impacts and Management Approach

From new hires to tenured staff, we support our employees with Training and Development programs that help ensure they have the skills and confidence to succeed in their roles, as well as provide them channels to upskill and further develop their potential for professional advancement.

The Learning and Development (L&D) group services both PLDT and Smart. The group is composed of L&D professionals able to offer formal training programs for employees from various levels and based on the requirements of different job roles.

At the same time, encouraging and empowering our employees to pursue self-development, the company also provides programs and training environments for employees to learn independently and for line leaders to develop their staff based on identified needs.

Training needs assessment is done through various means including interviews with line heads and concerned employees, learning needs that were determined from requirements identified in change/ transformation projects, formal technical assessments (e.g. Huawei NFV project), and focus group discussions on selected employees.

This investment in continuous learning is aligned with our value of taking care of our people and supporting their growth in leadership and digital skills as they pursue excellence every day.

We offer the following training/upskilling to ensure we equip our employees with all the needed learning and skills:

Essential Skills Program	This program aims to develop employees' professional and personal skills
Technical/Functional Skills Program	This program is intended to develop employees' competencies specific to a job role or function
Leadership Skills Program	This program is a combination of courses focused on developing leadership competencies of the employees

Certification	This is a process where employee qualification is being confirmed by an accredited certifying body in a particular skill or knowledge
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The flagship programs of L&D in 2022 are the following:

- 1) New leadership Development Curriculum (in support of LDNA & in partnership with TM)
- 2) Hybrid Normal, RTO and Values/Mindset Support Trainings (Part 2)
- 3) Product Knowledge and RevGen Support Trainings (in partnership with Revenue Groups)
- 4) CX Ambassadorship
- 5) CBFM Upskilling Program (Tech Academy)
- 6) Sustain Global Certification Program
- 7) Transformation and Technology Projects Support Trainings
- 8) Learning Heroes Program

In addition, the L&D group also organizes Retirement Planning and Life After PLDT seminars for employees retiring or exiting the company. The seminars cover topics on financial management, re-applying for work, exploring business options, finding your passions, migrating abroad, going back to school, and starting your own business. We also conduct Exit Interviews as standard exit management process.

Moving forward, the L&D program building blocks will revolve around the central themes of aligning closer with the transformation and culture building, developing programs that resonate better to employee and business needs, and contributing to the overall organizational health index.

The total L&D Budget spent in 2022 was around Php91 Million with an indicative target training cost of Php5,000 per employee.

#### **Labor Management Relations\***

The following table shows the summary of items under collective bargaining agreements for the reporting year ended December 31, 2022:

	<b>Quantity</b>
% of employees covered with Collective Bargaining Agreements	86.60%
Number of consultations conducted with employees concerning employee-related policies	1,080

*\*- this is only applicable to PLDT employees as it is the only organization that is unionized.*

#### **Impacts and Management Approach**

We recognize and support the Collective Bargaining Agreements (CBAs) signed with the three employee unions, namely the Gabay ng Unyon sa Telekomunikasyon ng mga Superbisor (GUTS), Manggagawa sa Komunikasyon ng Pilipinas (MKP), and PLDT Sales Supervisors' Union (PSSU).

Through the transparent relationship with the unions, employees are assured with guarantee of the enforcement of the CBA that covers employee benefits and working conditions agreed upon. It also covers employees' disciplinary process and incorporates the rights of employees to due process, hearings, and consultation with legal counsel and union representatives.



Grievances related to CBA matters are therefore first coursed through the concerned employee’s union, then escalated to Management and the respective union’s Grievance Committee for due process.

There are three stages under the company’s grievance handling mechanisms, which are as follows:

1. Stage one - Plant-Level Hearing where the employee, or through the concerned employee’s Union, files the complaint to the Line Head/Line Executive. If the matter is not resolved, written documentation to the effect must be made and signed by the line head, the employee, and the employee’s union.
2. Stage two – The matter is elevated to the Joint Management and Union Grievance Committee for resolution. The Committee is composed of three representatives from management and three representatives from the union.
3. Stage three – If the case is not resolved at the second stage, the parties may opt to refer the matter to the Board of Arbitrators at the National Conciliation and Mediation Board of the Department of Labor and Employment.

### **Risks and Management Approach**

We work to maintain a constructive and healthy relationship with our employees and unions, making sure to seek out and hear concerns and address them in a timely and fair manner. The Labor Relations team conducts regular ugnayan session, an informal dialogue with unions where all issues and concerns are discussed without the rigors of the formal grievance machinery. In this way, we increase the possibility that grievances are resolved.

### **Opportunities and Management Approach**

We cultivate a healthy relationship with unions, and this entails having an open and transparent communication channel for our stakeholders. Maximizing every opportunity to listen and hear about people’s needs and foster discussions on all levels helps to address current and potential problems in the workplace. As we seek to provide the best workplace for our people, this approach underlines our belief that our employees are our partners for sustainable growth.

### **Diversity and Equal Opportunity**

The following table shows a summary of employee diversity and equal opportunity information conducted for the reporting year ended December 31, 2022:

	<b>% / Quantity</b>
<b>% of female workers in the workforce</b>	
1. Fixed	28.12%
2. Wireless	47.63%
<b>% of male workers in the workforce</b>	
1. Fixed	71.88%
2. Wireless	52.37%
<b>Number of employees from indigenous communities and/or vulnerable sector*</b>	<b>503</b>

\*Single parents

We strive to provide our people with a work environment that is characterized by openness, trust, and respect. This is reflected in our non-discrimination policy, which ensures that hiring and promotions are based on merit and job fit, with no regard for gender, age, race, education, religion,

political views, or any other aspect that has no bearing on the performance of the role. Rather, we hire based on the ability to perform the role, and function, following the principles of Pay for Position, Pay for Performance, and Pay for Person.

We believe that the organization needs to attract and retain an employee base that is reflective of the diversity of the communities in which we operate. A diverse and inclusive workforce allows the company to deliver better employee and customer experiences and generate more innovative and creative ideas and solutions to benefit our customers.

In 2022, we joined the Philippine Business & Disability Network (PBDN) which is a local platform for learning, collaboration, and support for disability inclusion advocates, from the private sector. PBDN is the local chapter of the Global Business and Disability Network (GBDN) supported by the International Labor Organization (ILO).

In celebration of the United Nations' International Day of Persons with Disabilities, a series of webinars that aim to better understand disability, support employees with disability, alter our mindsets on the truths and myths about disability, and create a barrier-free environment was conducted that include discussion on disability sensitization and inclusive workplace.

PLDT and Smart are the first two Philippine telcos that signed up as members of the Philippine Business Coalition for Women Empowerment (PBCWE). We have also put in place a Diversity and Inclusion policy, adopted non-discriminatory and equal opportunity practices in the company, along with expanded maternity leaves and special benefits for women. PLDT and Smart have also been supportive of social impact tech startup Connected Women, particularly in their Elevate Artificial Intelligence Data Annotation (AIDA) program.

## Item 7. Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

The following table shows a summary of information on occupational health and safety for the reporting year ended December 31, 2022:

	Quantity
Safe man-hours	
1. Fixed	1,524,979 manhours
2. Wireless	8,262,432 manhours
Number of work-related injuries	
3. Fixed	40
4. Wireless	5
Number of work-related fatalities	-
Number of work-related ill-health	-
Number of safety drills	4

### Impacts and Management Approach

For the PLDT Group, people's health and safety will always be a top priority. With our continued services being essential for the initiatives that protect and aid people in times of crisis or disasters, just as crucial consideration is the welfare of our people who deliver these services, whether on the frontline or back office. We do our utmost to protect our people and keep them safe and healthy.

Embodied in our Occupational Safety, Health, and Environmental Policy is our commitment to the highest standards in occupational safety, health, and environmental performance to ensure the protection of workers and the community and the sustainable development of society. This policy seeks to address and meet the legal and other regulatory requirements set by the Occupational Safety and Health Standards and the Department of Labor.

To complement the comprehensive occupational safety, health, and environmental management system implemented in 2021, we are in the process of ISO certification on Integration Management System (IMS) covering Quality, Environmental, Health and Safety Management System (QEHSMS). This certification will allow us to align with global standards on managing the occupational accident risks, enhancing safety measures in the workplace, and improving the health and safety of our employees, among others.

Our comprehensive COVID-19 awareness and vaccination programs have enabled our employees to adapt to the "new normal" and we continued to administer vaccine booster up to the 1<sup>st</sup> quarter of 2022. We also launched the PLDT health care portal app as part of our patient management system. The app allows employees to initiate a consultation appointment that directly connects them to general physicians or specialists according to their needs. The consultation could either be face-to-face or online and both the employee and the medical team can monitor the progress and update of every visits or consultations made.

### Labor Laws and Human Rights

The following table shows a summary of information on labor laws and human rights for the reporting year ended December 31, 2022:

	<b>Quantity</b>
Number of legal actions or employee grievances involving forced or child labor	0

We comply with labor laws on forced labor, child labor, and human rights, standing with the government in its goal to protect workers' rights and promote employee welfare. We firmly believe in the principle of human rights and we promote strict compliance with labor and environmental standards set forth by laws and governmental rules and regulations, as well as internationally recognized principles on labor and human rights.

We promulgate clear policies that support government regulations on labor and human rights in the workplace such as the Labor Code, the Protection against Child Abuse, Exploitation, Discrimination, and the General Labor Standards (GLS). Our People Group diligently monitors and checks for compliance with these regulations.

We also have a Human Resources Manual that articulates our labor rights protection policies and grievance mechanisms. This is supported by a general grievance handling policy that prescribes mechanisms for managing labor rights concerns while a Committee on Workplace Decorum and Investigation resolves gender-based sexual harassment cases. Employees are also allowed to resign subject to compliance with the notice period. As part of our policy, we have placed minimum age requirements for employment to address child labor concerns.

### **Supply Chain Management**

To ensure that contracts are awarded only to qualified suppliers who offer the best value for money, we have a supplier accreditation policy that considers the following sustainability topics which can be found in our supplier / contractor relations policy. The gist of the policy can be found [here](#)

- I. Environmental performance
- II. Forced labor
- III. Child labor
- IV. Human rights
- V. Bribery and corruption

### **Impact and Management Approach**

The PLDT Group's business operations utilize a supply chain network for the large volume and variety of requirements. It is big enough that the company's policies and quality standards have an impact on vendors and are able to influence how they do business.

Our Procurement Policy and Supply Chain Management processes that follow our overarching sustainability strategy are aimed at modeling procurement best practices that integrate environmental and social responsibility into day-to-day operations and influence suppliers to do the same. The policies cover important aspects, including respect for human rights, fair labor practices, environmental protection, and anti-corruption.

Our Procurement Group manages the development and implementation of strategies involving supply chain planning and procurement management within the categories of our spend and logistics. They are in charge of:

- a. Developing and communicating sourcing strategies and directions to create synergies that would enhance efficiencies and maximize total cost of ownership savings in the delivery of supply chain and procurement services resulting to value realization

- b. Collaborating with our business units to identify requirements, specifications and forecast, participating in annual budgeting process, and providing inputs from a supply chain category perspective based on planned sourcing initiatives
- c. Ensuring implementation of supply chain solutions and strategies within the area of procurement operations, supply chain planning, and supply chain performance and risk management, and;
- d. Collaborating with suppliers and managing supplier relationships to acquire resources that best fit the business requirements at the most reasonable price.

### **Risks and Management Approach**

Choosing which suppliers to partner with is considered an important decision because of the need to ensure that they share the company's values and have the capability to consistently deliver high-quality products that will protect our brand reputation and track record. The risk posed by non-compliant vendors goes beyond financial cost as they can damage relationships with stakeholders.

To manage such risks, suppliers undergo an accreditation process and competitive bidding before they engage in any activity with the company. Criteria for accreditation also include compliance with applicable laws on industrial relations, environment, health, and safety. This ensures that contracts are awarded only to qualified and duly accredited suppliers and suppliers who offer the best value and fit our requirements.

We have a Supplier-Contractor Relations Policy that clearly states our commitment to equal opportunity and honest treatment of suppliers in all business transactions, as well as direct company personnel to disclose any irregular and unethical conduct of suppliers. Augmenting this is our Anti-Corruption policy and a Code of Ethics which help create an overall culture of good governance.

Other than financial and technical capabilities, we encourage suppliers and vendors to manage their sustainability impacts, which comprise economic, social, and environmental aspects. We enhanced the Procurement contract by adding an annex specific to sustainability principles (Sustainable Development Goals) for Suppliers. The Supplier Conformance has been updated to include EHS-related audits and is now required to be signed by the supplier.

In case of negative incidents identified in the Supply Chain, suppliers will be informed of the findings and the corrective action needed to address the situation.

### **Opportunities and Management Approach**

The goal is to maintain mutually beneficial relationships with like-minded suppliers that uphold our core values of fairness, accountability, integrity, and transparency in their businesses. We are working on an updated of the Procurement Policy to expand the section on Health, Safety, and Environment. We also plan to develop further credible sustainability assessments that hopefully will encourage suppliers and vendors to offer us more innovative, affordable, and eco-friendly products and services.

## Relationship with community

### Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Cell sites and fiber rollout in ancestral domains	Banay-Banay in Davao Oriental; Mt. Mayapay, Kidapawan City in North Cotabato; Bonbon in Butuan City; Brgy. Inagawan and Brgy. Babuyan in Puerto Princesa City; Brgy. Cugman and Brgy. Manticao in Cagayan de Oro City; Mahatao, Ivana, Itbayat, Sabtang, Uyugan in Batanes; Don Victoriano Chiongbian & Concepcion in Misamis Occidental.	Indigenous Communities	Y	Presence of company facilities on their sacred grounds/ancestral domain	Community dialogues; securing Free, Prior and Informed Consent; addressing the needs of the IP community in areas where we operate

\* Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certificate Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available.

<b>Certificates</b>	<b>Quantity</b>
FPIC process is still undergoing	3
CP secured	0

### **Identified Risk/s and our Management Approach**

The nature of our business necessitates maintaining operations in many parts of the country and engaging with the communities and local government units where we locate our facilities. It is important for us to open engagement channels that help build community relations and establish trust for our goals and objectives in coming into their areas. Some of those areas are home to Indigenous Peoples (IP). Misgivings from the community and the local agencies may hamper project plans and result in delays in launching improvements and new services.

As signatories to the UNGC, our commitment to the protection of internationally proclaimed human rights is something that we have taken a public stand on. We value inclusivity and recognize the need for positive action toward ensuring every voice is heard and our responsibility to ensure fair treatment for all whom we engage with.

We, therefore, make it a point to regularly communicate and inform concerned communities of decisions and actions that impact them. This is done through consultations with the community during the project preparations stage and in the case of IPs, through free, prior, informed consent (FPIC), leading to the issuance of a Certificate Precondition (CP). We currently have 3 ongoing FPIC consultations for cell sites to be located in ancestral domains.

### **Identified Opportunities and our Management Approach**

Every occasion to build relationships with our communities is also an opportunity to evangelize the benefits of technology and digital innovation in enabling education, livelihood, and economic freedom to more families all over the country. The benefits of progress and development should also be enjoyed by vulnerable groups such as indigenous peoples.

As part of compliance as well as our commitment to sustainability, our units that engage directly with communities and local government units follow a systematic social and environmental framework. We have also crafted guidance specific to IP engagement that helps them identify actionable, long-term, and sustainable initiatives to be integrated into our business processes, ensuring we are able to create shared value between our business and the community.

In every instance, stakeholder engagements are guided by the principles of openness and transparency. Even small projects with minimal impact on the surrounding population call for a communication campaign. Meanwhile, larger projects with greater degrees of complexity and wide-ranging impacts on multiple stakeholder groups adopt a more strategic approach in order to effectively manage the process.

Community initiatives could be in the form of mangrove reforestation, school supplies donations, and classroom donations. It also comes in the form of aid during times of crisis or natural calamities, as the company has been a consistently reliable neighbor who immediately provides free calls and free charging services during disasters. We use our business offices and cell sites as charging and

calling stations. We also allow the use of some of our facilities as temporary evacuation centers for affected local residents.

## Customer Management

### Customer Loyalty

	NPS	Did a third party conduct the customer loyalty study (Y/N)
Customer Loyalty		
1.Fixed		
Fiber	56	Y
DSL	57	Y
2.Wireless		
Smart Prepaid	65	Y
TNT	71	Y
Smart Signature	67	Y
Smart Bro	54	Y

Customer Loyalty drives our business. Loyal, passionate customers stay longer, spend more, highly recommend, and provide positive words about the company to their friends and colleagues. This generates a stronger relationship with our customers, which is essential to meeting our overall business goals. Less loyal customers affect brand equity and sales, ultimately hurting our bottom line. This in turn demotivates our employees, suppliers, partners, customers, and shareholders.

Net Promoter Score (NPs) is a global measure of customer loyalty. NPS provides a segmentation of customers into Promoters, Passives, and Detractors. Promoters represent the more enthusiastic, and loyal customers. In 2022, we used relational NPS to gauge the quality of relationship we have with our customers. Relational NPS covers all facets of the brands' service including disposition and perception, among others.

We commissioned an independent, third-party company who is a global leader in audience measurement, data, and analytics to facilitate the NPS research. Their conduct of the survey made no mention of the commissioning client, ensuring non-posturing and unbiased responses. Hence, the results obtained are truthful, objective, unbiased, and purely from customer experience. To maintain aligned and comparable results across businesses, the same methodology was employed for both Fixed and Wireless in 2022, making the results the first read for HOME.

Generally, we have a good relationship with our customers, driven by high proportion of Promoters, who are more likely to recommend the brand to their family, friends, and colleagues. These positive Net Promoter Scores can be broadly attributed to the signal quality, value for money, or affordability of our products and services as well as brand image and reputation. Meanwhile, areas that we need to focus more on are accessibility and efficiency of customer service channels as well as overall retail store experience, which even prepaid subscribers also give value to.

Our Fixed brand's strengths are availability and variety of payment channels. However, service repair quality including the speed and efficiency in responding to customer concerns remains a common area for improvement across brands.



## Health and Safety

	Quantity
Number of substantiated complaints on product or service health and safety*	3
Number of complaints addressed	3

\* *Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged at and acted upon by government agencies.*

As an organization that places customers at the center of what we do, we recognize the responsibility of ensuring that the products and services we provide to them are safe to use. From our infrastructure and facilities to the devices and peripherals, appropriate tests and research are done to ensure the design, materials, and labeling comply with standards and requisite health and safety requirements.

New technologies and products would typically engender questions not only about their usefulness and utility but also about potential as yet unidentified risks to people's health and safety. As a responsible business enterprise, we take pains to conduct due diligence on our customers' behalf such that we are able to speak to those concerns with credibility. An example would be public fears about exposure to electromagnetic radiation (EMR) from telecom antennas and phone devices. Institutions such as the World Health Organization (WHO) have conducted research on the issues and the WHO has issued statements to allay those fears. We, therefore, share the WHO position and continue to educate the public about facts on emissions and health effects via community discussions, position papers, and workshops.

As the industry moves towards fifth-generation wireless technology (5G), we see an opportunity to help educate the public with available and reliable research conducted on radio frequency emissions and address concerns about its impacts on people's health. We also intend to cooperate and work closely with regulatory authorities for any research to be done on this area that would ensure high-quality and safe telecom services for the public.

## Marketing and Labeling

	Quantity
Number of substantiated complaints on marketing and labeling*	0
Number of complaints addressed	N/A

\* *Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies*

## Potential Impact, our Involvement in the Impact, and our Management Approach

Our marketing efforts target potential and existing customers. Product labels, likewise, have been designed with the customers in mind. The accuracy, clarity, and completeness of the information communicated through these materials affect how our customers will experience our products and services.

Our marketing teams that are involved in the preparation and production of these materials are responsible for ensuring that the branding messages and labeling for our products and services are clear and compliant with the guidelines set by the Department of Trade and Industry (DTI) and the National Telecommunications Commission (NTC).

Meanwhile, the product certification mark scheme implemented by the Bureau of Philippine Standards (BPS) allows the public to effectively verify the conformity of products to PNS and other international standards. The BPS evaluates critical consumer products such as chemicals, electrical and electronic products, as well as mechanical, construction, and building materials. Products manufactured locally must bear a Philippine Standard (PS) mark, while imported products must bear Import Commodity Clearance (ICC) certification marks issued upon inspection by BPS. We ensure that every product connected with our brands bears the required certification marks, so customers are guaranteed authenticity and the legitimacy of label claims.

**Identified Risk/s and our Management Approach**

Brands today have to be vigilant against misinformation and counterfeit products that seek to illegally profit from the reputation of legitimate enterprises. It is important, therefore, that companies offer a variety of convenient channels for the public to report such activities or lodge complaints about any misinformation that reaches them.

We provide different channels for customers to contact us and report complaints, opinions, or suggestions to improve our products and services. They can contact the hotlines, send an email, or visit the stores where company representatives are able to respond and address their concerns. Customers may also file complaints with the NTC or DTI who then endorse such concerns to the company’s Customer Care or Legal Group for handling.

We utilize every channel available to us to provide consumers with factual, timely, and comprehensive information on our products and services. We fight misinformation by ensuring our communications are clear, understandable, and consistent in support of our drive to ensure the quality of experience for our customers.

**Identified Opportunities and our Management Approach**

As we focus on providing excellent customer experience, we work to ensure that customers have complete and convenient access to information on our products and services as well as a menu of price point options to choose from.

We pursue continuous improvement by evaluating customer experience during pre-sales activities and ensuring we avoid unrealistic customer expectations resulting from incomplete information. We will be looking closely at underlying systemic and root causes in order to address and resolve issues satisfactorily from the perspective of the consumer.

**Customer Privacy**

	<b>Quantity</b>
Number of substantiated complaints on customer privacy*	222
Fixed	189
Wireless	33
Number of complaints addressed	222
Fixed	189
Wireless	33
Number of customers, users, and account holders whose information is used for secondary purposes	~7.1 million

\* Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

We are committed to providing our customers with the highest level of cybersecurity and Data Privacy in the face of heightened security risks brought about by the accelerated digital transformation ongoing in almost all industries.

In 2022, the onslaught of online and SMS scams continued. Immediate actions were done to counter scammers' capability to send out deceitful phishing SMS. We also took down identified URLs used by scammers and heightened our public information campaign to educate the public on the various modus operandi being used to trick people into giving money or providing personal information. The results of our investigations have been shared with regulators.

Our Board has also created a Data Privacy and Information Security (DPIS) Committee to support the measures laid out in operations. The first of its kind among publicly-listed companies in the Philippines, the DPIS Committee discussed the emerging risks in privacy and information security as well as the trends in regulatory approaches and global best practices in addressing those risks. The Chief Information Security Officer (CISO) and Chief Data Privacy Officer (CDPO) also kept the Committee abreast of key privacy and security breaches across the globe that had an impact on the Philippines and the company. The Committee, on the other hand, provided strategic guidance to the CISO and CDPO.

### **Risks and Management Approach**

PLDT has adopted a Personal Data Privacy Policy (PDPP), which serves as the anchor of its compliance with Privacy Laws. Under the PDPP, PLDT has adopted a Privacy Management Program and a Privacy Manual. These are both regulatory requirements.

Aside from these, we have set the following standards: Personal Data Privacy Risk Management Standards, Data Privacy Compliance Management Standards, and Breach Management Standards, all of which are subject to an annual review. These are also updated when such an update is required by a new law or regulatory issuance that has an impact on privacy and data protection.

To further ensure the effective implementation of PLDT's Privacy Policy, we have an annual e-learning program that deals with Data Privacy. Upon completion of the e-learning, employees are required to submit a Declaration of Compliance attesting to their commitment to comply with our company's privacy policies and standards.

All products, services, and projects that involve the processing of personal data are required to undergo a Privacy Impact Assessment prior to launch. This process is bookended by a privacy compliance audit that is also regularly done across lines of business.

Finally, we have adopted a stringent disciplinary process for erring employees who fail to comply with Privacy Laws and PLDT's privacy policies and standards.

### **Identified Opportunities and our Management Approach**

PLDT has guidelines on the handling of the personal data of minors. Where personal data of minors will be collected, the details thereof are set out in the privacy notices for each applicable product or service. In cases where the processing of the personal data of minors is based on consent, the consent of the parents or legal guardians is obtained. Moreover, the privacy impact assessments provide for privacy risk treatment in cases where the processing of the personal data of minors poses higher privacy risks.

## Data Security

	Quantity
Number of breaches, including leaks, thefts and losses of data	5
Fixed	4
Wireless	1

### Impacts and Management Approach

The digital revolution continues to change the way people now live and work. We recognize, however, that together with the benefits and opportunities that technological progress has brought, the connectivity also attracted data security attacks from unscrupulous groups. Data leaks and security breaches, whether unintentional or targeted, place customers and employees at risk. Securing business data will therefore always be a high priority for us.

For the safety of business owners switching to remote working arrangements, we have reinforced the cybersecurity of business operations and strengthened enterprise-wide IT management. The amount invested in cyber security as of 2022 exceeded P3 billion. Regularly, we simulate cyber attacks and breaches on several attack entry points and segments. We also perform a Cyber War Crisis Simulation, identifying several attacking scenarios and many crucial aspects of our system. This allows us to alert our enterprise subscribers to attacks and risky activity taking place within their network.

The investments have strengthened our predictive, detective, and responsive capabilities. We have the predictive capability wherein threats are anticipated by our cyber threat intelligence operations and cyber threat hunting operations long before it is launched against us. This strengthens our preventive capability and prepares us for an actual attack and that also improves our detective capability even before the threats enter our environment. These three interconnected capabilities allowed us to prevent IT systems from being interrupted from cyberattacks for several years.

On the reaction side, we have the cyber security incident response process led by our Cyber Security Incident Response Team (CSIRT) who work together with various asset owners such as IT and Network. CSIRT also works closely with other business units like Legal for possible legal complaints, Privacy Office for possible personal identifiable information breach and the Group Corporate Communications in case there is a need to communicate internally and externally regarding an incident.

To ensure a safe network for all our users, we will continue to actively participate in discussions to strengthen the country's cybercrime response and to ensure a future-proof, reliable, and resilient network. Furthermore, the Corporate Information Security Policy (CISP) ensures execution of the strategy roadmap and implementation of the necessary controls to protect our company's information assets and compliance with all applicable legal and regulatory requirements not just by the CSOG group but by every single employee, third-party vendors, and suppliers.

The CISP ensures that everyone in the organization is complying to the best practices implemented within the organization. The CSOG policies and standards are updated and issued annually including the Cyber Security Classification of Violations and Table of Penalties. Standards pertaining to the effective and proper way of enacting cybersecurity policies include but are not limited to those for access management, data sharing, external party security management, information security compliance, information security incident management, and patch and vulnerability management.

## **Risks and Management Approach**

The country saw a wide range of cyberattacks throughout the year, targeting stakeholders of public and private organizations, and even everyday consumers through mobile devices and social media platforms. Our cybersecurity team counters these with preventive security measures and seeks help from in-house data security experts, when necessary. As of December 2022, PLDT's cybersecurity infrastructure investments have enabled the Company to amass more than 123.9 million Indicators of Compromise (IOC) in its threat intelligence database, making it possible to thwart over 346 million cyberattacks and data breaches, as well as block 17.3 billion attempts to open malicious domains.

Our cybersecurity teams also conduct regular drills such as the Cyber War Crisis Simulation wherein they identify different types of sophisticated attacks as well as our existing controls and processes and assess if these controls and processes can be retained or must be improved.

We are also subject to the requirements under the Sarbanes-Oxley Act which requires executives and auditors to maintain controls with regard to unauthorized access to data. Constant reminders, cascades, and mandatory e-learning on data privacy and security are also given to all employees to prevent data security misconduct and create a data privacy culture in the workplace.

With these, we can report no cyber security incidents with significant impact. As we provide critical public service, we receive thousands of cyberattacks on a daily basis - from the application, network, OS, email, and workstation layers. While there have been incidents related to cybersecurity, the company has not yet experienced an incident serious enough to have a significant impact on the financial, strategy, business operations, legal and compliance risks.

## **Opportunities and Management Approach**

Cybercrime is a growing threat that affects organizations, businesses, and individuals around the world. In support of the Asian Institute of Management's efforts to help organizations holistically manage cyber threats through its Cybersecurity Executive Course, PLDT's in-house experts participated and discussed themes ranging from cyber laws, policies, standards, and ethics; cyber-attack techniques, tools, and tactics to cybersecurity strategy design.

We also took the opportunity to strengthen online safety culture for vulnerable stakeholders such as children by working with organizations such as UNICEF, International Justice Mission (IJM), Internet Watch Foundation (IWF), Google, Microsoft, University of the Philippines Open University, Kids for Kids, Youth for Mental Health Coalition, Mindanao Gold Star Daily, InnoPub Media, and Tech Sabado. Through our CyberSmart online caravan, we worked to raise a generation of cyber warriors who can identify online threats and practice cybersecurity every day.

In its third year, the program also enlists the help of our in-house experts on data privacy and cybersecurity to cascade important tools in ensuring that privacy and personal data are protected as well as how to address home network vulnerabilities. The caravan also features modules on safe web browsing, cloud storage, and securing your remote learning and working stations.

By joining forces through Microsoft's Cyber Threat Intelligence Program (CTIP), in 2022, we declared a strategic partnership with the intention of enhancing the nation's digital borders and infrastructure security against cyber threats. The Digital Crimes Unit (DCU), an international team of technical, legal, and business experts established in 2008 to combat cybercrime on a global scale, is the main driver behind Microsoft's Cyber Threat Intelligence Program. Using its expertise and distinctive insight into digital criminal networks, it unveils the evidence that is utilized to refer criminal referrals

to law enforcement organizations around the world. The collaboration with Microsoft is anticipated to further strengthen our cybersecurity capabilities in thwarting and minimizing online threats and attacks.

We can expect that as data and technology continue to evolve, rules and regulations governing this area will also evolve to address risks that may emerge. Continued collaboration among industry players, government agencies, and law makers will ensure that the country and its citizens will be protected through a strong and secure network that safeguards their data privacy.

**PART IV - UN SUSTAINABLE DEVELOPMENT GOALS**

**Item 8. Product or Service Contribution to UN SDGs**

Key products and services and their contributions to sustainable development

Key Products and Services	Societal Value /Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<b>Flagship Products</b>			
PLDT Home	<p>As PLDT’s wired consumer business unit, PLDT Home offers a suite of digital services and solutions to enable Filipino households to stay connected and enjoy ease of access to information, education, lifestyle and entertainment content, and livelihood opportunities in the comfort of their homes.</p> <p>Through these, PLDT Home enables and contributes to SDGs 1, 4, 5, 8, 9, 10, 11, 12, 13, and 17.</p>	<p>Access to digital connectivity and online platforms may expose vulnerable users to various harms, abuses, cyber-attacks, and harmful content. Customers may also be preyed upon by unscrupulous actors and cyber criminals.</p> <p>The physical rollout and operations of network facilities across the country, including those undersea, may generate potential risks and negative impact on natural resources and ecological systems.</p>	<p>PLDT invested on various Cyber Security and Child Protection solutions and embedded these into its digital infrastructure and customer experience. The Company also actively implements customer education programs on Internet safety and child online protection.</p> <p>PLDT follows internal protocols and mechanisms on environmental management to ensure compliance with relevant laws and regulations for environmental protection and conservation. It also continuously engages stakeholders and pursues industry and academe alliances to strengthen risk management measures and proactively identify areas of positive value creation for the environment.</p>
PLDT Enterprise	PLDT Enterprise provides connectivity and digital solutions to enterprises, national government agencies and local government units, and	Access to digital connectivity and online platforms may expose vulnerable users to various harms, abuses, cyber-attacks, and	PLDT invested on various Cyber Security and Child Protection solutions and embedded these into its digital infrastructure

Key Products and Services	Societal Value /Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	<p>other private sector organizations and entities.</p> <p>PLDT Enterprise solutions thus enable digital transformation and industrial development across sectors and essentially support the backbone of the Philippine economy. Commercial initiatives and community investments contribute to SDGs 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 16, and 17.</p>	<p>harmful content. Customers may also be preyed upon by unscrupulous actors and cyber criminals.</p> <p>The physical rollout and operations of network facilities across the country, including those undersea, may generate potential risks and negative impact on natural resources and ecological systems.</p> <p>Without sufficient resource optimization measures, data centers require intensive power requirements and correspondingly generate a significant stream of greenhouse gas emissions.</p>	<p>and customer experience. The Company also actively implements customer education programs on Internet safety and child online protection.</p> <p>PLDT follows internal protocols and mechanisms on environmental management to ensure compliance with relevant laws and regulations for environmental protection and conservation. It also continuously engages stakeholders and pursues industry and academe alliances to strengthen risk management measures and proactively identify areas of positive value creation for the environment.</p> <p>PLDT continues to pursue energy efficiency and resource optimization initiatives that minimize emissions and manage their impact to environment. The Company also continues to explore new technologies that address both the intensive requirements of its data centers on high processing speed and energy efficiency.</p>



Key Products and Services	Societal Value /Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
International Carrier Business Group	<p>PLDT provides communications infrastructure and platforms to a global network of carriers, enterprise customers, and distribution partners to enable them to form international linkages and penetrate into various markets worldwide.</p> <p>International Carrier Business Group services contribute to SDGs 1,2,3, 4, 5, 8, 9, 10, 11, 12, 13, 16, and 17.</p>	<p>Access to digital connectivity and online platforms may expose vulnerable users to various harms, abuses, cyber-attacks, and harmful content. Customers may also be preyed upon by unscrupulous actors and cyber criminals.</p>	<p>PLDT invested on various Cyber Security and Child Protection solutions and embedded these into its digital infrastructure and customer experience across connected platforms and networks.</p>
ePLDT	<p>ePLDT delivers digital business solutions that include cloud services, cyber security, data center facilities, and managed IT services. These solutions enable connectivity, productivity, safety, and business continuity of various industries and organizations.</p> <p>ePLDT's operations contribute to SDGs 1,3,4, 5, 8, 9, 10, 11,12,13,16, and 17.</p>	<p>The digital revolution has spawned the growth and proliferation of cybercriminals who actively look for and exploit weaknesses in the digital presence of enterprises and organizations, resulting to potential breaches, reputational damages, and financial losses among enterprises and people.</p> <p>Without sufficient resource optimization measures, data centers require intensive power requirements and correspondingly generate a significant stream of greenhouse gas emissions.</p>	<p>PLDT and ePLDT have made significant investments to build a robust strategy, infrastructure, and capacity for cyber security. These have allowed the Group to keep its services secure and protect its customers from cyber crimes and security breaches.</p> <p>PLDT and ePLDT continue to pursue energy efficiency and resource optimization initiatives that minimize emissions and manage their impact to environment. The Group also continues to explore new technologies that address both the intensive requirements of its data centers on high processing speed and energy efficiency.</p>

<b>Key Products and Services</b>	<b>Societal Value /Contribution to UN SDGs</b>	<b>Potential Negative Impact of Contribution</b>	<b>Management Approach to Negative Impact</b>
Smart	<p>We support the country’s growing digital economy, as well as provide the best customer experience for an increasingly digital Filipino lifestyle.</p> <p>Smart is aligned with SDGs 1, 4, 5, 8, 9, 10, 11, 12, 13</p>	<p>Access to digital connectivity and online platforms may expose vulnerable users to various harms, abuses, cyber-attacks, and harmful content. Customers may also be preyed upon by unscrupulous actors and cyber criminals.</p> <p>The physical rollout and operations of network facilities across the country, including those undersea, may generate potential risks and negative impact on natural resources and ecological systems.</p>	<p>Smart invested on various Cyber Security and Child Protection solutions and embedded these into its digital infrastructure and customer experience. The Company also actively implements customer education programs on Internet safety and child online protection.</p> <p>Smart follows internal protocols and mechanisms on environmental management to ensure compliance with relevant laws and regulations for environmental protection and conservation. It also continuously engages stakeholders and pursues industry and academe alliances to strengthen risk management measures and proactively identify areas of positive value creation for the environment.</p>

## **COVID-19 Response**

***SDG 1: No Poverty; SDG 3: Good Health and Well-Being***

***SDG 8: Good Jobs and Economic Growth; SDG 9: Industry, Innovation and Infrastructure***

We continue to step up on our efforts to keep our stakeholders – customers, partners, government agencies, responders, and frontliners - connected. Amid the pandemic, our services help Filipinos keep in touch, stay informed, protected, and productive, whether they are at home, at work, or at the frontlines.

For employees, COVID-related medical benefits such as medicines, vaccination, testing, quarantine facilities, and quarantine leaves have been added to their standard compensation packages. For customers, online care channels have been reinforced to enable them to perform transactions in the comfort and safety of their homes.

To help communities achieve herd immunity, we continued to donate COVID-19 vaccines to local government units. We have also pledged support to the RiceAid Program of the PBSP to help affected communities and families cope with the challenges of the pandemic. Aimed at providing 10-kilogram packs of rice to vulnerable communities, the program targeted 6,000 family beneficiaries in Metro Manila, Bulacan, Cavite, Rizal, and Laguna. Five hundred bicycles were also distributed as part of the MVP Group's "Bike for Livelihood" program to help affected workers nationwide keep their jobs amid the pandemic.

## **Environmental Efforts**

***SDG 13: Climate Action***

***SDG 14: Life Below Water***

***SDG 15: Life on Land***

Despite challenges amid the pandemic, we have continued to champion environment stewardship and biodiversity through the following initiatives:

1. **Marine Protected Area (MPA) Adoption.** We have signed an agreement with the University of the Philippines Marine Science Institute (UP MSI) and the Marine Environment and Resources Foundation (MERF) to conduct research activities on carbon sequestration in coastal ecosystems for marine protection. In 2021, the foundational research components have been completed, providing the necessary technical information to support the conservation, management, and restoration of 17 MPAs.
2. **Peatlands Protection.** We have maintained our partnership program with the DENR-BMB to protect, restore, and conserve the Caimpugan Peatland inside the Agusan Marsh Wildlife Sanctuary (AMWS). The Caimpugan Peatland is a wetland of international importance under the Ramsar Convention. Earlier in 2021, we have turned over drones, tablets, and other digital communication tools to the AMWS Protected Area Management Office aimed at promoting environmental stewardship and helping protect peatlands.
3. **Connected Mangroves.** We have signed a Memorandum of Agreement (MOA) with Ericsson, the DENR, and the local government of Sasmuan, Pampanga to leverage the use of technology and advanced machine learning solutions to support the environmental sustainability of the Sasmuan Bangkung Malapad Critical Habitat and Ecotourism Area (SBMCHEA). The area has been recently declared by the DENR as a protected area and by RAMSAR as a "Wetland of International Importance."

4. Rainforest Connection. We have collaborated with the DENR, Huawei Technologies Philippines and Rainforest Connection to pilot test an Internet of Things solution that taps mobile technology to detect and record rainforest sounds that can help prevent illegal logging and poaching activities in the country's rainforests. The solution has been successfully deployed in five DENR-designated areas in Palawan and we are set to expand in additional areas in Northern Luzon.

## **Corporate Citizenship**

***SDG 1: No Poverty***

***SDG 2: Zero Hunger***

***SDG 3: Good Health and Wellbeing***

***SDG 4: Quality Education***

***SDG 8: Decent Jobs and Economic Growth***

***SDG 9: Industry, Innovation, and Infrastructure***

***SDG 11: Sustainable Cities and Communities***

***SDG 16: Peace, Justice, and Strong Institutions***

***SDG 17: Partnership for the Goals***

We leverage on our leading technology infrastructure and widest network reach to implement shared value programs that drive business competitiveness and sustainability, while addressing economic and social concerns of stakeholders in communities where we operate.

Our Corporate Citizenship strategy advances the Connection, Concern, and Commitment pillars of our Sustainability roadmap through the promotion of digital inclusion, the optimized application of technology as an enabler of development and transformation, and collaboration with partners to generate collective impact particularly in the areas of education, digital wellness, disaster resilience, education, livelihood, and food security.

## **Disaster Resilience**

Our enabling technology and infrastructure are vital in ensuring the continuous functioning of communities before, during, and after disasters. As the Philippines get regularly hit by typhoons, volcanic eruptions, and various disasters, it is imperative for us to promote disaster resilience solutions and promote a culture of preparedness within its workforce and in communities where it operates.

In 2022, the following are our key initiatives and impact in line with Disaster Resilience:

- Distributed around 3,000 packs of relief aid to Barangays Babuyan, Lucbuan, Manalo, Maoyon, Maruyugon, and Salvacion in Puerto Princesa City. Many of these barangays are homes to the indigenous communities of the Tagbanuas.
- Donated 3,000 packs to assist communities affected by the Omicron surge in Luzon and NCR.
- Provided relief donation to 760 families affected by fire in Cavite City
- Deployed Libreng Tawag, Libreng Charging, and Libreng WiFi in evacuation centers in Batangas housing more than 1,000 local residents during Alert 3 due to Taal Volcano.
- With the PLDT-Smart Foundation, we have set up 6 Libreng Tawag and Charging stations and turned over 2,000 relief packs and vitamins to displaced families. As part of the Mount Bulusan Eruption Relief and Response Operations, 2,549 food packs and drinking water and

10,000 vitamins and N95 masks were also turned over. Furthermore, 4 Libreng Tawag, WiFi, and Charging stations were also set up.

- As part of the Typhoon Karding Communication and Relief aid, 30 Libreng Tawag, WiFi, and Charging stations were set up and 5,000 relief packs were distributed.
- For the North Luzon earthquake response 10 Libreng Tawag, WiFi, and Charging stations were set up, 300 food packs were turned over and 300 sunshade sets were provided.
- Our PLDT and Smart's #SafePH caravan has trained 2,474 participants through 40 participating schools and 18 local government units.
- 7 Ligtas kits were turned over to the disaster risk reduction offices of Bantayan, Madridejos, and Santa Fe in Bantayan Island Cebu, Cagayan de Oro City, the Province of Albay, the Philippine Disaster Resilience Foundation, and the Makati Medical Center Foundation.
- In partnership with the Philippine Disaster Resilience Foundation, we brought the Project Ligtas Emergency Communication Workshop to several municipalities in Visayas and Mindanao. Project Ligtas is an emergency communication workshop that seeks to close the communication gap between the local government units and the private sector through seamless information management and data exchange.

## Education

Our business enables the digital transformation of the education sector, provides digital solutions for private schools and academic institutions, and helps address student needs to learn, access learning platforms and content, remote learning systems, and social connectivity.

As part of our corporate citizenship initiatives, we pursue shared value partnerships in line with quality education through the promotion of technology-enabled access to education resources, capacity-building programs for the academic community, community-based innovations, and inclusive learning solutions.

In 2022, the following are our key initiatives and impact in line with Education:

- Turned over refurbished desktop computers and printers to several partner communities, organizations, and government agencies, including indigenous peoples of Madadma in Kidapawan City, the La Union Provincial Government, among others.
- To date, 102,052 students and 5,069 teachers were reached by the School-in-A-Bag packages after being deployed to schools, including Mansilay National High School in Tagkawan, Quezon, Department of Education (DepEd)-Sarangani, Kidapawan, and Bacolod City, DepEd Central Office, Cabagdalan Elementary School in Balamban, Mahanlud Elementary School in Malabuyoc, DepEd Region 8, and Southern Leyte School Division, among others. 10 computer units and Smart pocket WiFi kits were also turned over to Balayan East Central School in Balayan, Batangas.
- In 2022, 1,184 teachers from the various schools, including DepEd Region VI-Negros Occidental, DepEd Cebu City-ALS, DepEd Region 7, DepEd Batangas City, and Lian, Batangas LGU underwent the CVIF-Dynamic Learning Program (DLP) Workshop. To date, there are 1,090 schools and community learning centers implementing CVIF-DLP.
- For the Smart Prepaid Innovation Generation, there were 377 student participants, 48 faculty participants, 78 participating teams, 29 participating universities and colleges, 16 lectures and workshops conducted, and 83 mentorship sessions.
- In partnership with the Cebu City Progressive Uptown Movement, we gathered 4,000 children from 47 barangays in Cebu City as recipient of #LearnSmart kits.
- We have signed another phase of partnership with the Polytechnic University of the Philippines (PUP) under our Smart Wireless Engineering Education Program (SWEEP), the

first and longest-running industry-academe linkage in the Philippines established in 2003. To date, 701 PUP students and faculty members have undergone trainings, with 24 educators having done immersion in our field offices. The partnership has also opened employment and career opportunities for 684 PUP graduates in PLDT and Smart.

### **Livelihood and Food Security**

As the Philippines' largest fully integrated telecommunications company, we recognize our role in ushering in the national digital economy that could contribute to arresting hunger, alleviating poverty, developing human capital, and spurring economic development among Filipinos. With a keen focus on contributing to enhancing livelihood and food security measures for the country's base sectors, including micro, small, and medium enterprises, and farmers, we promote digital inclusion by leveraging on our enabling technology and industry resource expertise.

In 2022, the following are our key initiatives and impact in line with Livelihood and Food Security:

- To help improve the nutrition of vulnerable children, the Rice Together initiative benefitted three communities, reached 300 families, distributed 4,800 rice packs, donated 9,600 kilograms of rice, engaged 3 key partners, and generated Php 502,095 rice packs sales. Supporting Rice Against Hunger's feeding program, we have turned over 9 metric tons of rice, through the Rice Together initiative, which aimed to help feed over 19,000 families in Manila, Pasig, and Laguna.
- Distributed 3,900 #PlantSmart kits to 138 communities in Metro Manila, including women church volunteers in Muntinlupa City that established community gardens for indigents, communities supported under the Greenhouse Village Urban Farming Community in Quezon City, among others. The initiative also contributed to Bayanga National High School's "Gulayan sa Paaralan" program in Cagayan de Oro. It also boosted the education program of Peace Crops, in support of promoting social farming and agri-enterprise among the indigenous people communities Talakag, Bukidnon. 30 cooperatives from Luzon, Visayas, and Mindanao also received PlantSmart kits.
- The Digital Farmers Program (DFP) conducted 181 trainings to date, with a total of 4,377 farmers, youth, and other stakeholders trained.
- In 2022, Smart and Aboitiz Foundation conducted a training of trainers with nine coops from Luzon and Mindanao to help prepare them in the echo trainings to their own members. The partnership is done through the Smart Coops, which is a digitalization program that aims to empower cooperatives and their members through digital technology and innovations.
- The Buy Local, Buy Smart program enjoins our PLDT and Smart employees, as well as employees of other Pangilinan-led companies, to buy directly from adopted farming communities to help increase the income of small-scale farmers. Through the continuous support of its employees and partners, to date, the Buy Local program has hit the Php 10.5M mark in gross sales generated, benefitting over 5,011 farmers. To date, a total of over Php 2M has been raised as capital for farming inputs for farmers and over 149k kgs of rice have been produced and sold by Filipino farmers. Furthermore, Php 100k worth of low-interest loans were turned over to 20 farmers in General Tinio, Nueva Ecija and over Php 193k total sales generated from MVP Group of Companies.
- Adopting the Japanese farming called 'Bokashi', our PLDT and Smart's 'Feed the Soil' program seeks to promote the use of organic waste as soil inputs. To date, 115 PLDT and Smart employees were engaged for this initiative where 222 Bokashi buckets have been turned over, benefitting 30 farmers and local food growers. 7,500 sqm of farmlands were also treated with Bokashi pre-compost.

- We have engaged our PLDT and Smart employees through the “Box-All-You-Can” (BAYC) event where 250 boxes were sold – of which 67 boxes or 1,139 kgs were purchased by employees; 63 or 1,071 kgs were donated to Solidarity for Orphans and Women (SOW) and Childhope Philippines Foundation, Inc.; 120 boxes or 2,040 kgs were donated to messengers, security, and maintenance personnel.
- In partnership with the Department of Agriculture-Agricultural Training Institute (DA-ATI), we held a training of trainers on Digital Agriculture Course (DAC), which was attended by 22 participants and 30 smartphones were donated.
- Through our E-BizNovation program, we hosted a webinar on Tourism Destination Resilience with 6,800 people reached, 1,700 video views, 1,300 online interactions, and 40 LGUs engaged.
- In partnership with Uproot Urban Farms, we have set up our first PLDT and Smart GrowHub that generated over 18.5 kilos of crops to date.

As a provider that enables access to the Internet and digital technology, we further embrace our role in advocating for Internet safety and cybersecurity among our customers and end-users, including most vulnerable segments like children and the youth. We strive to ensure that our stakeholders have access, not only to quality and affordable connectivity, but also to a safe and secure digital experience.

Through our Better Today program, we leverage on our digital expertise and shared value partnerships to champion for safe spaces online, promote child online protection, advocate for mental wellness among our customers and in communities where we operate.

In 2022, the following are our key initiatives and impact in line with Digital Wellness:

- We have participated in global conversations for Safer Internet Day on February 7 by engaging brand ambassadors and key opinion leaders to create relevant content on responsible digital citizenship, garnering over 576,000 social media reach.
- Our collaborative Better Today program partnered with the city governments of Baguio, General Santos, and San Jose Del Monte, Bulacan to capacitate youth leaders in advocating for mental health awareness via content creation and digital communications, and promote wellness, safe spaces, and changemaking among the youth. These garnered over 21,000 online views, over 15,000 people reached, over 530 on-site attendees, and 60 Sangguniang Kabataan and youth represented.
- Project Hinabi, a youth-led community-based mental health program for General Santos, has since trained 120 “Wellness Aiders” through 13 training sessions, who serve as first-aid responders to provide non-intrusive, practical, and initial mental health support to those experiencing mental distress within their communities.
- In collaboration with Mental Health PH, we have created a conversations series about internet safety and responsible gaming linked to digital wellness, through Twitter Spaces, garnering over 10 million reach.
- We have participated in the sharing of best practices on technology and policy solutions to combat online sexual abuse and exploitation of children (OSAEC) in the Philippines.
- We have launched the second run of The Time Capsule Project, an initiative that focuses on art as a form of catharsis and mental healthcare, garnered over 460,000 reach for its Better Today Conversations series and a total 248 time capsules generated from participants nationwide.
- We have partnered with youth organization Kids for Kids PH and the SaferKidsPh consortium to combat OSAEC and strengthen Barangay Council for the Protection of Children (BCPC) in most vulnerable communities. Launched in 2021, the program was piloted in 3 BCPC units in Cagayan de Oro and Iligan City. To date, there are 540 LGU and School-based service

providers trained, 8 activated councils on child online protection, and 152 children trained on OSAEC prevention and response.

- We participated in the Global Child Forum where it brought to the fore, best practices of private companies worldwide, including our whole-of-nation approach to safeguard children.
- The second run of our Better Today Power Move Project, which focuses on sports and mental resilience, have garnered a total of 740,997 social media reach. The initiative also launched its first-ever “Better Today Playground”, which invited 40 children to participate in a face-to-face football clinic and drill.
- We have conducted 2 Psychological First Aid programs in Cebu and General Luna, Siargao, where it mobilized around 90 youth and barangay healthcare workers to be psychological first-aid volunteers.

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