



**DOING OUR VERY BEST  
DURING THE WORST OF TIMES**





**PHP171.5B**

HIGHEST FULL-YEAR REVENUE  
IN HISTORY



**PHP82.7B**

INDIVIDUAL REVENUES

We enabled lives through  
the COVID-19 crisis.

We provided continuity  
through digital connectivity.

We ignited passions and purpose,  
building better for the country.

We are PLDT.



CAPEX AT

**PHP71.9B**

TO INCREASE TO  
PHP88-92B IN 2021



HOME REVENUES  
BREAK-OUT IN 2020,

**PHP41.4B**

ON TRACK FOR 100K PER  
MONTH INSTALLS



**PHP28.1B**

TELCO CORE INCOME  
UP BY 4%



CONSOLIDATED EBITDA (EX-MRP)  
AT ALL-TIME HIGH

**UP 7%**

MARGIN AT  
**51%**



**PHP41.2B**

ENTERPRISE REVENUES







PLDT is the largest integrated telecommunications and digital services provider in the Philippines. Through its principal business segments – fixed line, wireless, digital and others – PLDT offers the most diversified range of communications and digital services across the Philippines’ most extensive fiber optic, wireless and fixed line networks.

PLDT is listed on the Philippine Stock Exchange (PSE:TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI). PLDT is one of the largest Philippine-listed companies in terms of market capitalization.

## VISION

Lead and inspire Filipinos to create a better tomorrow.

## MISSION

Empower Filipinos everywhere with customer focused digital innovations that unlock and share their infinite potential.

## VALUES

Deliver awesome customer experience  
Take care of our people  
Collaborate to win  
Fast is better than perfect  
Malasakit  
Humility to listen and learn

## SUBSIDIARIES

### WIRELESS

Smart Communications, Inc. and Subsidiaries  
Digitel Mobile Philippines, Inc.

### FIXED LINE

Bonifacio Communication Corporation  
PLDT Clark Telecom, Inc.  
PLDT Global Corporation and Subsidiaries  
Digital Telecommunications Philippines, Inc.  
ePLDT, Inc. and Subsidiaries  
Pilipinas Global Network Limited and Subsidiaries

### OTHERS

PLDT Communications and Energy Ventures, Inc.  
PLDT Digital Investments Pte. Ltd. and Subsidiaries  
PLDT Global Investments Holdings, Inc.  
PLDT Global Investments Corporation

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## COVER STORY

From our front-liners to our leaders, we worked hard during the pandemic. Despite mobility challenges, we strived to help the nation build back better putting to work a record capex to strengthen our network infrastructure for our customers.

Amid the extended lockdowns, we enjoined the youth to live their passions and purpose. As our homes became our shelter during the lockdowns, we kept digital connections resilient through fiber. As social distancing protocols kept us physically apart, we kept customers connected. We empowered MSMEs to accelerate their digital transformations and enabled online platforms to fulfill transactions safely in a pandemic.

Through our CSR programs, we extended our commitment to help our medical frontliners battling this pandemic and strengthened our support to communities affected by calamities.

Our customers, our North Star, validate our hard work and commitment during our nation’s greatest need.

**TOGETHER, WE ACHIEVED OUR GOALS.**

# COMPARATIVE HIGHLIGHTS

FINANCIAL INFORMATION	2016	2017	2018	2019	2020
(in million pesos, except cash dividends declared per common share)					
<b>Revenues</b>	<b>164,446</b>	<b>158,933</b>	<b>162,914</b>	<b>169,187</b>	<b>181,004</b>
Service revenues	156,394	150,172	152,369	161,355	173,634
Non-service revenues	8,052	8,761	10,545	7,832	7,370
<b>Expenses</b>	<b>139,743</b>	<b>149,422</b>	<b>149,141</b>	<b>129,786</b>	<b>144,822</b>
Selling, general and administrative expenses	67,196	68,990	73,916	68,230	75,255
Depreciation and amortization	34,455	51,915	47,240	39,656	47,480
Cost of sales and services	18,293	13,633	14,427	13,429	12,295
Interconnection costs	8,757	6,626	5,493	3,638	2,146
Asset impairment	1,074	3,913	2,345	291	266
Provisions	9,968	4,345	5,720	4,542	7,380
<b>Net income for the year</b>	<b>20,162</b>	<b>13,466</b>	<b>18,973</b>	<b>22,786</b>	<b>24,580</b>
<b>Core income</b>	<b>27,857</b>	<b>27,668</b>	<b>25,855</b>	<b>25,111</b>	<b>27,129</b>
<b>Telco core income</b>	<b>21,015</b>	<b>23,576</b>	<b>24,047</b>	<b>27,080</b>	<b>28,087</b>
<b>EBITDA</b>	<b>61,161</b>	<b>66,174</b>	<b>64,027</b>	<b>79,815</b>	<b>86,158</b>
Property and equipment, carrying value	203,188	186,907	195,964	232,134	260,868
Capital expenditures	42,825	40,299	58,490	72,871	71,904
Short and Long-term debts	185,032	172,611	176,276	192,556	222,765
Net Debt	143,572	138,632	123,457	167,873	180,386
Equity attributable to equity holders of PLDT	108,175	106,842	112,358	111,987	115,408
Cash dividends declared per common share out of the earnings for the year	77	76	72	75	78

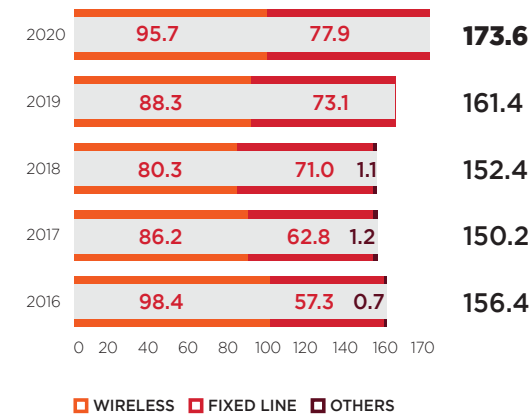
## OPERATING INFORMATION

<b>Number of mobile subscribers</b>	<b>62,763,209</b>	<b>58,293,908</b>	<b>60,499,017</b>	<b>73,118,155</b>	<b>72,933,839</b>
<b>Number of fixed line subscribers</b>	<b>2,438,473</b>	<b>2,663,210</b>	<b>2,710,972</b>	<b>2,765,209</b>	<b>3,042,815</b>
<b>Number of broadband subscribers</b>	<b>1,720,753</b>	<b>1,950,881</b>	<b>2,025,563</b>	<b>2,161,484</b>	<b>3,090,118</b>
Fixed Wireless	270,203	237,354	213,526	230,151	816,516
Fixed Line	1,450,550	1,713,527	1,812,037	1,931,333	2,273,602
<b>Total number of subscribers</b>	<b>66,922,435</b>	<b>62,907,999</b>	<b>65,235,552</b>	<b>78,044,848</b>	<b>79,066,772</b>
<b>Number of stockholders</b>	<b>11,774</b>	<b>11,712</b>	<b>11,658</b>	<b>11,596</b>	<b>11,575</b>
<b>Number of employees:</b>	<b>18,038</b>	<b>17,779</b>	<b>17,222</b>	<b>18,784</b>	<b>18,848</b>
Wireless	7,343	7,042	6,332	5,907	5,783
Fixed Line	10,695	10,737	10,890	12,877	13,065

# CONSOLIDATED FINANCIAL PERFORMANCE HIGHLIGHTS

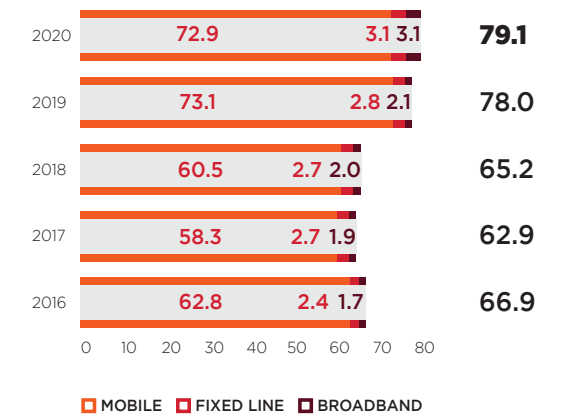
## SERVICE REVENUES

(in billion pesos)



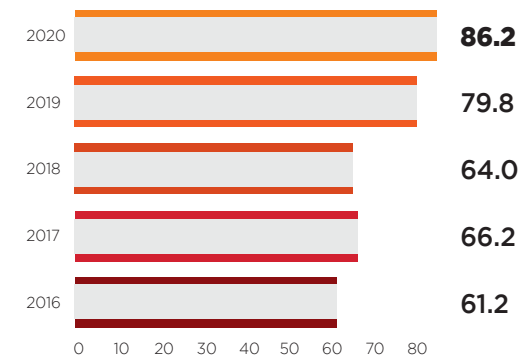
## SUBSCRIBER BASE

(in millions)



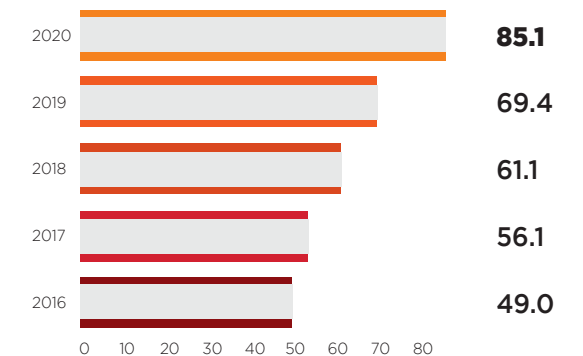
## EBITDA

(in billion pesos)



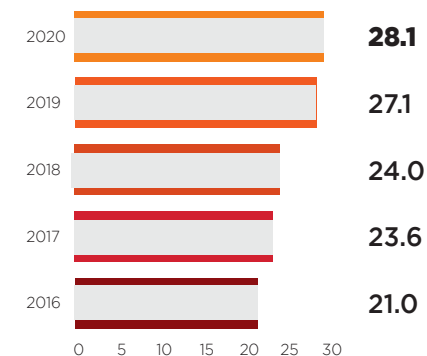
## CASH FLOW FROM OPERATIONS

(in billion pesos)



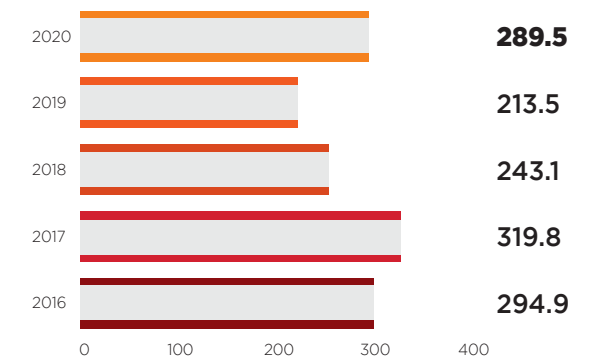
## TELCO CORE INCOME

(in billion pesos)



## MARKET CAPITALIZATION

(Year-end, in billion pesos)





# We ignited passions and purpose.



“I salute and commend our people, particularly our frontliners – our field personnel in the networks, installs and repairs, our sales groups, for their relentless commitment to deliver our service, as demand for connectivity soared to unprecedented levels. On top of health risks, the stiffest of quarantine measures restricted movement of materials and people, testing our mettle, adding to the insurmountable challenges. But deliver our people did, soonest the restrictions came off, doubling down on the tasks on-hand with their PPEs on, resolving a huge chunk of the backlog before the year was out.”

## TO MY FELLOW SHAREHOLDERS,

After having survived and thrived for a year under the most extraordinary circumstances due to the COVID-19 pandemic, I write this Report to you with a most profound sense of gratitude. The Good Lord, who has kept us safe and strong in our darkest days, has also given the Company – our people the opportunity to deliver, in our finest hour: give Filipinos a sense of continuity and normalcy at a time of uncertainty through digital connectivity.

### **Malasakit embodied, enabling customers**

I salute and commend our people, particularly our frontliners – our field personnel in the networks, installs and repairs, our sales groups, for their relentless commitment to deliver our service, as demand for connectivity soared to unprecedented levels. On top of health risks, the stiffest of quarantine measures restricted movement of materials and people, testing our mettle, adding to the insurmountable challenges. But deliver our people did, soonest the restrictions came off, doubling down on the tasks on-hand with their PPEs on, resolving a huge chunk of the backlog before the year was out.

True to form to the way we have embodied *malasakit* (concern), we helped where our customers needed us the most. Aside from offering data speed boosts, heftier data allocations and free access to vital COVID-19 information sources, the Company granted payment relief, adjustments and reprieves in the second half of 2020, helping customers manage financial burdens built up during the lockdowns.

Exactly one year ago in my Report, I wrote saying the circumstances that our Company now operates have vastly departed from the normal. One year on, the Company now thrives as a source of hope, direction, and definition of new normal – or as they say, next normal: where people work and learn in a hybrid setup, and where digital connectivity enables reinventing jobs to replace those lost in the pandemic.

Our Company enabled customers to work and study from home, pay bills and do business online, spurring entrepreneurs and creating new opportunities in the disruption. Our digital innovations unit PayMaya Philippines, Inc. has seen more Filipino business owners and casual sellers embrace online payments as a key component of doing business under the new normal.

### **Executing network upgrades, on record capex**

These could not have happened without the unrelenting commitment of our people to carry upgrading our network, serving repairs and installs, and strengthening our IT infrastructure, as soon as quarantine measures relaxed in mid-2020.

Despite mobility challenges posed by the COVID-19 lockdown, network upgrades made up bulk of the record Php 71.9 billion capital expenditures for all of 2020. This brings total capex over the last 10 years to a record Php 460.7 billion. 2020 merely reinforced what we had believed all along: that the investments we put to work over the past decade to strengthen our network infrastructure and improve customer experience have put us in a prime position to deliver, against the backdrop of unprecedented circumstances, a service that has become essential in a pandemic: digital connectivity. For this year, the Company has committed to invest a record capex of between Php 88 billion and Php 92 billion.

As per the Company's financial and operating results for 2020, PLDT's Consolidated Service Revenues (net of interconnection costs) rose 9% to a record Php 171.5 billion, the highest full year revenue ever attained, led by data/broadband demand.

Consolidated EBITDA hit an all-time high, growing 7% year-on-year to Php 88.8 billion, excluding MRP (Manpower Reduction Program) expenses, driven by higher service revenues.

PLDT's Telco Core Income (which excludes the impact of asset sales and Voyager Innovations) climbed 4% to Php 28.1 billion, while Reported Net Income (which includes exceptional costs) jumped 8% to Php 24.3 billion.

### **Delivering data, on-the-go or at home**

The record investment into the network enabled the Company to serve robust demand for mobile data. Revenues from mobile data accounted for 75% of total revenues in 2020. The Consumer Wireless business sustained double-digit year-on-year revenue growth since 2018, driven by data.

Data/broadband revenues also accounted for the bulk, or 70%, of total Enterprise service revenues. Despite the challenges posed by COVID-19 to businesses, the pickup in the acceleration in digital transformation of corporates and MSMEs kept Enterprise revenues steady with a 5% growth rate for 2020. Enterprise foresees hyperscalers lifting revenues this year, led by ePLDT's data centers.

On the other hand, increased demand for connectivity for work-from-home, online learning and streaming propelled Home to post a record 11% increase in revenues year-on-year. Data/broadband revenues now account for 80% of Home revenues. While initially hampered by quarantine restrictions, PLDT's Home business has since almost doubled its installation capability as of January this year and is on track to further accelerate this pace. The extensive nationwide fiber rollout, along with increased installations, helped serve increasing demand. Average monthly gross installs reached 73,500 in the second half of 2020, nearly double that of the 43,100 installs recorded in the first half. Home aims to ramp up the installs to 100,000 per month.

### **Execution as key**

All told, data/broadband now accounts for 73% of our total revenues. Enabling this unprecedented demand for data/broadband, is our record network build out. Carried out in a pandemic year, the numbers reflect the remarkable execution on ground. PLDT's fiber infrastructure, the most extensive in the country, is now at more than 429,000 kilometers. This fiber infrastructure supports Smart's 5G, 4G, 3G and 2G networks, which cover 96% of the population and are present in 95% of cities and municipalities.

As of December, Smart has also increased the number of its base stations to over 59,000, increasing the number of base stations by 20% compared to end-2019. Smart has also rolled out additional 5G sites as it accelerated its 5G commercial services nationwide. Committed to improving our level of customer experience, we carried on with our commercial 5G rollout, in strategic sites in Metro Manila, Boracay, Cavite, Cebu, Davao, Iloilo, Laguna, New Clark City in Pampanga, and Rizal.

Smart recently fired up 5G in Malacañang Park, where a recent internal test using a Smart 5G-certified handset showed Smart 5G speeds breach 720 Mbps, testament to our commitment in providing a superior data network for our customers. These latest developments are part of Smart's strategy in deploying 5G across the country. Smart, which launched its 5G service commercially in July, was the first to roll out Smart 5G nationwide.

In December, Smart unveiled its new Signature 5G Plans, which are specially designed with generous data allocations to unlock the capabilities of Smart 5G's superfast speeds, ultra-low latency, and higher efficiency. Smart also recently upgraded its Smart Signature SIM-Only Plans by exclusively bundling them with a Netflix Mobile Plan subscription, providing better experience to customers and more relevant content.

#### Passion and purpose, customer as North Star

Latest analyses from international user-based studies reinforce our commitment to delivering superior customer experience. According to Ookla®, citing improved Speed Score™, PLDT-Smart has been recognized the fastest fixed and mobile networks in the Philippines for 2020. A separate report by Opensignal reveals the Philippines posting the most improved 5G video experience, among the most improved in 5G download speed. Smart this year commits to fast track 5G deployment, making the country's fastest mobile network even faster with 5G.

Our relentless network upgrades and strengthening of our IT infrastructure lead us back to our collective compass throughout this disruption: to our North Star – our customer. Delivering better customer experience entails delivering relevant content and offers, helping customers pursue their passions and purpose. To this end, the Company recently teamed up with Grammy-nominated music act BTS to headline its banner 'Live Smarter, Live with Purpose' 2021 campaign. The partnership intends to showcase BTS' support of Smart's goal to inspire the Filipino youth to live their lives with passion and purpose.

Smart has also expanded its current suite of GIGA offers. In addition to GIGA Video, GIGA Stories, GIGA Music, and GIGA Games, which come with data dedicated for consumer passions, plus open access data for other online activities, Smart has also launched GIGA K-Video, which allows Smart prepaid subscribers to enjoy ad-free streaming and unlimited downloads of K-dramas via the VIU Premium video streaming platform.

#### Doing good, leveraging good business

The Company leveraged on its strengths to help those in most need in the pandemic. We enabled learning communities to #LearnSmart, providing access to technology, connectivity, content and pedagogy. We democratized access to technology and connectivity to support distance learning through School-in-a-Bag, providing much-needed access to laptops, tablets and connectivity, all pre-loaded with learning apps and multimedia content.

We also provided a flexible and inclusive strategy that is both disaster- and pandemic-resilient through the Central Visayan Institute Foundation-Dynamic Learning Program or CVIF-DLP, ensuring that the teaching and learning process carries on. Recognizing the effectiveness of CVIF-DLP, the DepEd endorsed it as a Flexible Learning Option, and the content as supplemental learning material. Since October, CVIF-DLP learning activity sheets can be downloaded for free from DepEd Commons.

The Company has also helped farming communities with #FarmSmart ICT interventions to nurture their livelihood at a time of disruption. We have enjoined both our employees and the public to #BuyLocalBuySmart. The program has helped Filipino rice farmers, generating sales that have gone into a sustainability fund helping with the next cropping season.

The Company also mounted unprecedented relief work in a time of a pandemic, delivering aid to Filipinos affected by a series of devastating weather disturbances, including Super Typhoon Goni, the world's most powerful tropical cyclone in 2020. A record number of relief packs were distributed to heavily impacted communities across Luzon in the last quarter of 2020.

Also launched during the period, together with PLDT-Smart Foundation, PayMaya and the local governments of typhoon-hit Marikina and Rizal in Metro Manila and in the provinces of Cagayan, Isabela and Camarines Sur, was a cash-for-work program, allowing families immediate livelihood opportunities to help them recover and rebuild. Smart has also put up free calls, free charging, and free Wi-Fi stations in various parts of Marikina City, Montalban, Albay, Camarines Norte, and Camarines Sur.

#### PLDT-Smart as ONE: transform and perform - together

One of the better instructive ironies of the COVID-19 pandemic has been its unifying attribute compelling our people to rise to the occasion and deliver at a time we were all most socially distanced. In the end, we ourselves benefited from the service we provide our customers. We can only continue to benefit from our newfound ways of working, if we transform and perform – together.

#### Outlook

The lessons of 2020 have only strengthened my resolve to believe that we have done right, and that we can only do better, by building on the gains we made in a year a pandemic disrupted and leading us to pivot quickly enough to thrive and serve.

As this goes to press, the Company is in the midst of reviewing our COVID-19 vaccination program. My commitment remains steadfast: we will take care of our people and their families first, particularly our frontliners in the field and at home. I am affirmed by what I have always believed to be true: our people have been key to carrying out the unprecedented work done during the pandemic, and our people will be the key source of stability and growth as we emerge from the pandemic.

While the country's economic outlook remains uncertain for 2021, what remains certain is that keeping people digitally connected is what will keep us relevant in the new normal. We will be there where our customer needs us: whether they are on the go on their mobile phones, or at home, streaming on our fiber connection. Our service will be ubiquitous – seamlessly keeping our customers connected from wireless to fiber.

With the entry of new players in the industry, 2021 also brings heightened competition in the telco landscape. We welcome the diversity that competition brings. We are challenged to perform better, by serving our customers best. Pivoting and performing through the COVID-19 pandemic have prepared us for what is to come. We will prevail.

As the global pandemic carries on in 2021, I wish to thank our shareholders for the continued trust, our Board of Directors for the wise counsel and guidance, our Management and Staff, for the unwavering perseverance. I am reaffirmed by the unprecedented strides made in 2020; I ask only for your commitment to stay united and resolute, as we journey with our customers to the new normal.



**MANUEL V. PANGILINAN**

Chairman of the Board, President and Chief Executive Officer



“One of the better instructive ironies of the COVID-19 pandemic has been its unifying attribute compelling our people to rise to the occasion and deliver at a time we were all most socially distanced. In the end, we ourselves benefited from the service we provide our customers. **We can only continue to benefit from our newfound ways of working, if we transform and perform – together.**”



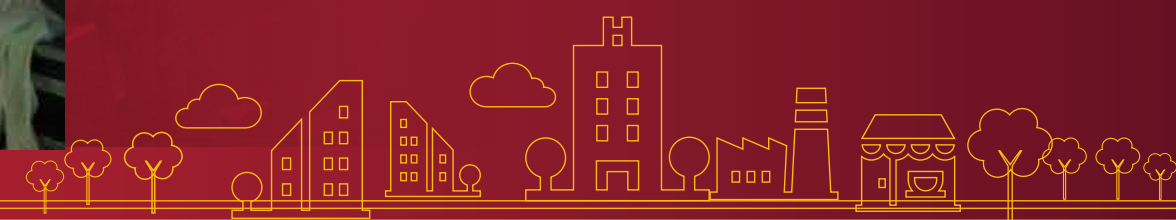
## THE PLDT GROUP AWARDS AND RECOGNITIONS



# We celebrated recognitions together.

Amid the COVID-19 pandemic, the lifeline that kept communities functioning was communications. We continue to connect and empower Filipinos everywhere, as it is our core business and our key contribution to our country and people.

These are testaments to our commitment in providing a superior data network, the most relevant content, and the appropriate solutions and services to our customers, thus making the experience better than anyone else can offer.





**OOKLA Awards**

- Fastest Fixed Internet Award Philippines Q3-Q4 2020 – PLDT
- Fastest Fixed Internet Award Philippines Q1-Q2 2020 – PLDT
- Fastest Mobile Network Award Philippines Q3-Q4 2020 – Smart
- Fastest Mobile Network Award Philippines Q1-Q2 2020 – Smart

**Opensignal Awards**

- 4G Coverage Experience award (PH) – Smart
- Video Experience Award – Smart
- Download Speed Experience Award - Smart
- Upload Speed Experience Award - Smart
- 4G Availability Award - Smart

**World Benchmarking Alliance - Digital Inclusion Benchmark (London, UK)**

- #1 Leading Company in Asia and Emerging Markets
- #4 in the Top 100 Influential Digital Companies Worldwide

**Asia Communication Awards 2020 (Singapore)**

- Best Crisis Response - #StaySmart COVID-19 Response
- Finalist: CEO of the Year - Alfredo S. Panlilio
- Finalist: Best Network Transformation Initiative - Smart Communications
- Finalist: Best Social Contribution - Digital Farmers Program

**World Communication Awards 2020 (London, UK)**

- Highly Cited: Best Mobile Operator in an Emerging Market - Smart Communications, Inc.

**International Sustainability Awards 2020 (NJ, US)**

- Sustainability Initiative of the Year - PLDT-Smart Gabay Kalikasan

**International Financing Review (IFR)****Asia Awards 2020**

- Country Award for Philippines' Best Capital Market Deals - PLDT's US\$600M dual-tranche bond

**The Asset Triple A Sustainable Capital Markets Country Awards 2020**

- Best Corporate Bond - Philippines - PLDT's US\$600M dual-tranche bond

**GSMA Report: Digital Dividends in Natural Resource Management (London, UK)**

- Featured Case Study - Connected Mangroves Rainforest Connection

**METRO ETHERNET FORUM**

- MEF 3.0 certification - PLDT

**Pacific Telecommunications Council (PTC) Awards 2020**

- Outstanding Applications Company - PLDT Global Corporation
- Outstanding Customer-Facing Innovation: PLDT Global Corporation

**Asus for Business Share 2020: Dealer Gathering Awards**

- Chromebook Top Growth Award - ePLDT

**Microsoft Philippines Partner Awards**

- Tech Intensity Award - ePLDT
- Para sa Bayan Award - ePLDT

**Microsoft**

- Microsoft Top CSP Direct Providers in the Philippines - ePLDT
- Number 1 Telco Cloud Solutions Provider (CSP) in the Philippines - ePLDT
- Silver Competency for Security - ePLDT
- Silver Competency for Enterprise Mobility Management - ePLDT
- Silver Competency for Messaging - ePLDT

**Cisco Philippines Partner Appreciation Awards**

- Small Business Partner of 2020 - ePLDT
- Software Partner of 2020 - ePLDT
- Tier 2 Partner of the Year - ePLDT

**Checkpoint Partner Xchange Awards**

- Top Partner of the Year for 2020 - ePLDT
- Partner of the Year for New Customer Acquisition - ePLDT

**Fortinet Year End Thanksgiving for Partners**

- Retail Partner of the Year Award - ePLDT

**SAP**

- SAP Top Partner Award for 2020 - AGS (ePLDT subsidiary)

**55th Anvil Awards****Platinum Anvil Awardees**

- Gabay Guro Grand Gathering

**Gold Anvil Awardees**

1. Gabay Guro Grand Gathering
2. PLDT Enterprise's Hot Joe Online
3. #VoxNow Talks: An Employee Forum on Cyberbullying for PLDT
4. Digital Farmers Program
5. LearnSmart Apps (Program): Enhancing Mother Tongue-Based Learning
6. Safe PH for Smart Millennials
7. FindHer online series
8. TNT Giga Video 50 Summer Campaign

**Silver Anvil Awardees**

1. PLDT Global's 12/12 Free Bee Day
2. PLDT Global's Free Bee "'Nay, 'Yan Ay Pangako"
3. PLDT At Your Service
4. The Round Up
5. PLDT-Smart Omega
6. PLDT Enterprise's Philippine Digital Convention 2019 (Digital Grounds Tour)
7. Smart Free Roam Chat
8. Smart Giga with Video Every Day
9. LearnSmart Apps (Tools): Improving Literacy and Preserving Local Culture
10. ONEBoarding: A Digital Onboarding Experience for New Hires
11. PLDT-Smart Netflix Stranger Things Partnership
12. Sun Prepaid Para Nimo Cebu
13. The Good Fiber: PLDT 2018 Sustainability Report
14. TNT Free YouTube For All
15. TNT SurfSaya Campaign
16. TNT Tropang Ready

**18th Philippine Quill Awards I/ABC Philippines**

**Company of the Year** - PLDT Inc.

**Company of the Year 1st runner-up**

- Smart Communications, Inc.

**Top Division Award for Communication Management**

- CVIF-Dynamic Learning Program "Learning by Doing - Creating independent learners for nation-building"

**Top Division Award for Communication Training and Education Nominee** - Smart Creator Programs

**Top Division Award for Communication Skills Nominee** - PLDT Home "Dear Pa" Father's Day campaign

**Excellence Awards:**

1. An Annual Tribute to Filipino Teachers: Gabay Guro Grand Gathering
2. Are you a Data Privacy Hero or Sidekick? PLDT Data Privacy e-Learning Program
3. CVIF-Dynamic Learning Program (Change Communication category)
4. CVIF-Dynamic Learning Program (CSR category)
5. Digital Catechism: Road to PH's 500 Years of Christianity
6. Digital Farmers Program: Empowering Farmers through Mobile and Internet Literacy
7. Free Stories for All with Smart Giga Stories
8. Learning to Naks! Empowering Filipino students to be the 'Bida' with PLDT Home Prepaid Wifi
9. LearnSmart eLearning Sessions - Ensuring Continued Learning during a Pandemic

10. Love comes in all shapes, sizes, and paws with PLDT's #ComeHomeToLove for Valentine's Day
11. Mother Tongue-Based Apps for enhancing literacy and preserving local culture
12. PLDT Enterprise Day Zero
13. PLDT Enterprise Focus Campaign
14. PLDT Enterprise Pasasalamat Night Manila 2019
15. PLDT Home Fibr-powered Esports in the Philippines
16. PLDT Home Mother's Day - Ako Naman, Ma
17. PLDT Home powers the 2019 Kadayawan Festival
18. PLDT-Smart Gabay Kalikasan AVPs: Paperless Billing and Clean The Cloud
19. School-in-a-Bag: Leveraging Partnerships for Education
20. Simple, Smart Ako
21. Smart at the 30th SEA Games: Connectivity and Nation-building by Supporting Athletes
22. Smart Communities and the UNSDGs: Technology for GOOD, Technology for Development
23. Sunrise Run by Sun and PLDT Enterprise
24. The Round Up: A Digital News Show of PLDT and Smart
25. TNT Big Bente Campaign
26. TNT Free YouTube For All campaign

**Merit Awards:**

1. #NoLearnerLeftBehind Education for all in the New Normal web forum
2. CyberSmart Caravans: Promoting Cyber Security and Safety among Teachers and Students
3. Digital Catechism: Heritage Tour Series
4. Free Bee Paskong Pinoy
5. Gabay Guro program: Building the Nation, One Teacher at a Time
6. Gabay Kalikasan omnibus campaign
7. In Good Company: PLDT Group 2019 Sustainability Report
8. LearnSmart Apps Program: Enhancing Mother Tongue-Based Learning Through Collaboration and Innovation
9. MUSIKALAYAAN Para sa Global Pinoys
10. PLDT Enterprise Beyond Fiber
11. PLDT Enterprise Everyday Stories of Real IMPACT
12. PLDT Enterprise Ignite
13. PLDT Enterprise Philippine Digital Convention 2019
14. PLDT Enterprise Tech Talk ON-AIR
15. PLDT Home #StayHomeSeries
16. PLDT Home StayHome Campaign: Turning quarantine time to quality time powered by the strongest connections at home
17. PLDT Home Wifi Prepaid: Leveling Up Students' Education Through Connectivity
18. PLDT Home's Mother Hood Series: Celebrating All Kinds of Moms
19. PLDT-Smart Cyber Security Awareness Campaign for Employees
20. Power Over Plastic Company-wide Ban on Single-Use Plastics
21. Safe PH for Smart Millennials
22. Smart Giga Mania
23. Smart powers National e-Sports Team: A new generation of Filipino athletes
24. SWEEP: Digital Shift for Future Ready Schools
25. TNT Giga Stories campaign
26. TNT Giga Video 50 Summer Campaign
27. TNT Tropang Ready Batch 2: Disaster Preparedness for the Youth
28. Vox Now



PLDT – COMPANY OF THE YEAR  
SMART - 1ST RUNNER UP COMPANY OF THE YEAR  
18TH PHILIPPINE QUILL AWARDS



# We kept everyone connected.

*“Napaka-importante na maging konektado sa pamilya, lalo na sa nanay kong OFW sa Japan na napahiwalay sa amin. Tanging komunikasyon lamang ang nagbubuklod sa amin para mapalakas ang isa’t-isa.”*

*“It is crucial to stay connected to my family, especially to my mother who is an OFW in Japan and is living away from us. Communication is the only thing that allows us to bond and encourage each other to remain strong.”*

*- MayMay Entranta  
Celebrity and Free Bee ambassador*







When the Covid-19 pandemic reached the Philippines in 2020, people were suddenly restricted to their homes, cloaked in uncertainty and isolation. It fell to telcos to keep people connected to their friends and families, whether it be by data, voice or text. It was a distressing situation which PLDT and Smart tried their best to assuage by connecting people and institutions by providing support in the form of hotlines, devices, mobile load, among others. The challenges remain but PLDT and Smart are there alongside - to serve, connect, and assist people during these trying times.

## REALIZING LIFE'S PASSIONS AND PURPOSE

### Network Superiority

In the face of difficulties posed by the COVID-19 lockdowns, Smart further expanded the reach and capacity of its LTE network, enabling the network to serve the increased data demands of the 'new normal.' To date, 99% of its sites nationwide are already on LTE.

To address the increased level of data usage, which was accelerated by the lockdown, Smart boosted the capacity of its LTE network throughout the country by reallocating its assigned 1800 MHz frequencies from 2G to 4G/LTE. As a result, more than 3,700 base stations of Smart have also been providing additional capacity for its LTE network.

Smart also rolled out its LTE network to far-flung areas, including Pag-Asa Island in the municipality of Kalayaan in the West Philippine Sea -- the country's most remote cell site. It has also upgraded to LTE all its existing cell sites in the Visayas, after firing up its cell site in Barangay Tucdao in Kawayan, a fifth-class municipality in the island province of Biliran.

### Leader in 5G

Smart's mobile networks, now cover 96% of the population and is available in 95% of the country's cities and municipalities.

In July, it launched its 5G service commercially and is also the first to roll out Smart 5G nationwide. These include key areas in Visayas and Mindanao such as Boracay, Cebu, Iloilo, and Davao; urban areas like the Makati Central Business District (CBD), Bonifacio Global City CBD, Araneta City, Mall of Asia Bay Area, North Avenue in Quezon City, Taft Avenue in Manila, Ortigas CBD, New Clark City in Pampanga, EDSA; strategic locations in the provinces of Cavite, Laguna, Rizal, and the cities of Manila, Quezon City, Makati, Taguig, Pasig, Mandaluyong, Marikina, Paranaque, Valenzuela, Caloocan, Navotas, San Juan, and Pasay.

It fired up 5G at the Gariath Concepts esports venue in Quezon City, the first 5G-powered esports hub in the country, and at the TV5 Media Center in Mandaluyong City, the first 5G Media City. It also brought the country's first 5G-powered sports broadcast to the Philippine Basketball Association (PBA) in Clark Freeport in Pampanga.

### Passions and Purpose: Smart powers GIGALife

In 2020, Smart launched its GigaLife App for prepaid and postpaid subscribers to enable them to manage their subscriptions more seamlessly.

To further support its customers' passions, Smart expanded its current suite of GIGA offers by launching GIGA Pro, Smart's biggest prepaid data pack for heavy data users; GIGA Work and GIGA Study, which provide data allocations for work collaboration tools and learning apps, specifically tailored for employees' online productivity needs and students' online education needs; and GIGA K-Video, which allows Smart prepaid subscribers to enjoy ad-free streaming and unlimited downloads of K-dramas via the VIU Premium video streaming platform.

Smart also unveiled its new GigaPoints rewards program, which offers a simpler and easier way to earn, accumulate, and redeem exclusive treats through the GigaLife App. Prepaid subscribers of Smart and TNT can start earning GigaPoints with a minimum Php99 spend on top-ups or by registering to their favorite GIGA promos.

### GigaFest virtual events

Smart has also maximized its LTE network to deliver a variety of online events to its subscribers across the country this year.

With GigaFest, Smart has showcased world-class entertainment, e-sports tournaments, and other digital innovations. This includes live events featuring local and international artists such as Dua Lipa's Studio 2054 Digital Concert and Ellie Goulding's The Brightest Blue Experience Online, KCON:TACT 2020 virtual festival, 808 Land, iHeartRadio Music Festival, iHeartRadio Jingle Ball, the much-anticipated 2020 Mnet ASIAN MUSIC AWARDS (2020 MAMA), Asia's biggest awards ceremony, and the New Year Countdown at the Grand Hyatt with the Green Ball Drop.

### Smart Powers eSports

The pandemic did not hinder Smart from becoming more active in supporting the country's esports industry as it launched several online tournaments like the Mobile Legends Professional League and the Mobile Legends Pro League - Invitational, among others.

It launched the Free Games for All promo, which allowed Smart and TNT prepaid customers to access their favorite mobile games like Mobile Legends, Clash of Clans, Arena of Valor, Clash Royale, and the newly added mobile game to its roster - Call of Duty Mobile.

Smart also held one of the biggest events for the domestic esports scene, Siklab Saya.

### PLDT and Smart Ignite Filipinos' passion for basketball in pandemic

Smart reignited the fans' passion for hoops with the launch of the NBA. Smart portal. Avid viewers of the international league were able to watch NBA TV live from the Orlando bubble in the safety of their homes. NBA.Smart is part of Smart's exclusive multi-year partnership with the NBA aimed at making NBA content more accessible to millions of Filipinos.

In 2020, Smart announced its global partnership with FIBA, where Smart 5G technology will play a vital role in the events leading up to and during the much-awaited FIBA Basketball World

Cup 2023, which will be co-hosted by the Philippines, Japan, and Indonesia.

### Enabling Entrepreneurship, Learning and Governance

COVID-19 command centers of national and local government agencies received communication support from PLDT and Smart in the form of hotlines, pocket mobile WiFi units, smartphones, SIMs, e-load and Infocast—PLDT-Smart's SMS-broadcast platform. Free fiber-powered, carrier-grade WiFi was installed in key COVID-19 facilities nationwide, among them the Department of Information and Communications, Department of Science and Technology, Department of Transportation, the Philippine General Hospital, and the Research Institute for Tropical Medicine.

The telcos' partnerships with government units enabled PLDT, Smart, and TNT subscribers to reach for free the 1555 COVID-19 Hotline, the 911 Emergency Hotline and 8888 Citizens' Complaint Center. Customers also enjoyed free access to websites of government organizations such as the Department of Health (DOH), the DOH NCOV Tracker, Philippine Information Agency, National Disaster Risk Reduction and Management Council, Staysafe.ph, the Department of Social Welfare and Development aid distribution website, the Department of Education (DepEd) Commons, as well as major news agencies.

### No Learner Left Behind

In 2020, a total of 86 School-in-a-Bag portable digital classroom kits were deployed by Smart to DepEd schools nationwide, 15 of which went to DepEd in support of the agency's Basic Education Learning Continuity Plan. The kits are designed to support distance learning, even in remote areas without electricity and internet connectivity. Many of the kits were donated in partnership with organizations such as the Protect Wildlife project of the United States Agency for International Development (USAID).

Smart also enabled free access to the resource materials under the Central Visayan Institute Foundation-Dynamic Learning Program (CVIF-DLP), made available via DepEd Commons at [www.commonsonline.gov.ph](http://www.commonsonline.gov.ph). The ready-to-use Junior and Senior High School Learning Activity Sheets were

developed by the CVIF. Supported by Smart and PLDT-Smart Foundation (PSF) for over a decade, CVIF-DLP is one of only three DepEd-endorsed supplemental learning materials for this school year.

### #SafeandSmart

To maintain the resiliency of its network, quickly repair damage and restore services in times of typhoons, PLDT and Smart prepositioned emergency communications kits, equipment and personnel along the paths of typhoons "Quinta," "Rolly," "Ulysses," and "Vicky". PLDT and Smart chartered flights and worked with the Philippine Air Force, enabling them to be the first to put through calls and text messages in Catanduanes, thanks to engineers and crew who worked on damaged infrastructure 24/7 and activated Libreng Tawag, charging and WiFi stations.

PLDT and Smart also distributed over 12,000 food and relief packs to families across Luzon. All these efforts are part of PLDT-Smart's #SafeandSmart advocacy of preparedness, and immediate response, and recovery through network resilience, continuous communication services, mobile solutions and activities, and relief and recovery assistance.

### Enabling livelihood in the new normal

Over one million microentrepreneurs, known as PLDT-Smart Ka-partners, who retail prepaid airtime load, were equipped to address the changing communication needs of mobile customers, through digital trainings and tools.

Retooling tourism, one of the sectors most impacted by COVID restrictions, involved launching digital mobile applications, in coordination with the Department of Tourism. The apps can be used for self-paced, contactless tours in 20 locations all over the country.

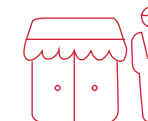
The move was fortuitously timed in Cebu, as the country prepares to celebrate 500 years of Christianity. PLDT and Smart partnered with the Archdiocese of Cebu to kick off the event with the launch of the Panaw sa Pagtuo (Journey of Faith) Mobile Exhibit App and a digital series featuring 21 historical videos leading up to 2021.



More than  
**3,700**  
Smart base stations  
provided with LTE



**86**  
Digital  
classroom kits  
deployed



**1M**  
Microentrepreneurs  
equipped



**12,000**  
Family packs  
distributed



## REDISCOVERING HOME WITH PLDT

At the forefront of providing assistance and assurance in the time of pandemic, PLDT kept customers connected while they stayed at home. Prioritizing the safety of customers, PLDT actively listened and responded to their needs, bringing solutions that alleviated their worries and nurtured meaningful connections while at home.

In 2020, PLDT Home solidified its role as the leading telco provider with the strongest and most meaningful connectivity and digital services that enable Filipino families to live the lives they dream of.

### Keeping Families Safe and Connected at Home

To support the digital needs of families while quarantined at home, PLDT Home implemented a free speed boost for Fibr subscribers nationwide to enhance their minimum connection speed up to 25 Mbps. PLDT Fixed Wired Home subscribers also enjoyed free NDD calls to PLDT landlines and COVID-19 helpdesks nationwide. PLDT Home also granted access to zero-rated government websites so families can easily consult online for COVID-19 related concerns, without additional costs.

Easing the financial burden of subscribers especially during the pandemic, PLDT Home implemented a six-month installment program with zero interest and no penalties for its postpaid customers with bill balances starting April 30, 2020. All disconnections were halted to ensure continuous connectivity of subscribers at home.

### Turning Quarantine Time to Quality Time

PLDT Home helped alleviate the common stressors of the pandemic by powering subscribers' digital entertainment lifestyles at home.

Existing subscribers of PLDT Home Fibr Plan 1899 and up enjoyed a free one-month unlimited subscription to iflixVIP, giving them access to all content on iflix.

It also initiated weekly digital events for three months via Facebook Live Sessions called #StayHomeSeries in partnership with the industry's key experts.

- The first leg of the digital series highlighted different themes including: Mindful Mondays with psychologist and family life counselor Dr. Michele Aligned; Weekday Wellness with fitness organization Pretty Huge Obstacles; Friday FamDay with the Philippine Educational Theatre Association (PETA); and Unwind Weekend with the Manila String Machine.
- The second leg of the digital series, #StayHealthy, featured medical professionals from Bayanihan MD for online consultations and educational episodes tackling common health concerns of families.
- The last leg of the series focused on parenting forums in partnership with the biggest local online resource of moms, Mommy Mundo. PLDT Home and Mommy Mundo hosted a Father's Day series that tackled topics on shared parenting at home.

### No Learner Left Behind with PLDT Home

PLDT Home also had a crucial role in serving the distance learning needs of Filipino students during the pandemic. To assure that young learners stayed connected for their online home-schooling, it introduced new data packages tailor-fitted to the students' e-learning needs: FamLoad Study 599 and FamLoad Study 999. Each prepaid package is packed with open access daily data allocation and free access to top learning sites and apps including Microsoft 365 tools, Gabay Guro App, Canvas, and NEO.

For families that need bigger prepaid data allocation daily, PLDT Home also introduced an all-new family-sized Wifi Prepaid Famload Video and Video Plus packed with bigger data allowance that can be used for popular video apps and open access data for all sites and apps. Each FamLoad Video pack gives users open access data and daily access to video streaming on Signal Play, iWant, NBA League Pass and YouTube. This way, families can maximize use of their online video conferences without worrying about their data limits.

To further strengthen its support for students' education, PLDT Home partnered with PLDT-Smart Foundation to aid schools and communities in providing "Education for ALL" by making digital technology available and integrated in the learning activities of the students. PLDT Home bannered the "No Learner Left Behind" movement, which has also been enacted as a "No Filipino Child Left Behind Act of 2010," through a fund-raising concert themed "At Home with PLDT: No Learner Left Behind" that garnered over Php 1 Million for the

benefit of the students and teachers nationwide. The event was top-billed by some of the country's most popular music icons.

### The Strongest Connections are at Home

PLDT Home has advanced the standard of Filipinos for home broadband with its all-new Fibr Plus Plans that offer new postpaid variants with higher speeds and stronger connectivity through an intelligent wifi mesh system bundled with entertainment content from Signal TV. The Fibr Plus Plans come with at least 50 Mbps for only Plan 2499 per month, 100 Mbps for Plan 3099, 150 Mbps for Plan 4099, and 300 Mbps for Plan 6099. All these plans come with three (3) Mesh Wifi units for whole home wifi coverage and over 60 Signal TV channels for the family's home entertainment.

In its efforts to further pivot towards more online-driven services, PLDT Home also launched a groundbreaking partnership with Grab, Southeast Asia's leading everyday superapp, to quickly deliver internet solutions

straight to Filipino homes. Through this partnership, PLDT Home and Grab were able to provide various online channels for customers to conveniently order PLDT Home prepaid services and have these delivered straight to their homes within 24 hours. This initiative immediately answered the need for quick and easy delivery of a broadband solution for the home.

As a leading digital services provider, PLDT Home also introduced an advanced prepaid internet solution for customers. With the PLDT Home Wifi Prepaid Advance unit, customers were offered the fastest wireless connectivity at home powered by LTE-Advanced (LTE-A) technology for just Php 1995. This allowed customers to enjoy faster LTE speeds and better online experience at home.

PLDT Home also partnered with one of the world's top technology providers ASUS to provide next level digital experience at home with the most powerful WiFi 6 mesh system in the country. With the partnership, PLDT Home offered the top-of-line ASUS WiFi 6 routers that can deliver

up to 1000 Mbps speeds for lag-free browsing, seamless streaming, and equal upload and download speeds and on any device at home.

### Total Digital Solutions in the New Normal

PLDT Home launched its newest program, PLDT Home Biz, that offers micro entrepreneurs operating at home with a fast and reliable internet connection and e-commerce tools. In partnership with the country's top e-commerce solutions such as PayMaya, UnionBank GlobalLinker, Sulit.ph and GrabExpress, PLDT Home provides Home Biz subscribers with a total e-commerce ecosystem for worry-free and safe payment, digital platforms, and delivery solutions.

PLDT Home, has also partnered with leading e-commerce platform Shopee to make bills payment more convenient for postpaid customers through its integrated mobile wallet, ShopeePay which enabled postpaid customers to skip going out or lining up at service and payment centers just to settle their monthly service bills.

## TRANSFORMING THE FUTURE WITH INNOVATIVE SOLUTIONS AND SERVICES

At the height of the global pandemic, technology has especially come to the fore and has proven to be essential for businesses and individuals to remain afloat. In response, PLDT Enterprise led the transformation of the future of work through the introduction of new innovative solutions and services, and through organizing several virtual events to support and equip businesses as they embrace the shift to digital.

### Enabling businesses to work whenever, wherever and sustain operations

In 2020, the PLDT Enterprise group developed and implemented the #ONEwithYOU Campaign which anchored on the value of "malasakit" for its employees and customers. It immediately found ways to pivot its way of operating by engaging with customers and supporting them amid the challenging times. #ONEwithYOU campaign encompassed internal cascades, digital materials, and press releases along with the release of a stimulus package, and telecommute suite of solutions.

### PLDT Enterprise to enable MSMEs restart with 3-month FREE business bundle

PLDT Enterprise, the Business-to-Business (B2B) arm of the country's leading ICT and digital services provider, introduced a solutions bundle designed to help micro, small and medium enterprises (MSMEs) get their businesses back on track.

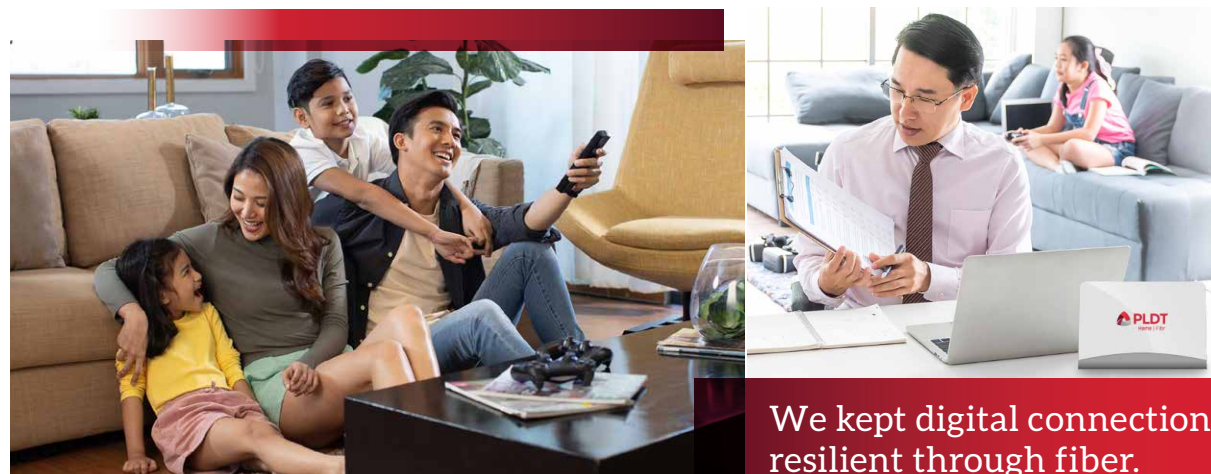
Recognizing that businesses have differentiated digital priorities, PLDT Enterprise designed the said package with flexibility in mind to allow MSMEs build upon their requirements by offering reliable business and connectivity solutions and selecting add-on services best suited to shift their operations to digital—all with the first three months of use for free.

The bundles are founded on connectivity solutions that feature PLDT Enterprise's newest fiber broadband service BEYOND FIBER and wireless broadband Smart BizLTE.

### Enabling the Digital Economy and Strengthening Business Continuity capabilities of Enterprises

Despite the global pandemic, PLDT Enterprise, together with ePLDT, Inc., continued to help businesses gear up for the next normal by offering unique colocation services bundled with other relevant ICT solutions to accelerate their digital transformation. Through its VITRO Data Centers - the largest globally-certified network of DC facilities in the country - the group developed value-laden colocation solutions to address the various pain points experienced by its customers across infrastructure, cyber security, and remote work management.

The onset of work-from-home arrangements exposed infrastructure vulnerabilities. In response, the group combined its VITRO colocation services with Endpoint Advanced Security for server protection with 24x7 threat monitoring capability



We kept digital connections resilient through fiber.



**100,000**  
views for Beyond  
Fiber virtual launch



and Proactive Monitoring for 24x7 infrastructure monitoring, alert, and recommendations to mitigate the vulnerabilities. It also included the ePLDT Virtual Desktop, which enables the remote management and deployment of desktops and applications via the cloud to support the work-from-home arrangements allowing access to secure office applications. All of these bundles were offered at an affordable price to organizations across industries and enabled these companies to continue operating seamlessly and serving their customers.

### Stepping into a new day and facing the new business landscape

PLDT Enterprise had taken a more enthusiastic approach on initiatives to enable business resiliency for its customers. Taking form as Day Zero, an internal code name for the collection of initiatives that wanted to signify a new beginning for all businesses, the campaign aimed to personalize and tailor-fit the group's products and offers in a way that would support the needs of the customers. The group finally launched Day Zero via a thematic campaign video intending to inspire customers to embrace this new business age with the tagline, "Step into a new day. Every day is a new day."

### Redefining the future of learning and empowering e-Learning in the Philippines

With the goal to redefine the future of e-learning in the Philippines, PLDT Enterprise supported the thematic campaign that communicates its commitment to empower the education sector with technology so "children don't stop learning / dreaming," despite the challenging times. It includes two videos highlighting the perspective of both the educator and student, social media promotion, PRs, virtual contract signings to support institutions, and webpages to highlight the eLearning solutions and initiatives of the group. With over two million combined views for the videos, these have driven interest towards eLearning solutions that can aid both teachers and students' remote learning experience.

### Keep moving forward with PLDT Enterprise's wireless suite of solutions

To support the transition of businesses towards the online and digital platforms, PLDT Enterprise launched

the KEEP MOVING FORWARD campaign. The live launch event, which was held on August 4, amassed a total of 1,568,161 views on Youtube and Facebook.

### PLDT Enterprise's Digital Transformation Program

Project IMPACT, PLDT Enterprise's Digital Transformation Program, aims to make the customers' experience the best through the improvement of the customer platform. The goal does not end only with the customers, but for the improvement of the way employees work as well. Project IMPACT has made an impact on both customers and PLDT Enterprise employees. To date, over 2,400 employees have been onboarded and more than 200,000 client database have been migrated from the old CRM platform in this long-term change to achieve the goal of streamlining operation and making a positive impact on every single business.

### Leading tech discussions through Tech Talk On Air

PLDT Enterprise maximized its social and mass media platforms to allow customers and target market to continue enjoying its well-received thought leadership forum, Tech Talk. The forum aimed to provide attendees with stimulating discussions on various solutions. However, the unpredictable changes brought about by the pandemic had pushed the series to use social and mass media to disseminate information on the latest trends across multiple industries. Two iterations of Tech Talk ON-AIR then came to life, following the same format but done virtually.

### Enabling enterprises to do business beyond borders

Dubbed as "Asia's next economic powerhouse", the Philippines continues to show potential that it is moving on an upward trajectory when it comes to business. This potential was taken as an opportunity by PLDT Enterprise Global to promote the Philippines' vast capabilities —emphasizing the location of the Philippines that connects Asia to the rest of the world. Through this campaign, PLDT Enterprise promoted its global arm and its strategic points of presence across the Americas and Europe as well as the Asia Pacific. This campaign increased awareness on the company's international capabilities through events made for the global teams, creation of a thematic video, and the launch of the PLDT Global Enterprise website.

### A three-day virtual convention like no other - PH Digicon 2020

PLDT Enterprise conducted the Philippine Digital Convention (PH Digicon) 2020, a three-day virtual conference held from October 28 to 30 which was headlined by business influencers, thought leaders, and technology experts from around the world. Carrying the theme "IMPACT," PH Digicon 2020 aimed to inspire attendees to embrace the call of making a positive impact on society through the adoption of innovations and technologies set to define the new future of work. The highlight of the event was its Plenary Session—a venue where delegates gathered invaluable insights from global business executives and world-renowned leaders. These included Cisco Systems Chairman & CEO Chuck Robbins, NTT Research President and CEO Kazuhiro Gomi, Nokia President & CEO Pekka Lundmark, President and Chief Product Officer of Salesforce Industries David Schmaier, Cisco Systems President for Asia Pacific & Japan Sanjay Kaul, and Founder & CEO of goop, actress & author Gwyneth Paltrow as its celebrity headline speaker. Key thought leaders and experts in the industries of academe, e-commerce & retail, BPO, BFSI, healthcare, government, travel & tourism, and manufacturing & logistics also made presentations in the event's breakout sessions.

### ePLDT Cyber Security first in PH to become a member of global Forum of Incident Response & Security Teams

ePLDT, Inc., the country's leading enabler of digital solutions, officially became the first and only Philippine organizational member of global

We enabled industries to accelerate their digital transformation.

leader in incident response Forum of Incident Response and Security Teams (FIRST)—strengthening its cyber security capabilities and enabling it to respond better to security incidents.

ePLDT's FIRST membership improves and augments its existing Cyber Security capabilities to respond to cyberattacks. More so, being a FIRST member enables ePLDT to interact with similar cyber security organizations around the world, boosting collaboration and improving communication with their security teams, including collecting feedback, exchanging ideas and sharing best practices. In the same way, ePLDT will also be sharing its own experiences in dealing with threats in the Philippine context.

### Supporting e-Learning initiatives

Sacred Heart School-Ateneo de Cebu (SHS-ADC) has partnered with PLDT Enterprise in its move toward providing digital education. With the tie-up, Ateneo de Cebu will employ Microsoft Education Suite, an e-Learning solution with educational tools that facilitate remote learning while allowing teachers to connect with their students both inside and outside school walls.

To aid STI's new learning model, the educational institution partnered with PLDT Enterprise to provide its students with the necessary connectivity to enable e-Learning. With the tie-up, more than 80,000 students of STI across the country will benefit from Smart Giga Study data plan to ensure their connectivity.

To continue empowering its students and faculty during this time, De La Salle Philippines reached out to PLDT Enterprise to establish Animo Smart Online Store, an e-commerce site which gives its students and faculty an opportunity to buy and avail of exclusive Smart data and connectivity plans and products. The Catholic Educational Association of the Philippines (CEAP) likewise tapped PLDT to its their eLearning programs with enterprise-grade online applications and connectivity solutions for its members.

These applications will be readily accessible for teachers and school superintendents through the Online Learning Management System. Bundled with the service are enterprise-grade Microsoft 365 web-based collaborations tools including MS Teams that teachers facilitate online classes, integrate notes thru OneNote, promote student teacher-student collaboration, and create quizzes with integrated 3rd party applications.

PLDT and Smart provided the Department of Education (DepEd) with a package of digital services to help support the academic sector to offer continuous learning amid the challenges of the pandemic restrictions. Education Secretary Leonor Magtolis Briones spearheaded the call for support from the telcos in providing free access to DepEd Commons (<https://commons.deped.gov.ph>), the Department's online education delivery platform designed as an alternative mode for teaching-learning process during class suspensions and other similar circumstances.

### Powering SM Store's #MyNumber 14376 hotline

The SM Store collaborated with PLDT Enterprise for its nationwide hotline number #14376 (I♥SM) to support the store's Call to Deliver service, part of its continuous efforts to provide a better customer experience for shoppers. The SM Store's #MyNumber hotline is powered by PLDT's expansive fixed-line network that will allow customers to dial the hashtag sign (#) followed by five digits, 14376 (I♥SM), which will connect them to the nearest The SM Store branch.

### PLDT Enterprise, AF Payments partner for transport sector solution

PLDT Enterprise entered into a strategic partnership with AF Payments, Inc. (AFPI) to enable a modernized fare and tracking system for the transport sector.

AFPI bundled its Automatic Fare Collection System (AFCS) with PLDT Enterprise's Smart Tracker solution—powered by Vectras—providing a complete fleet management and fare collection solution to public transport operators. Public transport operators now have the option to get fleet management and fare collection functionality from AFPI without the need to contract with multiple suppliers.

### PLDT, Smart power Office of the President's 8888 SMS Hotline

PLDT Enterprise and Smart partnered with the Office of the President to power its 8888 SMS Hotline. With the partnership, PLDT and Smart provided the SMS platform for the hotline to support the government in attending to the public's complaints. All Smart, Sun, and TNT subscribers can now reach the 8888 Complaint Hotline under the Office of the President via SMS free of charge.

### Powering DTI Negosyo Centers nationwide

PLDT Enterprise powered the 133 Negosyo Centers of the Department of Trade and Industry (DTI) nationwide with connectivity and digital services to support MSMEs. DTI's Negosyo Centers play a pivotal role in getting businesses back on track to survive the current economic climate. In support, PLDT Enterprise is deploying its BEYOND FIBER, Smart WiFi, and PayMaya services to the full-service Negosyo Centers—including 16 additional centers in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM).



more than  
**2400**  
onboarded on  
project IMPACT



more than  
**80,000**  
students enabled on  
e-Learning initiatives



**133**  
Negosyo centers powered  
by PLDT enterprise



## CARING FOR GLOBAL FILIPINOS

In 2020, PLDT Global Corporation (PGC) partnered with SoftBank Corp. to provide reliable and secure internet services to enterprises in Japan through SmartInternet Suite Ether. PGC also launched Virtual Points-of-Presence (VPoPs) that expanded PGC's points of presence to over 100 countries to serve customers across Asia, Europe, and the Americas.

PGC's Free Bee app increased the daily allocations of free calls to the Philippines by 2.5 times, giving Filipino users abroad greater access to the emotional support they need during uncertain times.

Free Bee launched an all-new mobile application and a refreshed brand identity personified by its new ambassador, talented actress Maymay Entrata.

True to its new tagline, "Diskarteng Pinoy, Diskarteng Free Bee," Free Bee also introduced app-to-app calls so that users can call loved ones anywhere in the world.

Free Bee capped the year with a different take on its annual #1212FreeBeeDay celebration, surprising thousands of lucky users over the Christmas season with digital vouchers, carried out in partnership with GrabFood, Sunlife, Philippine Airlines & Viu.

PGC joined Coca-Cola Beverages Philippines, Inc. (CCBPI) in providing livelihood opportunities for repatriated overseas Filipino workers through its Balik Pinas program.

### Empowering with Connectivity Solutions

PLDT partnered with Orange Group's International Carriers for international voice aggregation services, while PGC teamed up with the Philippine Cable and Telecommunications Association (PCTA), empowering its members with connectivity solutions to accelerate their digital initiatives amid the new normal.



With e-Wallets becoming an essential tool for Filipinos during the global health crisis, PayMaya has enhanced its mobile app to include critical features and services such as: the ability to purchase Beep QR tickets or top-up Beep and expressway RFID cards for transportation purposes; receive money from other PayMaya users by generating a payment link or QR Ph code; enhanced and expanded bills payment services; receive money transfers from abroad via Western Union or MoneyGram; and change the mobile number associated to their accounts, among many others.

To help encourage the growth of cashless payments in the country and offer Filipinos not just a safe and convenient but also rewarding way to pay, PayMaya launched the "Balik Bayad" and "PayMayaguinaldo" campaigns in 2020 that highlight the many ways consumers are rewarded whenever they pay using their PayMaya account.

PayMaya pushed the envelope in e-Commerce in 2020 as it processed over Php95 billion worth of transactions on behalf of its customers and merchant partners. This has helped push cashless payments to become the default and preferred mode of

payment of Filipinos when it comes to shopping online, overtaking cash for the first time.

### Enabling 'digital government' to take off

PayMaya has become the partner of choice of the government, with total volume processed increasing by 1,200% YoY for 2020. Over 60 national government agencies, local government units, and state corporations now have the capability to increase revenue collections and efficiently deliver financial assistance to beneficiaries with PayMaya's payments acceptance solutions such as PayMaya Checkout, PayMaya QR, One by PayMaya mPOS, and PayMaya PayOut.

With the government mandating the use of cashless and contactless payments in transportation services, PayMaya has launched a broad initiative equipping all players in the transportation sector ecosystem—from transportation service providers, to transport hubs, to digital transportation services, to gas stations, and even government agencies—with digital payments solutions that allow them to accept payments via PayMaya QR or cards and e-wallet payments through the PayMaya One device.

PayMaya has become the disbursement channel for various government financial aid programs at both the national and local levels, helping disburse over Php4.5 billion direct to the PayMaya account of millions of government beneficiaries.

It was tapped to disburse aid for the DSWD's Social Amelioration Program, Small Business Wage Subsidy, and LTRFB's assistance to affected drivers. Meanwhile, various provinces, cities, and municipalities – including Bataan Province, Caloocan City, Manila City, Mandaluyong City, Pasig City, Tarlac, and Quezon City – have utilized PayMaya's disbursement solution for their citizen assistance programs during the pandemic.

In July 2020, PayMaya launched the LGU Embracing and Accelerating Digitalization (L.E.A.D) program to help LGUs deploy "plug and play" cashless payments and digital disbursements. With the program, LGUs are also empowered to support merchants and citizens in their constituencies to conduct cashless financial transactions.

## LEADING THE WAY TOWARDS A CASHLESS PHILIPPINES

PayMaya has enabled over 28 million registered users across all its consumer platforms to pay cashless and contactless and avail of various financial services, signifying its continued commitment to the Bangko Sentral ng Pilipinas' (BSP) goal of providing 70% of Filipino adults with a financial account by 2023.

PayMaya's services have become a lifeline for consumers in the time of COVID-19. The PayMaya app has become one of the fastest ways for Filipinos to open a financial account, which readily allows them to send money to friends and loved ones, pay their bills, buy mobile prepaid

load, shop for essential items online, receive financial aid, or pay via QR in merchants using their mobile phones - all via digital.

Its Smart Padala by PayMaya agent network, meanwhile, has provided much-needed critical financial services to Filipinos, especially during the pandemic. With presence in 92% of all cities and municipalities in the country, neighborhood Smart Padala centers have allowed millions of unbanked and underserved Filipinos to continue accessing financial transactions such as remittances, bills payments, and mobile prepaid reloading amid mobility restrictions.

To respond to the urgent needs of people and communities severely affected by the COVID-19 pandemic and the other disasters that have struck the country in 2020, PayMaya launched its #OneAgainstCOVID19 and #TyphoonRelief fund-raising campaigns, which have collectively garnered over P34 million in funds on behalf of 50 organizations and foundations from individuals who donated via their PayMaya app or through PayMaya's online donation portal.



We enable digital payments for all.



PGC points of presence to over  
**100**  
countries

Over  
**28M**  
PayMaya  
registered users

Over  
**PHP34M**  
funds raised for  
50 organizations

Over  
**116,000**  
merchants empowered to  
accept cashless payments  
in-store or online





# We empowered crisis-resilient communities.

*"I let them buy essential goods on credit. It may be a small thing, but I hope it helps ease their burden."*

- Shine Macapas  
Smart load retailer and Sari-sari store Owner





The Corporate Social Responsibility (CSR) efforts of the PLDT Group aims to support the company's role in enriching the lives of the Filipino people.

In 2020, the PLDT group stepped up efforts to local government units, partners, and frontliners to keep them safe and connected. The group also pioneered digital education efforts by launching the 'No Learner Left Behind' campaign and ramped up its disaster preparedness efforts to help communities affected by calamities.

## THE FIGHT AGAINST THE COVID-19 PANDEMIC

**PHP30 MILLION**  
WORTH OF HOSPITAL EQUIPMENT

PLDT-Smart Foundation (PSF) and One Meralco Foundation donation to East Avenue Medical Center



**VACCINES FOR FRONTLINE HEALTH WORKERS AND THE GOVERNMENT BY PLDT AND MPIC THROUGH THE PLDT-SMART FOUNDATION**

**OVER PHP1.7 MILLION**

relief packs, supporting over 2,300 families and communities in Metro Manila and Cebu PLDT and PBSP donation through online fundraising campaigning Bayanihan Musikahan

**118,000 PPE**  
**20,000 GROCERY PACKS**  
**72,000 VITAMIN-C TABLETS**

PSF donation to frontliners, communities and government

**OVER PHP6.6 MILLION**

for PPEs and grocery packs for frontline workers of hospitals and the Armed Forces of the Philippines (AFP) Funds raised through an initiative of PSF and PLDT-Smart employees called "Kapit Kapatid"

**FED OVER 8,000 UNDERPRIVILEGED INDIVIDUALS**

PSF in partnership with AFP Mobile Kitchen



**60,000**  
LITERS OF ALCOHOL

Tulong Kapatid donation to government partners and communities



PLDT and Smart provided communications support for COVID command centers of national government agencies and local governments nationwide. This assistance took the form of hotlines, pocket mobile WiFi, smartphones, SIMs, e-load and its online messaging platform, Infocast.

## PIONEERING DIGITAL EDUCATION EFFORTS

**OVER 58,000 + 288,000**  
PARTICIPANTS FACEBOOK VIEWS

for the PLDT Infoteach Webinar Series by PLDT and the University of the Philippines Open University (UPOU)



**OVER 30,000**  
teacher and students graduates since 2004 by the PLDT Infoteach Outreach Program



**COPING WITH THE NEW NORMAL**  
A program by PLDT and the Philippine Eagle Foundation which aims to end the digital exclusion of upland women and girls in Arakan, North Cotabato

**AS OF DECEMBER 4, GABAY GURO'S LEARNING NEVER STOPS CAMPAIGN HAD 27 E-LEARNING SESSIONS ON FACEBOOK AND OVER 456,000 VIEWS**

The Learning Never Stops campaign includes 1-hour sessions featuring noteworthy speakers and resource persons made available, free-of-charge, to teachers nationwide

**OVER 500,000 TEACHERS**

in attendance last October 3 for Gabay Guro's first-ever virtual Grand Gathering



**GABAY GURO'S DIGITAL INNOVATION PILLAR THROUGH ITS GABAY GURO SUPER APP**  
Available in all Android, iOS, and web devices; provides teachers with access to ready-to-use online platforms and digital resources that are aligned with the Department of Education (DepEd) and Commission on Higher Education (CHED) curriculum

More information on the PLDT Group's CSR programs are available in the PLDT 2020 Sustainability Report.

## PIONEERING DIGITAL EDUCATION EFFORTS

**MORE THAN 100,000 TEACHERS**

have already downloaded the Gabay Guro Super App during the app's beta testing stage and initial launch last October 1, 2020



**AVAILABILITY OF OVER 2,000 FREE-TO-DOWNLOAD**

Central Visayan Institute and Foundation-Dynamic Learning Program (CVIF-DLP) Learning Activity Sheets at [www.common.dep.gov.ph](http://www.common.dep.gov.ph) Accessible by Smart, Sun, and TNT subscribers even without data load



**FOR SCHOOL YEAR 2020-2021**

16 DepEd formal and non-formal divisions nationwide have implemented CVIF-DLP, a disaster-resilient teaching strategy that ensures that improves learners' outcomes, especially in STEM made possible by the 'No Learner Left Behind' web forum with almost 500,000 views

**86 SCHOOL-IN-A-BAG**



portable digital classroom kits to DepEd schools nationwide, benefitting over 2,500 teachers and over 75,000 students to date. Deployed by Smart to support of the DepEd's Basic Education Learning Continuity Plan.

**CYBERSMART SECURITY BEYOND DIGITAL**

a learning series promoting responsible use of the internet, with more than 28,000 teachers and students by Smart, in partnership with the DepEd, National Privacy Commission, and the UNICEF



**SMART PREPAID INNOVATION GENERATION**

WITH 77 FACULTY AND STUDENTS FROM 16 SCHOOLS NATIONWIDE  
Have been selected to participate during its pilot run. A small grants program that challenges the youth to develop simple, technology-enabled solutions that create giga impact within their communities

## RAMPING UP DISASTER PREPAREDNESS AND RESILIENCE



**AROUND 5,000 FAMILIES**

across Luzon received food and relief packs, blankets, mats, facemask, faceshields from PLDT



**CASH-FOR-WORK PROGRAMS THAT HELPED 945 FAMILIES**

A program by Smart, benefitting families in Laurel, Batangas; Marikina City; Rodriguez, Rizal; Tuguegarao City; Garchilorena and Pili, Camarines Sur; and Iligan, Isabela recover from the disaster



**MORE THAN 330,000 VIEWS**  
OF THE 10-EPIISODE SERIES "KALYE MABUNGA" THAT TEACHES FILIPINOS HOW TO GROW THEIR OWN FOOD AT HOME

An online campaign by Smart, in partnership with the Department of Agriculture to support the government's Plant, Plant campaign and help build food-secure communities



**SMART'S COLLABORATION WITH GROW MY OWN FOOD-BOHOL**  
TO SUPPORT SUCCESSFUL URBAN GARDENING PROGRAMS

**OVER 16,000 RELIEF PACKS**

to families affected by Typhoons Rolly and Ulysses donated by the PLDT-Smart Foundation



**THREE RESCUE BOATS AND TRUCKS AND A CHOPPER**

donations to the AFP for its disaster preparedness and rescue operations by PLDT, MPIC and its logistic arm MMI







## PEOPLE AND CULTURE

# We created meaningful experiences.

2020 was a life-changing year for the PLDT and Smart organization when the COVID crisis hit the entire world. Majority of its 18,848-strong employee population shifted to a work from home set up and various alternative work arrangements.

Transformation within the two organizations was accelerated. To pave the way for new and agile ways of working, processes were digitalized for smoother and faster workflows; events moved to virtual channels, communication was done real-time, and digital learning became the primary method for skills development.

Majority of  
**18,848**  
employee shifted  
to work-from-home  
arrangements



### Digital Learning as the New Way of Life

As the whole organization made a digital shift, the PLDT Group invested in the continuous learning and development of its people by rolling out a line up of e-learning courses and webinars under "PLDT and Smart University".

In 2020, there was total of 224,672 completed e-learning courses across employee development programs, business systems trainings, technical skills, leadership development programs, and onboarding and career initiatives.

Some of the year's digital learning highlights included the launch of new e-learning courses in collaboration with LinkedIn; and the roll out of the #AllTogetherNow Product Knowledge and Customer Experience training program which aimed to keep employees informed on PLDT and Smart's roster of new and existing products and services. Employees were also taught how to better address the customer concerns of their family members and friends, especially with data becoming a vital service today.

Likewise, the Learning & Development Team organized a Training Resource Persons Awards event for its co-trainers and partners from various departments to recognize them for their noteworthy achievements despite a difficult year. PLDT also prepared its 442 retirees in 2020 through transition workshops and seminars to enable them to plan and make better choices amidst the pandemic.

In 2020 alone, the training reach rate of unique employees who attended learning courses was at 99.20% — the highest ever compared to previous years. This shows that in today's new normal era, learning has become vital and highly accessible for PLDT and Smart employees.

### Talent Management

To ensure we enable the best integrated telco strategy, PLDT relentlessly pursues its agenda on succession management. Working with the Leaders on present requirements is an urgent groundwork activity while creating a talent pipeline and ecosystem for the next horizon of products and services. This includes the development and implementation of capability building initiatives, series of targeted hiring in local and global markets, and the revival of the Management Associate Program.

A digital environment requires a strong learning culture. This is supported by PLDT and Smart's corporate university which makes sure all learning modalities for the best reach and an internal career opportunity marketplace are utilized to enable talent mobility for all its employees.

### Employee Well-being

Given the COVID situation, PLDT and Smart prioritized the health and well-being of its people.

To address the anxieties of employees, dedicated COVID-related channels were set up. For health monitoring purposes, a **Coronavirus Online Form** was required to be completed by employees if they experienced symptoms or were exposed to a COVID patient or suspect. There is in place a **COVID-19 Self-Check Chatbot** which served as the employees' daily health assessment and security requirement for entering the workplace. It was housed in the company's self-service and knowledge-base platform called ONE Hub, which is also accessible via the NOW Mobile app. Both the COVID form and chatbot were closely monitored by the PLDT Medical Services Team. Weekly communications under the **"COVID Warrior" Campaign** on guidelines and safety protocols were also released.

On top of this, a **24/7 InfoMed hotline** addressed medical-related concerns and health benefits PLDT personnel nationwide may have. Complementary to this was the **COVID Employee Hotline** that was made available during weekdays from 8:00AM to 5:00PM where employees could easily reach out to advisers on questions related to internal guidelines, safety protocols, rapid testing, shuttle services and the like. For those who prefer to inquire online, a **COVID Online Helpdesk** via the Workplace by Facebook platform was set up for all internal inquiries.

The Medical Services Team provided ease and comfort to employees by setting up a convenient process for the claiming of medicines and multivitamins, delivering them to offices and residences during the strict quarantine period until the end of 2020; operationalizing its dedicated PLDT Clinics nationwide, launching the Virtual Health Management system for teleconsultations with in-house doctors, overseeing employee testing results in partnership with accredited Metro Pacific hospitals and clinics nationwide, accommodating employees in designated quarantine facilities, managing the health status of all PLDT Group employees, and holding a continuous vaccination program for employees and their families.





We accelerated transformations for a stronger workforce.

Mental Health also became a strong advocacy within PLDT and Smart. In 2020, the company launched an internal program called “Mind Your Health”, which aimed to drive awareness on the importance of mental wellness, especially during these difficult times.

As part of the initiative, weekly communications and a total of 11 webinar series were rolled out to break the stigma on mental health in the workplace. Garnering 3,879 views and 1,414 live participants, sessions and live talks featured mental health experts as they shared their insights on how best to address mental well-being issues such as stress, anxiety and depression.

Under the Mind Your Health program, nine e-Learning modules were also launched for employees to easily access during their free time. Engaging around 11,900 participants, the topics related to dealing with unexpected change, stress management and managing anxiety were the ones that had some of the highest responses from employees.

Being the employees' first line of support, the company's Officers and Executives were provided with specific modules and sessions to help them understand the important role they play in promoting the mental well-being of their teams.

PLDT and Smart ensured that employees who were experiencing mental health issues found support and treatment interventions to help them cope and heal. Counseling and consultations with accredited healthcare professionals through its Medical Services Team were made available for employees.

#### Recognizing MALASKIT

With the pandemic affecting the entire PLDT and Smart workforce, a “Pusong PLDT and Smart” digital campaign was rolled out org-wide, putting a spotlight on the employee heroes of both companies. Several individuals from various teams such as Network, Retail Operations, Logistics, Medical Services and IT were commended for going above and beyond the call of duty during the COVID crisis and natural calamities that took place.

Recognition played a crucial role with thousands of employees celebrating their colleagues for a job well done. Housed in the performance management system of PLDT and Smart called “DigiPEP”, over 10,000 people sent their colleagues recognition badges dedicated to its corporate values such as malasakit, awesome customer experience, agility, collaboration and humility to listen and learn, among others.

Incentive plans were set in place to reward employees for a productive and meaningful year as well as a good performance in 2020 amidst challenges.

Over  
**10,000**  
sent their colleagues  
recognition badges

#### Engaging the Workforce during Trying Times

With COVID changing the way people live and work, engaging and re-energizing the workforce was challenging.

An online wellness program called “**Wellness Revolution: Digital Edition**” was rolled out consisting of a line-up of activities that intended to engage and excite employees through virtual means. There was a total of 16,374 online engagements (which included views, participation and playbacks) from various initiatives:

- **Workout From Anywhere** – Weekly online fitness classes shared on the Workplace by Facebook internal platform facilitated by instructors and selected employees
- **PLDT & Smart Plant Project** – Employee participants were encouraged to grow their own plants during the quarantine and document them online
- **Kwentong ECQusina** – Employee cooks posted their delicious recipes and home cooked meals on the digital platform
- **KidsAtHeART** – Employees and their dependents showcased their artworks online following themes relevant to the pandemic, and participants with the most creative pieces were given prizes
- **#RTWOOTD** – A digital activity that encouraged employees returning to the workplace to pose in their “return to work attire” PPEs
- **#WFHDeskGoals** – People working remotely shared their own do-it-yourself work spaces at home
- **Tagisan ng Talino** – PLDT and Smart's version of “Quiz Night” allowed employees to participate in themed online trivia games virtually



In place of an annual sports olympics held onsite, PLDT and Smart launched a “ONE E-Sports League” for gamers which acquired a satisfaction rating of 4.86, the highest rated virtual sports event.

As the PLDT and Smart workforce wanted to give back during this time of need, an internal Kapit Kapatid Fundraising Program in partnership with the PLDT-Smart Foundation, was also implemented raising total donations of Php6,689,000 from 3,553 employees from both companies.

The senior leaders of PLDT and Smart played a pivotal role in steering the Company towards the right direction, and assuring its workforce that their wellbeing was a priority. Before the crisis, an onsite PLDT & Smart Leadership Summit was held at The Peninsula Manila to rally the 291 participating Assistant Vice Presidents and Officers to meet the business targets. During the pandemic, three virtual town halls for over 1,400 of the officers and executives were organized for Top Management to present business updates, talk about the COVID-19 pandemic, and address employee questions. In the last leadership town hall of 2020 held last December, 90% of the attendees joined, making it the highest real-time participation rate in comparison to previous sessions.

In November 2020, PLDT also had its first ever Virtual Service Awards called “Pamana” where 837 employees celebrated 25 years, 30 years, 35 years and 40 years with the Company. An exclusive site was created for the event with a special digital registration. Awardees were able to watch the program live from the comfort of their homes and offices, chat with fellow recipients, and enjoy the photo booth. Employees tuned in to the celebration where senior leaders gave congratulatory speeches; service award representatives shared their PLDT stories, musicians performed, and a raffle draw with exciting prizes was held. Trophies and cash incentives were also given to the awardees.

And to cap off the year, PLDT and Smart wanted to engage its employee community thru a year-end celebration called “Gratitude Night” which was attended by 1,271 live participants, and garnered 2,500 total views. To boost the holiday spirit, there was a Santa Spin Grand Raffle where prizes were given out; Pasko Sessionistas performances by employees themselves, and a Christmas Edition of Tagisan ng Talino (Quiz Night).

Despite battling with an unfamiliar crisis in 2020 that changed the way people live and work, the PLDT and Smart workforce showed their *malasakit*, resilience and dedication – **going above and beyond their roles to excel in their projects, serve their customers, and support their colleagues.**

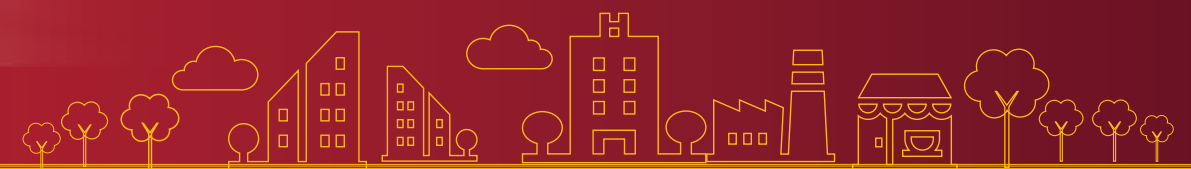




We act with courage  
to connect, restore  
and rebuild lives  
and communities.

*“When the pandemic broke loose in the middle of March, our immediate concern focused on our three most important constituents: first, the health and financial well-being of our employees; second, continuing connectivity and service excellence to customers; and third, assistance to the government and its agencies in addressing the needs of communities.”*

*- Manuel V. Pangilinan,  
PLDT Chairman and President & CEO*





# 2020 YEAR AT A GLANCE

## Creation of the Data Privacy and Information Security Committee (DPISC) and appointment of its Chairman, Members, and Advisor (November 5)

The first Board Committee of its kind among publicly-listed companies in the Philippines and in the telecommunications industry in Southeast Asia, the DPISC assists the Board in overseeing and providing strategic direction to governance functions relating to data privacy and information security.

## Commitment to United Nations Global Compact (February 19 -PLDT; February 20 -Smart)

PLDT and Smart expressed commitment to the United Nations Global Compact that calls on business leaders to demonstrate ethical leadership and good governance; invest in addressing systemic inequalities and injustices through inclusive, participatory and representative decision-making; and partnering with the UN, Government and civil society to strengthen access to justice, ensure accountability and transparency, provide legal certainty, promote equality and respect human rights.



## Approval of the Revised Governance, Nomination and Sustainability Committee (GNSC) Charter highlighting its sustainability functions and appointing the Chief Sustainability Officer as Non-voting Member of the GNSC (November 5)

The Governance and Nomination Committee was renamed Governance, Nomination and Sustainability Committee with functions that include assistance to the Board for its oversight on the implementation of the Company's sustainability strategy, framework, program and policies, and the Company's social investments and commitments to making meaningful impact to communities. The revised GNSC Charter expanded the composition of the GNSC to include the Chief Sustainability Officer as Non-voting member.

## Training on “How to Lead Courageously During a Crisis” by Dr. Nancy F. Koehn, Historian and Leadership Expert, Harvard Business School; and “Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices” by Dr. Saturnino P. Javier, Medical Director, Makati Medical Center (September 25)

The SEC accredited governance training was attended virtually by Board and Advisory Board/Committee Members, Advisors and Officers of PLDT and the PLDT Group, together with the Board Members and Officers of other Philippine-based affiliate companies of First Pacific Company Ltd.



## 12 Board Meetings and 30 Board Committee Meetings with focus on strategy and management oversight; financial reporting, internal controls & audit, independent audit; and corporate governance

- 9 regular Board meetings
- 2 special Board meetings
- 1 organizational Board meeting
- 9 Audit Committee meetings
- 2 Governance, Nomination and Sustainability Committee meetings
- 3 Executive Compensation Committee meetings
- 5 Risk Committee meetings
- 11 Technology Strategy Committee meetings

## Annual Stockholders' Meeting (ASM) with online voting and participation by remote communication (June 9)

PLDT held its Annual Stockholders' Meeting in virtual format on June 9, 2020, with holders of 92.86% of total outstanding shares of Common, Voting Preferred, and Non-Voting Serial Preferred Stocks as of the record date, April 13, 2020 present or represented by proxy in the meeting.



## Reappointment of a Lead Independent Director (June 9)

On June 9, 2020, the Board reappointed Hon. Artemio V. Panganiban as Lead Independent Director, in compliance with Recommendation 5.5 of the Code of Corporate Governance for Publicly-Listed Companies for the designation of a Lead Director from among the Independent Directors if the Chairman is not independent, including if the Chairman of the Board and Chief Executive Officer are held by one person.



## Review of the Code of Business Conduct and Ethics; and Conflict of Interest Policy (November 4)

PLDT's Board of Directors acting through its Governance, Nomination and Sustainability Committee, reviewed the Company's Code of Business Conduct and Ethics, and Conflict of Interest Policy and determined that these remain compliant with applicable law, regulations and best practices and are appropriate for the Company.

## Review of PLDT Group Top Risks as identified by the Top Management Team

The PLDT Board approved the PLDT Group Top Risks as identified by the Top Management Team, which covered a review on the result of the rapid risk assessment performed by Management on the effects of Covid-19 on the PLDT Group and the results of discussions on the risk profiles of business and support groups with Group Heads and relevant Officers.

## PLDT Group's Compliance with Section 404 of the Sarbanes-Oxley Act (SOX 404)

Amid the challenges of the pandemic and a system migration, Finance, Internal Audit and the external auditors have found that the Company's internal control environment and compliance structure are fundamentally strong. Digitalization has been fast-tracked, and the Control Owners were flexible in redesigning their processes and controls to adapt to the new normal. The transition to an automated tool for Controls Self-Assessment and Sub-Certification has also helped hurdle the challenges brought by the pandemic.





# BOARD OF DIRECTORS



## OUR LEADERSHIP

### BOARD OF DIRECTORS

The year 2020 was a year of great challenges for the PLDT Group, but also a year of great opportunity. It was a year when Board leadership was tasked to ensure good corporate governance amid changed circumstances – community quarantine restrictions, a quick pivot to a work from home environment for a large number of employees, health and wellness concerns, and the palpable and urgent need to actively collaborate with government and other business leaders to build back lives and assist communities in need.

As the body entrusted with authority to act for and on behalf of the Company, acts of the Board, including its exercise of corporate powers, conduct of business and control of the properties of the Company, were expressions of the will of its stockholders by whose mandate the Board was constituted. With this mandate, our Directors performed their duties diligently and in good faith and devoted sufficient time and attention for such purpose. As trustees of stockholders and other stakeholders’ interests, our Board and its directors acted 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,<sup>1</sup> establishes the Company’s corporate governance framework, principles and policies aligned with business objectives, and oversees their implementation and 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 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, program 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 and programs for engagement and communication with sectors of the community in which the Company operates, including the Company’s disclosure of material and reportable information regarding non-financial and sustainability issues, with focus on the management of economic, environmental, social and governance (EESG) issues 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.

#### 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. It 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,<sup>2</sup> 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.

#### 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.

#### COMPOSITION

Our Board is composed of 13 members, with three independent directors, eight other non-executive directors and two executive directors. Three directors are female and two are Japanese citizens. All the members of our Board are qualified and competent directors with diverse and complementing skills, expertise, experience and knowledge which enrich the collective processes and practices of our Board. Our directors have extensive experience in their respective fields or industries, such as telecommunications, Information and Communication Technology (ICT), business processing, infrastructure, power, insurance, real property development, retail and agriculture businesses, law and public administration. At least three of our non-executive directors have extensive experience in the telecommunications industry.



**Chairman.** 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 incumbent Chairman, Mr. Manuel V. Pangilinan, concurrently holds the position of President and CEO since January 1, 2016. With the guidance of the Governance, Nomination and Sustainability Committee, Mr. Pangilinan continues to manage the search for a new President and CEO of PLDT. Meanwhile, the Board is assured of the benefit of independent views with the checks and balances in place: (i) clearly defined duties and responsibilities of the Chairman and the President & CEO in the By-Laws, CG Manual and Board Charter; (ii) independent Board oversight, supported by three independent directors, including a lead independent director, eight non-executive directors, Audit Committee composed entirely of independent directors, and Governance, Nomination and Sustainability Committee, Executive Compensation Committee and Risk Committee with independent directors constituting the majority of their respective voting members; and (iii) Company policies and procedures which have been established to manage conflicts of interests.

**Independent Directors.** Our independent directors, namely, Retired Supreme Court Chief Justice Artemio V. Panganiban, Mr. Pedro E. Roxas and Mr. Bernido H. Liu, were selected pursuant to the specific independence criteria set out under applicable laws and rules, our By-Laws and CG Manual. Under our CG Manual, an independent director is, broadly, “a person who is independent of Management and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company.” More specific independence standard criteria are enumerated in our By-Laws and CG Manual. On June 9, 2020, the Board reappointed Hon. Artemio V. Panganiban as Lead Independent Director pursuant to the Recommendation of the Code of Corporate Governance for Publicly-Listed Companies (CG Code for PLCs).

<sup>1</sup> The Governance and Nomination Committee (GNC) was renamed “Governance, Nomination and Sustainability Committee” (GNSC) pursuant to the GNSC Charter which was approved and adopted by the Board of Directors on November 5, 2020.

<sup>2</sup> The creation of the Data Privacy and Information Security Committee (“DPISC”) and the adoption of the Data Privacy and Information Security Charter were approved by the Board on November 5, 2020.



DIVERSITY

PLDT considers having an optimally performing diverse Board as an essential element for the attainment of the Company's strategic objectives and its sustainable development. PLDT's Board Diversity Policy articulates the Company's recognition of the enhanced quality of performance and decision-making capability of a Board that is composed of a mix of directors who are equipped with knowledge, skills, professional or business experience, cultural and educational background, ethnicity, gender, age, length of service, and is a combination of executive, non-executive and independent directors. The Company's Board Diversity Policy provides that without infringing the cardinal right of the stockholders to nominate and vote for the election of directors, the Governance, Nomination and Sustainability Committee and the Board shall consider the appropriate mix, complementation and interplay of the various diversity aspects in the selection of qualified director-nominees, including independent director-nominees, who will be recommended for election by the stockholders or the Board, as the case may be, for the Company to achieve the benefits of Board diversity as well as to fairly and effectively promote the interest of all the stakeholders, particularly the long term interest of the stockholders of the Company.

For the purpose of selecting the members of our Board, the Governance, Nomination and Sustainability Committee follows the Company's Guidelines on the Search, Screening and Selection of Directors and Screening Checklist which contain, among others, the criteria and qualifications for directorship and a matrix on the skills, expertise and experience relevant to

the responsibilities of the Board, and considers other relevant factors, such as conflict of interest and directorships and/or positions in other corporations. The process ensures that the selection of directors and independent directors is aligned with the Board Diversity Policy and the Company's Vision, Mission, and strategic objectives.

DIRECTORSHIPS IN OTHER CORPORATIONS

Our Board adheres to a performance-based standard in determining whether directorships in other companies compromise the capacity of a director to serve or perform his/her duties and responsibilities to the Company diligently and efficiently. Differences in individual capabilities and the nature and demands of directorships in other companies are given due consideration in determining fitness and capacity to serve in our Board.

MEETINGS

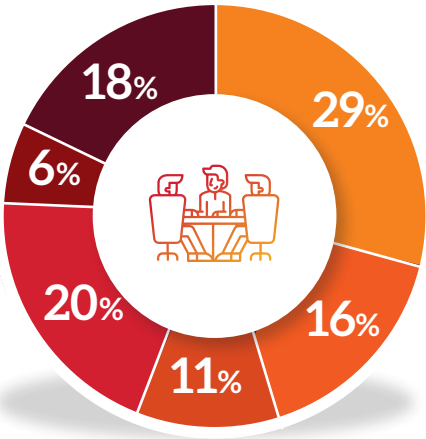
Our Board meets, more or less, on a monthly basis, in accordance with the schedule of meetings that it sets at the end of the preceding year. Invariably, some of these meetings are devoted to the review and/or approval of the Company's Vision and Mission, the strategic plans and budget, business operations updates, network and technology updates, capital expenditures and investments, risk management reports and sustainability programs. Once every quarter, our Board reviews the quarterly financial reports. The Board holds executive sessions with independent directors and non-executive directors, excluding executive directors, at least once a year and at such other times as the Board may deem necessary or appropriate. The Board held one executive session in 2020.

ATTENDANCE IN 2020 BOARD MEETINGS AND ANNUAL STOCKHOLDERS' MEETING (ASM)			
Director	Designation	Board Meetings	ASM
Manuel V. Pangilinan	Executive Director	12/12	✓
Ma. Lourdes C. Rausa-Chan	Executive Director	12/12	✓
Bernido H. Liu	Independent Director	11/12	✓
Artemio V. Panganiban	Independent Director	12/12	✓
Pedro E. Roxas	Independent Director	12/12	✓
Manuel L. Argel, Jr.	Non-executive Director	12/12	✓
Helen Y. Dee	Non-executive Director	11/12	✓
Ray C. Espinosa	Non-executive Director	12/12	✓
James L. Go	Non-executive Director	12/12	✓
Shigeki Hayashi	Non-executive Director	12/12	✓
Junichi Igarashi	Non-executive Director	12/12	✓
Albert F. del Rosario	Non-executive Director	12/12	✓
Marife B. Zamora	Non-executive Director	12/12	✓

ATTENDANCE IN 2020 BOARD MEETINGS AND ANNUAL STOCKHOLDERS' MEETING (ASM)			
Name	Designation	Board Meetings	ASM
Oscar S. Reyes	Advisor	12/12	✓
Roberto R. Romulo	Advisor	12/12	✓
Benny S. Santoso	Advisor	12/12	✓
Orlando B. Vea	Advisor	12/12	✓
Christopher H. Young	Advisor	12/12	✓

In 2020, our Board held 12 meetings (nine regular Board meetings, two special Board meetings and one organizational Board meeting). In each meeting, a quorum of at least two-thirds of the Board members, including at least one independent director, was present. All independent directors were present in the Annual Stockholders' Meeting held on June 9, 2020. The respective Chairmen of the Audit; Governance, Nomination and Sustainability; Executive Compensation; Risk; and Technology Strategy Committees were likewise present in the said meeting. Key agenda items in the 2020 Board meetings included the following:

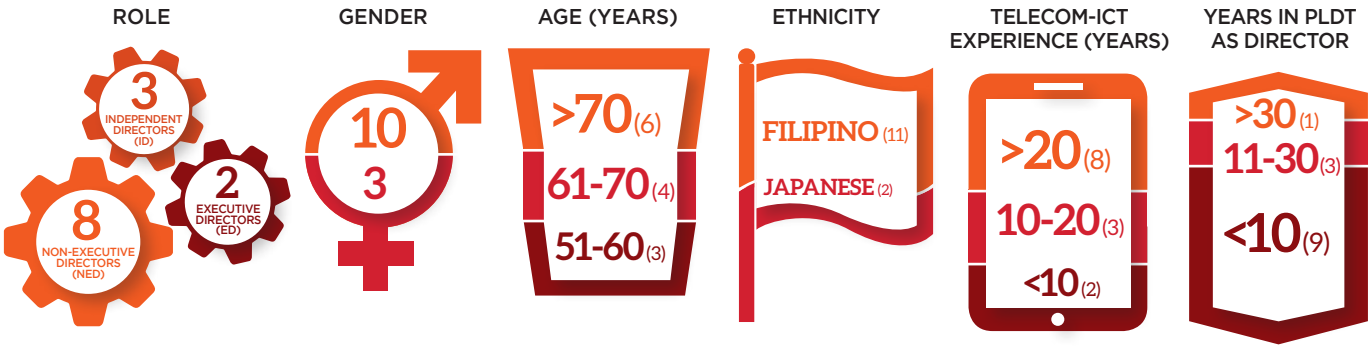
- Audited financial results for the year ended December 31, 2019
- 2020 Annual Budget, business strategies and initiatives
- Financial results for each quarter of 2020
- Dividend declarations
- Business updates
- Update on the impact of and management response to Covid-19
- Network projects and capital expenditures
- Equity and other securities transactions
- Annual Stockholders' Meeting matters
- Appointment of members of the Advisory Board and Board Committees
- Appointment and promotion of officers
- Appointment of Lead Independent Director
- Reports of Board Committees
- Enterprise Risk Management Report
- Sustainability Report
- Approval of the Amended Governance, Nomination and Sustainability Charter, appointment of the Chief Sustainability Officer as a non-voting member of the Committee
- Creation of the Data Privacy and Information Security Committee, approval of its Charter, and appointment of its Chairman, members, and advisor
- Corporate Social Responsibility Projects



BOARD ACTIVITIES

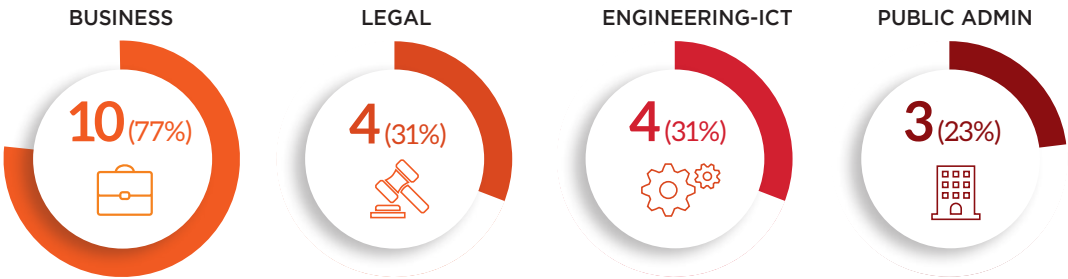
- CORPORATE GOVERNANCE
- ENTERPRISE RISK MANAGEMENT
- FINANCIAL REPORTING, INTERNAL CONTROLS & AUDIT, AND INDEPENDENT AUDIT
- SUSTAINABILITY, STAKEHOLDER ENGAGEMENT AND CSR
- STRATEGIC DIRECTION, TECHNOLOGY & CORPORATE PERFORMANCE
- MANAGEMENT OVERSIGHT

BOARD DIVERSITY FACTORS



DIRECTORS' PROFESSIONAL BACKGROUND

Several of our directors have professional background and business experience in more than one field.





ATTENDANCE IN 2020 BOARD COMMITTEE MEETINGS					
MEMBER	AUDIT COMMITTEE (AC)	GOVERNANCE, NOMINATION AND SUSTAINABILITY COMMITTEE (GNSC)	EXECUTIVE COMPENSATION COMMITTEE (ECC)	RISK COMMITTEE (RC)	TECHNOLOGY STRATEGY COMMITTEE (TSC)
Manuel V. Pangilinan		2/2	2/3		9/11
Ma. Lourdes C. Rausa-Chan**		2/2			
Bernido H. Liu*	9/9	2/2	3/3	5/5	
Artemio V. Panganiban*	9/9	2/2	3/3	5/5	
Pedro E. Roxas*	9/9	2/2	2/3	4/5	
Ray C. Espinosa					11/11
James L. Go***	9/9			5/5	11/11
Junichi Igarashi***	9/9	2/2	3/3	5/5	11/11
Albert F. del Rosario					11/11
Roberto R. Romulo***	9/9				
Oscar S. Reyes**					11/11
Orlando B. Vea**					9/11
Corazon S. de la Paz-Bernardo***	9/9				
Gina Marina P. Ordoñez **		2/2	3/3		

\* Independent Director/\*\*Non-voting member/\*\*\*/Audit Committee Advisor

COMPENSATION

All our directors are entitled to a per diem of Php250 thousand for attendance in each Board meeting and Php125 thousand for attendance in each meeting of the Board Committees in which some of them are members. Save for our executive directors, our directors do not receive stock options, performance incentives, bonuses or any other form of compensation from the Company.

TRAINING

For the orientation of new directors, the Chairman, President and CEO, Chief Financial Officer, Corporate Secretary and Chief Governance Officer give a briefing on the Company's structure, business, operating and financial highlights, responsibilities of the Board and its Committees and how each operates. The new director is also furnished with copies of all relevant corporate documents, including the Company's Articles of Incorporation, By-Laws, Annual Report, CG Manual, Code of Ethics, and the Charters of the Board and Board Committees. Updates on business and governance policies and requirements principally from the Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE), US SEC, and New York Stock Exchange (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 and/or furnished to the directors.

The Board keeps abreast of industry developments, business trends and legal requirements relevant to the Company and its operations. In this regard, the Company conducts an Annual In-House Corporate Governance Enhancement Session (ACGES) that provides an opportunity for leadership to engage in discussion with international and local experts on relevant topics, including emerging trends and technologies,

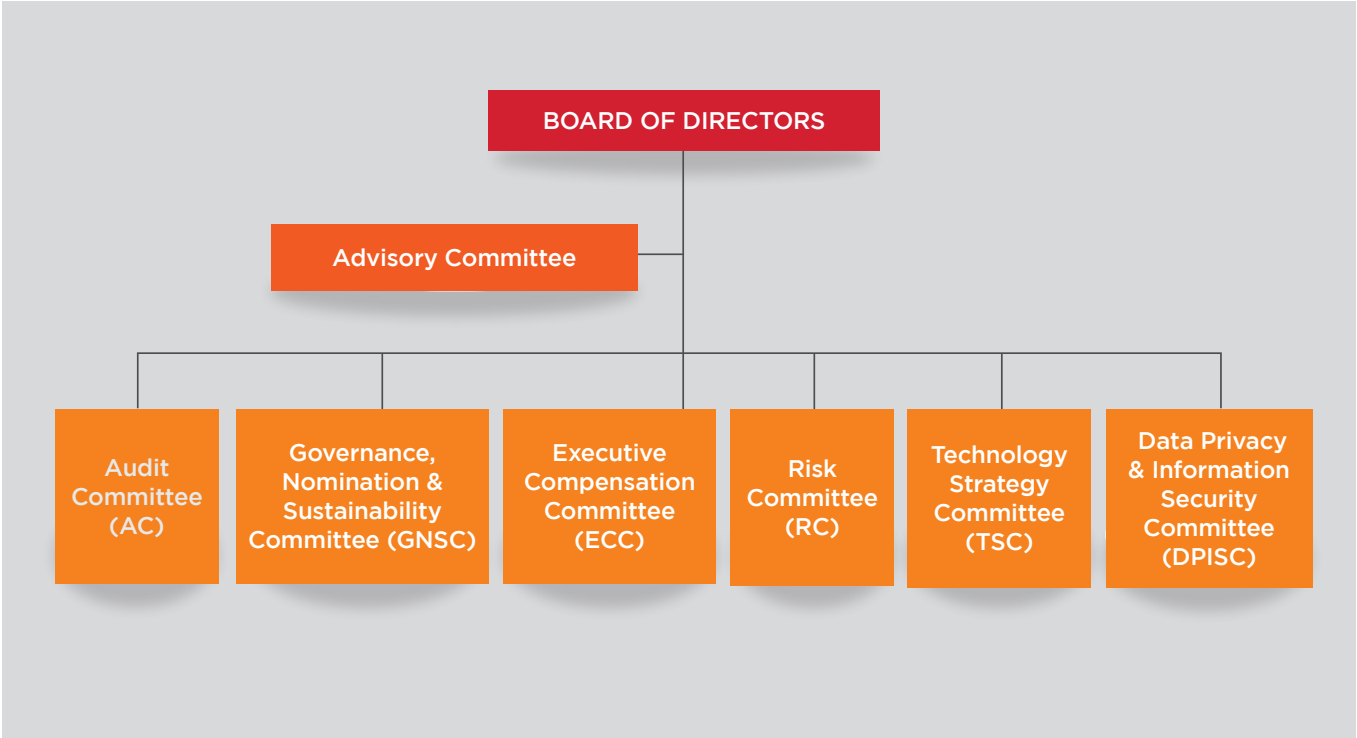
new laws, and best business practices. Updates on business and governance policies and requirements, and new laws applicable or relevant to the Company and its business are presented in Board meetings or furnished to directors. In 2020, in collaboration with Philippine-based affiliates of First Pacific Company Ltd., the Company conducted the ACGES for PLDT's Board and Management on the topics: (i) How to Lead Courageously During a Crisis; and (ii) Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices. The ACGES was likewise attended by select guests from the business academe.

PERFORMANCE ASSESSMENT

Our directors take part in an annual assessment process which reviews and evaluates the performance of the whole Board, the Board Committees and the individuals that comprise these bodies. This process enables the Board to identify its strengths and areas for improvement and elicit individual director's feedback and views on the Company's strategies, performance and future direction. Each Board Committee also conducts an annual self-assessment of its performance. The Board assessment process is further discussed under the Section Monitoring and Evaluation of this report.

BOARD COMMITTEES

To aid in ensuring compliance with the principles of good corporate governance, our Board has constituted the following Board Committees: Audit; Governance, Nomination and Sustainability; Risk; Executive Compensation; Technology Strategy; and Data Privacy and Information Security.



2020 BOARD REMUNERATION (PHP)			
Director	ASM and Board Meetings Attended	Board Committee Meetings Attended	Total
Executive Directors			
Manuel V. Pangilinan	2,750,000	1,625,000	4,375,000
Ma. Lourdes C. Rausa-Chan	2,750,000	250,000	3,000,000
Independent Directors			
Bernido H. Liu	2,500,000	2,375,000	4,875,000
Artemio V. Panganiban	2,750,000	2,375,000	5,125,000
Pedro E. Roxas	2,750,000	2,125,000	4,875,000
Non-executive Directors			
Manuel L. Argel, Jr.	2,750,000	-	2,750,000
Helen Y. Dee	2,500,000	-	2,500,000
Ray C. Espinosa	2,750,000	1,375,000	4,125,000
James L. Go	2,750,000	3,125,000	5,875,000
Shigeki Hayashi	2,750,000	-	2,750,000
Junichi Igarashi	2,750,000	3,750,000	6,500,000
Albert F. del Rosario	2,750,000	1,375,000	4,125,000
Marife B. Zamora	2,750,000	-	2,750,000
Total	35,250,000	18,375,000	53,625,000

Note: Only one per diem was given to directors for attendance in the Annual Stockholders' Meeting, Regular Meeting, and Organizational Meeting on June 9, 2020.



## ADVISORY BOARD/COMMITTEE

Our Board is supported by an Advisory Committee that provides guidance and suggestions, as necessary, on matters deliberated upon during Board meetings. Our Advisory Committee is composed of Mr. Roberto R. Romulo, Mr. Benny S. Santoso, Mr. Orlando B. Veja, Mr. Christopher H. Young, and Mr. Oscar S. Reyes.

PLDT's other Board Committees, namely Audit; Governance, Nomination and Sustainability; Executive Compensation; Risk; Technology Strategy; and Data Privacy and Information Security Committees assist the Board in the performance of its functions and responsibilities. The respective charters of the Board Committees provide that each shall have the necessary resources and authorities to discharge their responsibilities, including obtaining external legal or professional advice.

## AUDIT COMMITTEE (AC)

The Audit Committee 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 (FS) 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 auditors (including the external auditors' qualifications and independence). For efficiency, the Board has determined that in lieu of creating a distinct Related Party Transactions (RPT) Committee, the AC's functions shall include the review of material RPTs 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 RPTs or by the Board.

Our AC is composed of three members, all of whom are independent directors, and four advisors. The AC members are: Retired Supreme Court Chief Justice Artemio V. Panganiban, Mr. Bernido H. Liu and Mr. Pedro E. Roxas, who is the Chairman. The AC advisors include Mr. Junichi Igarashi and Mr. James L. Go, who are non-independent directors, Mr. Roberto R. Romulo, a member of our Advisory Board/Committee, 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. 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 purposes, duties and powers of the AC are set forth in its charter. The charter of the AC may be viewed and downloaded from the PLDT website through the QR code:



## AC Activities in 2020

The PLDT AC held a total of nine joint meetings with the Audit Committees of Smart Communications, Inc. (Smart) and Digital Telecommunications Philippines, Inc. (Digitel).

The joint meetings of the PLDT, Smart, and Digitel Audit Committees (AC) covered a variety of topics including the approval of the Group-wide Internal Audit (IA) Plan for 2020. The AC likewise discussed, reviewed and noted the comprehensive reports of the PLDT Group Internal Audit Head on various topics, including online sales channels, install and repair, handling of customer complaints, information

security and data privacy management, among others. The AC discussed and noted the reports by IA on its Sarbanes-Oxley Act Section 404 (SOX 404) year-round activities in coordination with Finance and the Control Owners across the PLDT Group. In line with initiatives to streamline processes and ensure continuous improvements, the AC also approved the engagement of external consultants for: (i) IA's External Quality Assurance Review, and (ii) the SOX 404 compliance program (Project WinSOX). As part of IA's initiatives to strengthen the culture of ownership and accountability across the PLDT Group, the AC likewise regularly monitored and received updates on Project OWN's key accomplishments such as the timely remediation of audit issues and the conduct of ownership culture-building trainings during the year together with People Group and the Business Transformation Office.

The AC reviewed, with the Chief Financial Officer (CFO) and the PLDT Group Controller, the quarterly financial results, accounting policies, new accounting standards and their impact to the PLDT Group, and management's estimates and judgments. The AC also discussed with them the Company's 2019 Annual Reports on Form 17-A for the Philippine Securities and Exchange Commission (SEC), and on Form 20-F for the U.S. SEC.

The AC recommended to the Board the reappointment of SyCip, Gorres, Velayo & Co. (SGV) as the external auditors for the Company and its subsidiaries for 2020. It approved SGV's various audit and non-audit engagements; and verified that such non-audit services would not compromise their independence. The AC discussed with SGV their plan and status reports for the integrated audit of the FS for 2020 and the effectiveness of internal controls over financial reporting (ICFR). It also approved SGV's report on the results of the integrated audit of the FS and the effectiveness of ICFR for 2019.

In 2020, the AC reviewed and approved all RPTs discussed and endorsed by the CFO. The AC also reviewed the Corporate Governance Office's status reports on complaints received pursuant to the Company's Expanded Whistleblowing Policy. It also confirmed the continued validity of the AC Charter and the IA Charter until its next review in 2021.

The AC likewise invited the Chief Legal Counsel, the Heads of the Chief Revenue Office, the Heads of PLDT Regulatory and Strategic Affairs and Smart Legal and Regulatory, the Chief Information Officer, the Sector Heads of Finance, and the Heads of the Business Transformation Office, to provide updates on risk mitigations or remediations for the noted audit items.

## GOVERNANCE, NOMINATION AND SUSTAINABILITY COMMITTEE (GNSC)

The GNSC assists the Board in the performance of its functions to: (i) establish the Company's corporate governance framework, principles and policies and oversee their implementation and of continuing education and communication programs on good governance; (ii) develop and implement the Board's performance evaluation process, as well as the evaluation process for the annual review of Board Committees and individual directors' performance; (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) make an assessment of the effectiveness of the Company's nomination and selection process for the Board and Board Committees; (vi) establish the Company's sustainability strategy, framework, program, policies and oversee their implementation; and (vii) oversee the Company's social investments and commitments to making meaningful impact to communities.

Our GNSC is composed of five voting members, all of whom are regular members of our Board of Directors, and three non-voting members. Three of the voting members are independent directors, namely, Retired Supreme Court Chief Justice Artemio V. Panganiban, Mr. Pedro E. Roxas and Mr. Bernido H. Liu, and two are non-independent directors, namely, Mr. Junichi Igarashi and Mr. Manuel V. Pangilinan, who is the Chairman. The non-voting members are the Chief Governance Officer, the Chief People Officer and the Chief Sustainability Officer.

The purposes, duties and powers of the GNSC are set forth in its charter. The charter of the GNSC may be viewed and downloaded from the PLDT website through the QR code:



## GNSC Activities in 2020

The PLDT GNSC held two meetings in 2020. In lieu of a meeting in March, the Committee unanimously adopted three resolutions pursuant to Section 4.1 (h) (iii) of its Charter. The GNSC's activities pursuant to its oversight function on governance-related matters included the following:

On policy review and development, the GNSC reviewed the (i) Code of Ethics, and (ii) Conflict of Interest Policy and determined that the said policies remain to be compliant with applicable law, regulations and best practices and are appropriate for the Company, and approved the recommendation to continue to strengthen the implementation of the said policies. The GNSC likewise discussed PLDT's Integrated Annual Corporate Governance Report that was submitted to the SEC and PSE in compliance with the CG Code for PLCs and related SEC and PSE memorandum circulars.

On education and communication, the GNSC provided guidance on and approved the speakers and the content of PLDT's Annual Corporate Governance Enhancement Session (ACGES) for Directors and Officers. The ACGES themes in 2020 were: (i) How to Lead Courageously During a Crisis by leadership expert, world-renowned author and historian at the Harvard Business School, Dr. Nancy F. Koehn; and (ii) Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices by Makati Medical Center's Medical Director, Dr. Saturnino P. Javier. The GNSC likewise reviewed and approved PLDT's Corporate Governance Report for 2019.

On compliance and enforcement, the GNSC reviewed the reports on PLDT's Expanded Whistleblowing (EWB) cases and the investigation and dispositions thereof, and those of Smart, PLDT Global Corporation, ePLDT, Inc., Digitel and Digitel Mobile Philippines, Inc. It likewise reviewed and noted or approved, as applicable, the Conflict of Interest (COI) Disclosures of key employees. The GNSC also assisted in implementing the Board Performance Assessment for 2019 performance, which included the performance evaluation of the Board Committees and Individual Directors. The GNSC's activities pursuant to its oversight function on

nomination related matters included the following: (i) pre-screened candidates nominated to become Directors and the qualifications of candidates for Independent Directors and submitted to the Board the final list of qualified Director and Independent Director nominees for election at the 2020 Annual Stockholders' Meeting; (ii) screened and recommended to the Board the appointment of a Lead Independent Director; and reviewed and confirmed People Group's evaluation of the qualifications of officers and recommended their appointment or re-appointment as such at the 2020 Organizational Meeting of the Board of Directors; (iii) reviewed and confirmed People Group's evaluation of proposed appointments of new officers and promotions to officer rank for approval by the Board; and (iv) reviewed and noted the creation of the Data Privacy and Information Security Committee and recommended to the Board the appointment of its Chairman, members and advisor.

## EXECUTIVE COMPENSATION COMMITTEE (ECC)

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 PLDT'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) review the succession plan for officers, including the CEO; and (v) oversee the development and implementation of professional development programs for officers.

Our ECC is composed of five voting members, all of whom are regular 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, Mr. Pedro E. Roxas and Mr. Bernido H. Liu, and two are non-independent directors, namely, Mr. Junichi Igarashi and Mr. Manuel V. Pangilinan, who is the Chairman. The non-voting member is the Chief People Officer.

The purposes, duties and powers of the ECC are set forth in its charter. The charter of the ECC may be viewed and downloaded from the PLDT website through the QR code:



## ECC Activities in 2020

The ECC held three meetings in 2020. Its activities for the year included the discussion and approval of the following: (i) payout of 2019 PLDT-Smart Short-Term Incentive Plan (STIP); (ii) settlement of the 2019 PLDT Group Transformation Incentive Plan (TIP) grant concluding the 2017-2019 TIP; (iii) Management's proposed revised Core Net Income Target for the 2020 STIP and recommendation for differentiated incremental STIP pay-out beyond the Core Net Income Target; (iv) Management's proposed revised Cumulative Consolidated Core Net Income (CCNI) Target covering the two-year performance period 2020 to 2021 and the proposed revised budget under the 2020-2021 Long-Term Incentive Plan (LTIP); (v) Management's recommendation to pay out one month advance 2020 STIP to eligible PLDT and Smart officers and executives based on the projected Core Net Income performance for 2020; and (vi) Management's proposed 2021 STIP based on Core Net Income Target for 2021.



RISK COMMITTEE (RC)

The RC assists the Board in the performance of its functions to: (i) oversee Management’s adoption and implementation of a system for identifying, 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.

Our RC is composed of five voting members, all of whom are regular members of our Board of Directors. Three of the voting members are independent directors, namely, Mr. Pedro E. Roxas, Mr. Bernido H. Liu and Retired Supreme Court Chief Justice Artemio V. Panganiban, who is the Chairman, and two are non-executive non-independent directors, namely, Mr. Junichi Igarashi and Mr. James L. Go.

The purposes, duties and powers of the RC are set forth in its charter. The charter of the RC may be viewed and downloaded from the PLDT website through the QR code:



RC Activities in 2020

The RC held five meetings in 2020. Its activities included the following: (i) review of the PLDT Group Top Risks as identified by the Top Management Team, led by the head of the PLDT Group Risk Management Department (GRMD); (ii) review and notation of the result of the rapid risk assessment performed by Management on the effects of COVID-19 on the PLDT Group with the Head of the PLDT GRMD and the Chief People Officer; (iii) review and discussion with Heads and relevant officers of the risk profiles of the (a) Enterprise Group, (b) Technology Group, (c) Cyber Security Operations Group, (d) Business Transformation Office, (e) People Group, (f) Supply Chain Management Group, (g) Corporate Affairs and Legal Services Group, (h) Business Continuity and Resiliency Office, (i) Data Privacy and Information Security Governance Group; (iv) review and endorsement of the renewal of the Property Insurance Policy and Cyber Insurance Policy with the Center Head for Insurance; (v) review and monitoring of progress on the rollout of the Enhanced Enterprise Risk Management Framework with the Head of the PLDT GRMD; (vi) update of the risk profile of the Revenue Group with the Chief Revenue Officer and his Leadership Team; and (vii) discussion and notation of the Top Ten Risks in Telecommunications as presented by Ernst & Young (EY).

TECHNOLOGY STRATEGY COMMITTEE (TSC)

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.

Our TSC is composed of five voting members and two non-voting members. The five voting members are non-independent directors Mr. Manuel V. Pangilinan, who is the Chairman, former Ambassador Albert F. del Rosario, Atty. Ray C. Espinosa, Mr. James L. Go and Mr. Junichi Igarashi; and the two non-voting members are Mr. Oscar S. Reyes and Mr. Orlando B. Veja, who are members of our Advisory Board/Committee.

The purposes, duties and powers of the TSC are set forth in the TSC Charter. A copy of the charter of the TSC may be viewed and downloaded from the PLDT website through the QR code:



TSC Activities in 2020

The TSC held eleven meetings in 2020. Its activities included review and discussion with the Technology Group and Management, and where appropriate, endorsement to the Board for approval of the following: (i) technology budget items; (ii) enhancement of the network, both mobile and fixed, to support government projects (e-Learning, online application and approval of permits, digital transactions, etc.); (iii) enhancement of the network to support private business (digital transactions); (iv) technology strategies, programs, projects, initiatives and plans, including, among others, LTE Expansion and Support Facilities projects; and (v) projects in support of business operations including, among others, the consolidated device buying plan.

DATA PRIVACY AND INFORMATION SECURITY COMMITTEE (DPISC)

The DPISC assists the Board in the performance of its functions to (i) promote and foster a culture of 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; and (iv) oversee Management’s 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.

Our DPISC is composed of four voting members and an advisor. The four voting members are non-independent directors Mr. Manuel V. Pangilinan, who is the Chairman; Atty. Ray C. Espinosa; Mr. Junichi Igarashi; and independent director, Mr. Bernido H. Liu. Its advisor is Mr. Alfredo S. Panlilio.

The purposes, duties and powers of the DPISC are set forth in its charter. A copy of the charter of the DPISC may be viewed and downloaded from the PLDT website through the QR code:



2020 TRAINING			
Date	Program	Speaker/Training Institution	Name
September 25, 2020	How to Lead Courageously During a Crisis	Nancy F. Koehn, Ph.D. PLDT Annual Corporate Governance Enhancement Session	<b>Directors</b> Manuel V. Pangilinan Manuel L. Argel, Jr. Helen Y. Dee Albert F. del Rosario Ray C. Espinosa Shigeki Hayashi Junichi Igarashi Bernido H. Liu Artemio V. Panganiban Ma. Lourdes C. Rausa-Chan Pedro E. Roxas Marife B. Zamora
	Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices	Saturnino P. Javier, M.D. PLDT Annual Corporate Governance Enhancement Session	
			
			
<b>Advisory Board/ Committee Members</b> Oscar S. Reyes Roberto R. Romulo Benny S. Santoso Orlando B. Vea Christopher H. Young			
<b>Audit Committee Advisor</b> Corazon S. de la Paz-Bernardo			
<b>GNSC and ECC Non-voting Member</b> Gina Marina P. Ordoñez			

MANAGEMENT

Our Board exercises oversight on Management in accordance with the standards set forth in our CG Manual. The roles of Management and other offices involved in ensuring implementation of the corporate governance policies and requirements are discussed below.

**President and CEO.** The President and 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. In order 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. He likewise ensures that the directors have independent access to Management. The President and 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

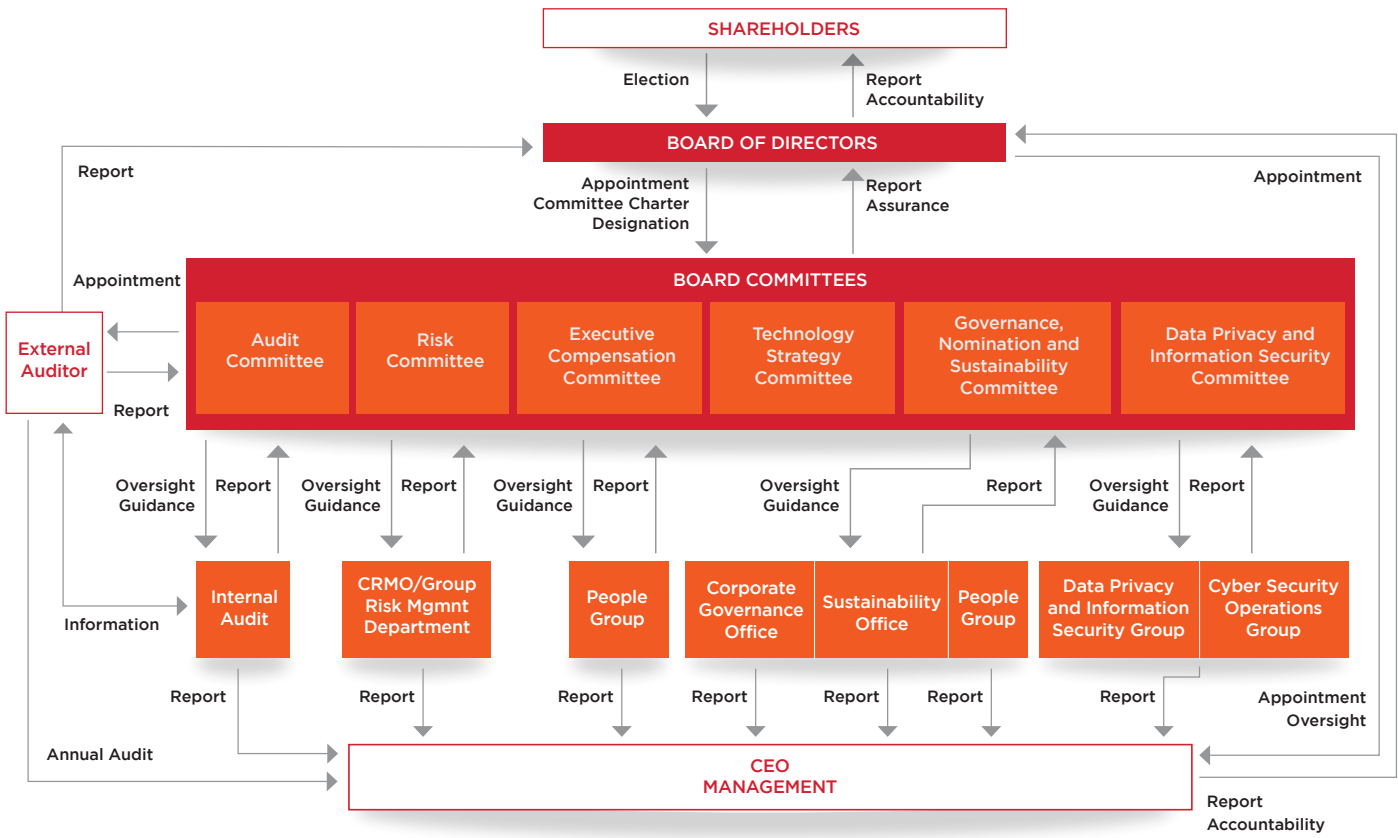
same; and (ii) serves as the link between internal operations and external stakeholders. Management formulates, under the oversight of the Audit Committee, financial reporting and internal control systems, rules and procedures. Other duties of the President are set forth in the CG Manual.

In 2020, well aware of the impact of the Covid-19 pandemic on the nation, our President and CEO identified three most important constituents for the organization in his President’s Report to stockholders and other stakeholders during the Company’s first virtual Annual Stockholders Meeting: *first*, the health and financial well-being of our employees; *second*, continuing connectivity and service excellence to our customers; and *third*, assistance to government and its agencies in addressing the needs of Filipinos.<sup>3</sup>

**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. In 2020, as the Company quickly adapted to a digital work environment, our Corporate Secretary worked to facilitate the transformation of in-person Board meetings to an interactive, secure and productive online environment.

<sup>3</sup> Excerpt from PLDT President & CEO, Mr. Manuel V. Pangilinan’s Report to Stockholders on the June 9, 2020 PLDT Annual Stockholders’ Meeting.





**Internal Audit Organization.** Our 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 and disciplined approach in the evaluation and improvement of the effectiveness of such processes. Internal audit examinations cover, at the minimum, the evaluation 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. 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 charter of the internal audit organization complies with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

In the discharge of his duties, the Chief Audit Officer/Internal Audit Head is required to provide annually, an assessment on the adequacy and effectiveness of the Company’s processes for controlling activities and managing risks; report significant issues related to the processes of controlling activities, including potential improvements to such processes, as well as provide information concerning such issues; and

periodically provide information on the status and results of the annual internal audit plan and the sufficiency of our internal audit organization’s resources. Other duties of the Chief Audit Officer/Internal Audit Head are set forth in the CG Manual.

**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 is subject to the rules on rotation and change, every five years; general prohibition on hiring by the Company of the external auditor’s staff; 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. Our external auditor is SGV & Co., a member practice of EY.

**Chief Governance Officer.** The primary responsibilities of the Chief Governance Officer include monitoring compliance with the provisions and requirements of corporate governance laws, rules and regulations, reporting violations and recommending the imposition of disciplinary actions, and adopting measures to prevent the repetition of such violations. The Chief Governance Officer assists the Board and the GNSC in the performance of their governance functions. Under the supervision and direction of the Chief Governance Officer, the Corporate Governance Office (CGO) 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 individual 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 risks to the Top Management Team, the Risk Committee and the Board, as necessary, advising them on requisite actions.

Group Enterprise Risk Management Department (GRMD). The GRMD implements an integrated risk management program with the goal of identifying, analyzing and managing the PLDT Group’s risks to an acceptable level in order to enhance opportunities, reduce threats, and thus 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. The GRMD sets guidelines for the identification and analysis of key risk exposures relating to economic, operational, environmental, social and governance factors that may affect the achievement of the organization’s strategic objectives. It assists in the evaluation and categorization of identified risks, as well as in the development of risk mitigation plans for the most important risks of the Company. It communicates and reports significant risk exposures, including business risks, control issues and risk mitigation plans to the Risk Committee. The ERM process used by the GRMD is based on the ISO 31000 standard on risk management. The GRMD Head supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation, and communicates the top risks and status of implementation of risk management strategies and action plans to the Risk Committee and the Board.

**Chief Sustainability Officer.** The Chief Sustainability Officer heads the Sustainability Office and assists the President and Chief Executive Officer and the Board in overseeing the Company’s overall sustainability strategy, and that the Company institutionalizes sustainability management towards the cultivation of a strong culture of corporate responsibility.

**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 to 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 protection authorities 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 cybersecurity-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 cybersecurity-related practices.

POLICIES AND PRACTICES

PLDT follows the corporate governance and sustainability standards prescribed by Philippine law or recommended under rules and regulations of the SEC and the PSE. As a foreign private issuer with American Depositary Shares listed and traded in the NYSE, PLDT also complies with governance standards laid out in the relevant laws of the US and rules and regulations of the US SEC and NYSE. Being an associated company of First Pacific Company Ltd., a company listed in the Hong Kong Stock Exchange, PLDT also benchmarks with the governance standards of Hong Kong.

**Corporate Governance Framework.** PLDT’s corporate governance framework is embodied in the integrated system of governance structures, policies and processes 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. Our business principles are threshed out in implementing policies including the Supplier/ Contractor Relations Policy, Conflict of Interest Policy, Expanded Whistleblowing Policy, Policy on Gift-Giving Activities, Policy on Gifts, Entertainment and Sponsored Travel, Material Related Party Transactions Policy, Guidelines on Related Party Transactions, and Disclosure Rules, among others. The Company promotes a culture of good corporate governance through the implementation of these corporate governance (CG) policies, including the CG Manual, Code of Ethics and related policies. 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.

All CG policies of the Company 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. In 2020, PLDT’s Board of Directors acting through its Governance, Nomination and Sustainability Committee, reviewed the Company’s Code of Ethics and the Conflict of Interest Policy, and determined that these policies remain compliant with applicable law, regulations and best practices and are appropriate for the Company.

**CG Manual.** Our CG Manual defines our corporate governance framework and structure. Supplementary to 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 can be found at the PLDT website through the QR code:





**Code of Business Conduct and Ethics (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 found at the PLDT website through the QR code:



The implementation of the Code of Ethics is reinforced by enabling policies such as the 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.

**Conflict of Interest Policy (COI Policy).** This policy enjoins PLDT's directors, employees and consultants to promptly disclose conflict of interest (COI) situations to the relevant authorities. If warranted, the person concerned should obtain appropriate approvals and inhibit from any action, transaction or decision involving an existing or potential COI. The Company has established an online COI disclosure system to facilitate the immediate disclosure of conflicts of interest.

**Material Related Party Transactions (MRPT) Policy and Guidelines on the Proper Handling of Related Party Transactions (RPT Guidelines).** The Policy provides the processes, controls and safeguards for the proper handling of related party transactions, including review, approval and disclosure, consistent with applicable laws and regulations. The MRPT Policy applies to related party transactions that meet the Materiality Threshold as therein defined and covers PLDT and the PLDT Group. On the other hand, related party transactions that are below the Materiality Threshold in the MRPT Policy are covered by the RPT Guidelines. The RPT Guidelines provides the process of review, approval and disclosure of the Company's RPTs that are subject to review and approval by the designated authorities. The review's principal focus is on whether an RPT is on arm's length terms and in the best interest of PLDT and its shareholders as a whole, considering all relevant circumstances. MRPTs are reviewed by the AC, which is composed entirely of independent directors, and subject to approval by the Board. The Head of Financial Reporting and Controllership Sector, in coordination with the Company's Disclosure Committee, is responsible for the disclosure of RPTs in the relevant financial reports of the Company as required under Philippine Accounting Standard 24, Related Party Disclosures, and other applicable disclosure requirements.

**Policy on Gifts, Entertainment and Sponsored Travel (Gifts Policy) and Policy on Gift-Giving Activities.** The Gifts Policy provides safeguards in the receipt and acceptance of gifts given by third parties to ensure that such gifts would not affect the objective, independent or effective performance by directors, officers and employees of their duties to the Company. The Policy on Gift-Giving Activities provides guidance and procedural safeguards with respect to gift-giving activities to government officials and employees and to business partners, for or on behalf of, PLDT. The Policy seeks to ensure that such activities are compliant with applicable laws, respectful of the intended recipient's gifts policy, and consistent with the Company's core values and policies.

**Supplier/Contractor Relations Policy.** This Policy establishes clear rules for arm's length transactions and fair treatment of prospective and existing suppliers. The Policy specifically adopts the processes of vendor accreditation and competitive bidding as the general rule to ensure that contracts are awarded only to qualified and duly accredited vendors who offer the best value for money for PLDT's requirements.

**Expanded Whistleblowing Policy (EWB Policy).** This Policy provides guidelines on handling employee disclosures or complaints regarding (i) violations of corporate governance rules, including the aforementioned policies; (ii) questionable accounting and auditing matters; and (iii) violations or offenses (other than those in (i) and (ii) above) covered by the Company's Human Resources Manual. The EWB Policy protects whistleblowers and witnesses from retaliation, and to ensure confidentiality and fairness in the handling of a disclosure or complaint, PLDT maintains a Whistleblowing Hotline and other reporting facilities, such as a dedicated electronic mailbox, post office box and facsimile transmission system. All employees and stakeholders who come forward in good faith to report violations or any act that may be considered as contrary to the Company's values may submit a disclosure or complaint regarding such violation to the CGO. Anonymous disclosures or complaints are allowed and duly processed, subject to certain conditions. In all processes and activities related to a whistleblowing disclosure/complaint, utmost confidentiality is observed in order to ensure the integrity of the process and protect the parties, employees or officers who are allegedly involved therein.

As of December 31, 2020, two new whistleblowing complaints were received by PLDT CGO. These cases were consolidated and jointly investigated by PLDT CGO and Internal Audit and the investigation was completed in 2020. The complaints covered allegations of violation of the Code of Ethics, Conflict of Interest Policy, Procurement Policy, Supplier/Contractor Relations Policy and the Human Resources Manual. One case that was under preliminary evaluation as of December 31, 2019 was determined to fall outside the scope of the EWB Policy and was referred to line management for investigation. Thereafter, administrative proceeding was initiated, and the appropriate disciplinary action was imposed. Four other concerns were referred to line management or the Company's relevant subsidiary for further evaluation and handling. No Complaint on Retaliation was received. Smart received one EWB case, which was closed in 2020, and two new concerns that fall outside the scope of the EWB Policy, which are ongoing investigation. PLDT Global Corporation (PGC), ePLDT, Digital Telecommunications Philippines, Inc. (DTPI) and Digitel Mobile Philippines, Inc. (DMPI) did not receive an EWB case or Complaint on Retaliation in 2020.

**Protection of Technology Resources and Information.** PLDT has a Unified Information Technology Policy that is applicable to PLDT, Smart and DMPI, and which contains policy statements on social media and data privacy; and provides for the protection of information assets and the proper use of technology resources.

PLDT's Cyber Security Operations Group, headed by the CISO, is tasked to create, implement and operate the Information Security Management Systems framework of the Group and to support the review and update of its security policy. In 2020, the Group cyber security strategy continued to focus on protecting the Company's critical assets. This meant operationalizing its cyber security operations framework leading to the following achievements: (i) full deployment of endpoint security to all corporate workstations

to detect, prevent, and respond to attacks; (ii) containment of and response to security incidents within less than one minute, on average; (iii) prevention of attacks to our corporate websites through enrollment in our web application firewall; (iv) automation of access review of all SOX applications; (v) blocking of access to phishing, scamming and malware distribution sites; (vi) identification and addition of indicators of compromise in our threat intelligent database used for real-time threat correlation; (vii) expansion of security visibility by enrolling active IP-based assets to our 24x7 Security Operations Center; (viii) conduct of various campaigns, through weekly awareness and phishing testing, to address the human aspect of cyber security; and (ix) support for the secure deployment of new systems, products and services within the organization. Anchored on the belief that employees are an integral part of our strategy, it becomes crucial to shape employee behavior and provide motivation for risk-based decisions and doing the right thing. Hence, a robust, no-nonsense Cybersecurity Awareness Program has become one of the pillars of our employee engagement strategy. Efforts in this regard led to the prevention of possible incidents of phishing and other email-based scams in PLDT, Smart and/or ePLDT.

The PLDT Group continues to strive to protect the delivery of digital services that the organization needs to be successful, agile and resilient. Beyond protection, the Group aims to continue its pursuit of cyber security operational excellence, mature and sustain its competencies and serve as a frontline contributor to the growth of the business.

**Personal Data Protection.** In 2020, PLDT's Privacy Management Program pivoted from a statutory compliance-focused paradigm to one focused on maturing the practice of Data Privacy in its operations. Towards this goal, the Company's Data Privacy Office (DPO) identified activities aimed at organizational and people development while providing seamless support to operational units within the PLDT Group. The DPO launched the Data Privacy Management Assurance Platform, starting with the rollout of a unified Cookie Notice and consent solution across Company channels. Critical development of processes, particularly for privacy assessments, meant that new projects with limited personal data processing and low privacy risks were

identified, assessed, and quickly launched, resulting in more agile product development and more responsive customer service. The DPO also developed its own Privacy Maturity Framework based on local and international privacy laws and best practices. In parallel, an enhanced Data Privacy Compliance Methodology was developed to better assess the Company's privacy programs. The methodology is based on ISO 19011:2018 (Guidelines on Auditing Management Systems) and includes guidance on conducting compliance assessments remotely. The development of the Privacy Maturity Framework and improvement of the Data Privacy Compliance Methodology are critical inputs to improving the maturity level of Privacy practice within PLDT. Significant releases and updates were also made on the following standards and processes: the Privacy Management Program Standards which guide Data Protection Officers of the Company's component units in developing and implementing their respective privacy programs, Privacy Impact Assessment, Breach Management, Exercise of Rights of Data Subjects, and Risk Management.

The DPO also played a key role in the shift to remote work arrangements in the PLDT Group as the country coped with the COVID-19 pandemic. The DPO provided guidance to business and support units to ensure that Company and stakeholders' data remain protected.

**Blackout Periods/Restriction on Trading of Shares.** PLDT's Code of Ethics prohibits directors, officers and employees from dealing in the Company's shares when in possession of material non-public information about and involving the Company. During blackout periods, dealing in Company shares by directors, officers, and employees in possession of material non-public information is prohibited and in any exceptional case, prior notice to the Company should be made of any such dealing, in accordance with the Company's Policy on Blackout Period/Restriction on Trading of Shares. To enable the timely filing of the required disclosures to the SEC and the PSE, Directors and officers are enjoined to report to the Company their dealings in the Company's shares, within three trading days from the date of the transaction, regardless of whether such dealings were effected during or outside the blackout periods.

2020 BLACKOUT PERIODS (RESTRICTED PERIODS FOR TRADING IN COMPANY SHARES)		
PLDT Results/Report	Results/Report Release Date	Blackout/Restricted Period
Q1	May 7	April 22 - May 11
Q2	August 6	July 22 - August 10
Q3	November 5	October 21 - November 9
Full Year	March 4, 2021	February 2 - March 8, 2021



PLDT DIRECTORS’ AND OFFICERS’ SHAREHOLDINGS  
IN THE COMPANY IN THE YEAR 2020

The Company has clear policies regarding the trading by directors, officers and employees in the Company’s own securities intended to align their interests with those of shareholders and other stakeholders. Please see discussion on Restriction on Trading of Shares. Trading in Company shares by directors and officers in the year 2020 are shown in the table below.

NUMBER OF COMPANY SHARES <sup>1</sup>				
	Starting Balance <sup>2</sup>	Acquired	Disposed	Ending Balance <sup>3</sup>
A. Directors				
1. Manuel V. Pangilinan	267,611	17,300		284,911
2. Manuel L. Argel, Jr. <sup>4</sup>	1 <sup>5</sup>			1
3. Helen Y. Dee	25,080 <sup>6</sup>			25,080
4. Ray C. Espinosa	21,743	10,000		31,743
5. James L. Go	776,154	100,000		876,154
6. Shigeki Hayashi	1			1
7. Junichi Igarashi	1			1
8. Bernido H. Liu	1			1
9. Artemio V. Panganiban	1,771	3,600		5,371
10. Maria Lourdes C. Rausa-Chan	6,500	3,300		9,800
11. Albert F. Del Rosario	142,410			142,410
12. Pedro E. Roxas	231			231
13. Marife B. Zamora	5			5
B. Officers				
1. Alfredo S. Panlilio	3,000	12,505		15,505
2. Anabelle L. Chua	20,578	3,800		24,378
3. Victorico P. Vargas	9,545	3,800	380	12,965
4. Marilyn A. Victorio-Aquino	0	11,630	1,330	10,300
5. Gina Marina P. Ordoñez	3,234	2,933	1,026	5,141
6. Mary Rose L. Dela Paz	2,480	1,200	420	3,260
7. Mario G. Tamayo <sup>7</sup>	6,575 <sup>8</sup>			6,575
8. Alejandro O. Caeg	6,165	3,150		9,315
9. Juan Victor I. Hernandez	2,385	3,450	1,102	4,733
10. Menardo G. Jimenez, Jr.	4,894	3,150		8,044
11. June Cheryl A. Cabal-Revilla <sup>9</sup>	5,090	3,300		8,390
12. Florentino D. Mabasa, Jr. <sup>10</sup>	1,861	1,800		3,661
13. Katrina L. Abelarde	2,236	2,275	630	3,881
14. Marco Alejandro T. Borlongan	2,273	1,200	420	3,053

<sup>1</sup> Includes directly and indirectly owned shares in the Company. Changes in shareholdings were disclosed in the *Statements of Changes in Beneficial Ownership of Securities* filed with the Securities Exchange Commission and Philippine Stock Exchange, Inc. and posted on the Company website at *PLDT Investor Relations>Shareholder Information>Beneficial Ownership*.

<sup>2</sup> As at December 31, 2019

<sup>3</sup> As at December 31, 2020

<sup>4</sup> Mr. Argel was elected as director on January 28, 2020, replacing Ms. Aurora C. Ignacio who resigned on January 28, 2020

<sup>5</sup> As of date of election as director

<sup>6</sup> Includes 2,780 shares 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 right in respect of the 21,957 shares of Hydee Management Corporation.

<sup>7</sup> Appointed as Senior Vice President/Technology Group Head effective January 1, 2021

NUMBER OF COMPANY SHARES <sup>1</sup>				
	Starting Balance <sup>2</sup>	Acquired	Disposed	Ending Balance <sup>3</sup>
15. Mary Julie C. Carceller	0			0
16. Bernard H. Castro	0			0
17. Marisa V. Conde <sup>11</sup>	1,125	1,200		2,325
18. Joan A. De Venecia-Fabul	0	375	131	244
19. Gil Samson D. Garcia	3	1,200	1,170	33
20. Joseph Ian G. Gendrano	932	1,200	420	1,712
21. Ma. Criselda B. Guhit	2,194	500		2,694
22. Leah Camilla R. Besa-Jimenez	2,700	1,200	420	3,480
23. Princesita P. Katigbak	955	520		1,475
24. Albert Mitchell L. Locsin	1,523	1,375	420	2,478
25. Leo I. Posadas	2,185	1,300	420	3,065
26. Dale M. Ramos	1,945	1,100	385	2,660
27. Angel T. Redoble <sup>12</sup>	1,105 <sup>8</sup>			1,105
28. Aileen D. Regio	1,272	1,200	420	2,052
29. Luis S. Reñon	975	1,200	2,120	55
30. Bernadette C. Salinas <sup>13</sup>	669 <sup>8</sup>			669
31. Emiliano R. Tanchico, Jr. <sup>14</sup>	3,759	1,200	420	4,539
32. Victor Y. Tria	1,387	1,200	420	2,167
33. Jude Michael H. Turcuato <sup>15</sup>	0 <sup>8</sup>			0
34. Melissa V. Vergel de Dios	2,235	1,200		3,435
35. John Henri C. Yanez	643	500	175	968
36. Catherine Y. Yang <sup>16</sup>	0 <sup>8</sup>	1,900		1,900
37. Maria Cecilia H. Abad	308	500	175	633
38. Minerva M. Agas	1,125	500		1,625
39. Benedict Patrick V. Alcoseba	879	575		1,454
40. Cecille M. Alzona <sup>17</sup>	266 <sup>8</sup>			266
41. Elizabeth S. Andojar	590	500		1,090
42. Roy Victor E. Añonuevo	440	170	59	551
43. Tito Rodolfo B. Aquino, Jr.	390	500		890
44. Mitchie M. Arcaina	0	250		250
45. Jerameel A. Azurin	804	500		1,304
46. Francis A. Bautista <sup>18</sup>	767 <sup>8</sup>			767
47. Rafael M. Bejar	950	500	175	1,275
48. Dianne M. Blanco <sup>19</sup>	20 <sup>8</sup>			20
49. Wilson S. Bobier	442	170		612
50. Luis Gregorio D. Casas	190	270	249	211

<sup>8</sup> As of date of appointment as officer

<sup>9</sup> Retirement effective on the close of business hour on December 31, 2020

<sup>10</sup> Separated as First Vice President effective February 1, 2021 but will continue to serve as Assistant Corporate Secretary for the unexpired term of his appointment to said office or until the Board elects his successor to said office

<sup>11</sup> Separated from service effective February 1, 2021

<sup>12</sup> Appointment as First Vice President effective February 16, 2020 was confirmed by the Board in a meeting held on August 6, 2020

<sup>13</sup> Appointment as Vice President effective January 1, 2020 was confirmed by the Board in a meeting held on August 6, 2020. Promoted to First Vice President effective November 5, 2020

<sup>14</sup> Separated from service effective January 1, 2021

<sup>15</sup> Appointment as First Vice President effective July 16, 2020 was confirmed by the Board in a meeting held on November 5, 2020

<sup>16</sup> Appointment as First Vice President effective July 31, 2020 was confirmed by the Board in a meeting held on August 6, 2020

<sup>17</sup> Appointment as Vice President effective November 1, 2020 was confirmed by the Board in a meeting held on November 5, 2020

<sup>18</sup> Promoted to Vice President effective November 5, 2020



NUMBER OF COMPANY SHARES <sup>1</sup>				
	Starting Balance <sup>2</sup>	Acquired	Disposed	Ending Balance <sup>3</sup>
51. Jose Michael Vincent G. Co <sup>20</sup>	0 <sup>8</sup>			0
52. Ma. Monica M. Consing	0	458	160	298
53. Branden B. Dean <sup>21</sup>	0 <sup>8</sup>			0
54. Gene S. de Guzman	807	500	175	1,132
55. Aniceto M. Franco III	458	458	160	756
56. John John R. Gonzales	803	500	175	1,128
57. Leonard A. Gonzales <sup>22</sup>	0 <sup>8</sup>			0
58. Silverio S. Ibay, Jr.	795	500		1,295
59. Gary F. Ignacio	608	500		1,108
60. Marven S. Jardiel	944	500		1,444
61. Alexander S. Kibanoff	944	500		1,444
62. Javier C. Lagdameo	1,125	650		1,775
63. Armando Dodjie T. Lim <sup>18</sup>	532 <sup>8</sup>			532
64. Czar Christopher S. Lopez	1,120	850		1,970
65. Paolo Jose C. Lopez	1,100	400		1,500
66. Ma. Carmela F. Luque	1,125	510		1,635
67. Melanie A. Manuel <sup>14</sup>	345	500	175	670
68. Ronaldo David R. Mendoza <sup>14</sup>	345	500	175	670
69. Loreevi Gail O. Mercado <sup>23</sup>	0 <sup>8</sup>			0
70. Oliver Carlos G. Odulio	984	500		1,484
71. Jonston Prince W. Ong <sup>24</sup>	0 <sup>8</sup>			0
72. Carlo S. Ople	828	685	175	1,338
73. Charles Louis L. Orcena	0	500	175	325
74. Serviliano L. Padiz, Jr. <sup>18</sup>	499 <sup>8</sup>			499
75. Raymond A. Racho	406	170		576
76. Eduardo H. Rafuson <sup>14</sup>	390	500		890
77. Ricardo C. Rodriguez <sup>14</sup>	5,712			5,712
78. Genaro C. Sanchez	5,398	500	175	5,723
79. Maria Christina C. Semira	644	500	175	969
80. Ma. Merceditas T. Siapuatco	795	500		1,295
81. Arvin L. Siena	988	500		1,488
82. Carla Elena A. Tabuena	862	500		1,362
83. Ma. Magdalene A. Tan <sup>18</sup>	0 <sup>8</sup>			0
84. Patrick S. Tang	1,408	500		1,908
85. Jecyn Aimee C. Teng	327	500	175	652
86. Milan M. Topacio	346	170	59	457
87. Radames Vittorio B. Zalameda	432	500		932

<sup>19</sup> Appointment as Vice President effective January 16, 2020 was confirmed by the Board in a meeting held on November 5, 2020

<sup>20</sup> Appointment as Vice President effective August 1, 2020 was confirmed by the Board in a meeting held on November 5, 2020

<sup>21</sup> Appointment as Vice President effective May 1, 2020 was confirmed by the Board in a meeting held on August 6, 2020

<sup>22</sup> Appointment as Vice President effective September 1, 2020 was confirmed by the Board in a meeting held on November 5, 2020

<sup>23</sup> Appointment as Vice President effective October 16, 2020 was confirmed by the Board in a meeting held on November 5, 2020

<sup>24</sup> Appointment as Vice President effective March 16, 2020 was confirmed by the Board in a meeting held on August 6, 2020

## TRAINING AND EDUCATION

The Company provides orientation and continuous training for its Board, Management and employees. New directors are briefed by the Chairman, President and CEO, Chief Financial Officer, Corporate Secretary and Chief Governance Officer on the Company’s structure, business, operating and financial highlights, responsibilities of the Board and its Committees and how each operates. At or before such orientation, copies of all relevant corporate documents, including the Company’s Articles of Incorporation, By-laws, Annual Report, CG Manual, Code of Ethics, and the Charters of the Board Committees are furnished to new directors. Updates on business and governance policies and requirements, and new laws applicable or relevant to the Company and its business are presented in Board meetings or furnished to directors. For the continuous training of its directors and officers, the Company conducts an Annual In-House Corporate Governance Enhancement Session (ACGES) 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.

In 2020, the Company’s first online ACGES was conducted on the topics: (i) How to Lead Courageously During a Crisis; and (ii) Lessons from a Pandemic: the MPIC Hospital Group Covid-19 Experience and Best Practices. It included panel discussions among directors, officers, and resource persons; and was attended by directors and key officers of Philippine-based affiliate companies of First Pacific Company, Ltd. and select guests from the business academe. In PLDT, the ACGES was attended by all members of PLDT’s Advisory Board/Committee; all Directors, not otherwise exempt from governance training;<sup>4</sup> the Audit Committee Advisor; ECC’s and GNSC’s non-voting member; and 75 of the Company’s Officers.

For employees, the Company conducts orientation and periodic training sessions on Company policies, including corporate governance policies; skills building; and wellness and development, supplemented by appropriate communication materials and feedback mechanisms. In addition to orientation sessions on corporate governance policies for new employees, in 2020, the Company also conducted online corporate governance refresher courses for newly promoted PLDT management employees, officers, and Network Field Service employees. Additionally, employees who were unable to complete the corporate governance eLearning refresher course in the previous year were enjoined to complete the same in 2020. Due to the predominantly remote work environment in 2020, education and training were mostly conducted online and supplemented by the production and dissemination of relevant communication materials, including information on CGO Helplines, remote access to CG Policies, guidance on COI disclosure, anti-corruption, Gifts receiving, Company principles and screensavers on good governance and sustainability.

## MONITORING AND EVALUATION

PLDT monitors and evaluates the effectiveness of its corporate governance through the following, among other initiatives: (i) an annual performance self-assessment conducted by the Board and the Board Committees, (ii) the periodic review of the effectiveness of the implementation

of the Company’s CG policies, (iii) the annual compliance evaluation conducted by Management, and other tools employed to monitor the implementation of the CG policies.

In 2020, an annual self-assessment was conducted by the Board to evaluate its performance as the Board, as well as each Board Committee, and the individual directors. The process, which also includes an evaluation of the performance of the CEO and Management, enables the Board to identify strengths and areas for improvement and to elicit individual director’s feedback and views on the Company’s strategy, performance, and future direction. The members of the Board and the Board Committees accomplish their respective self-assessment questionnaires for this purpose.

The Board and Board Committees’ assessment questionnaires contain the following criteria based on leading practices and principles on good governance: (i) for the Board – Structure, Leadership, Roles and Responsibilities, Internal Control, Code of Conduct and other CG Policies, Independence, Stewardship, Resources, Internal Governance, Reporting and Disclosure, and Shareholder and other Stakeholder Engagement; (ii) for the Board Committees – the respective purposes, functions and duties of the Committees; and (iii) for individual directors – the specific duties and responsibilities of a director. On the other hand, the Board Committees’ self-assessment questionnaire contain the following criteria: performance, compliance, and committee governance. The report on the results of the assessment process for the 2019 performance period was submitted to the directors in 2020. Prospectively, the annual self-assessment shall, as practicable, be supported by an external facilitator every three years and allow for a feedback mechanism for stockholders, to conform with the recommendation in the CG Code for PLCs.

In 2020, PLDT monitored and evaluated its compliance with CG rules 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 CG compliance. The periodic process uses an evaluation questionnaire consisting of the governance standards set forth in the CG Code for PLCs which are applicable and relevant to their respective functions. The results of the evaluation conducted by the heads are consolidated as input to the Company’s Integrated Annual Corporate Governance Report (I-ACGR) submitted to the SEC and PSE.

PLDT likewise confirmed its compliance with its CG Manual which 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. In compliance with the respective memorandum circulars of the SEC and the PSE, PLDT filed its I-ACGR on July 27, 2020, within the extended deadline of the SEC for submission due to the Covid-19 pandemic.

PLDT has incorporated CG standards in the performance evaluation of employees and has included violations of CG rules as a cause for disqualification from incentives and rewards in its Policy on Employee Qualification for Incentives and Rewards. As applicable, PLDT conducts employee surveys to gain insights into the effectiveness of its CG programs and initiatives. Valuable information is additionally obtained and analyzed from the results of and feedback from our education activities, reports from business partners, customer complaints, reported violations and other sources of relevant information.

<sup>4</sup> Mr. James L. Go has been granted by the SEC permanent exemption from its corporate governance training requirement.



*"Let us all rise to this occasion, and be better from it.  
Lilipas din ito."*

*- Manuel V Pangilinan*

## STAKEHOLDER ENGAGEMENT

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 found at the PLDT website through the QR code:



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, agriculture, livelihood, health, arts, disaster preparedness, the environment, digital tourism, sports, internet safety and digital wellness 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 that is released annually since 2016.

**Investors/Shareholders.** PLDT respects, promotes and upholds shareholders' rights such as, the right to vote; preemptive 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.

The Board promotes transparency and fairness in the conduct of the annual and special stockholders' meetings of the Company and explores and implements steps to reduce excessive or unnecessary costs and other administrative impediments to stockholders' participation in annual and special stockholders' meetings. Stockholders are encouraged to personally attend such meetings, raise questions and exercise their voting rights. Online voting and participation by remote communication was made available to all stockholders in 2020, consistent with the Revised Corporation Code and related SEC issuances and in keeping with Covid-19 precautions.

Within a reasonable period of time before the meeting, stockholders are apprised of their right to appoint a proxy in case they are unable to personally attend such meetings, and give their voting instructions in the proxy form provided. Relevant meeting materials such as the Notice, Agenda, Information Statement and Annual Report are made available to the stockholders in printed or digital form and through the Company's website to enable them to make a sound and informed judgment on all matters tabled for their consideration or approval. In 2020, pursuant to SEC guidelines, the Company's Information Statement, Proxy Form, Management Report/Annual Report, SEC Form 17-A and SEC Form 17-Q were posted on the Company's website instead of physical delivery or distribution to the stockholders.

The Company held its Annual Stockholders' Meeting in virtual format on June 9, 2020, with holders of 92.86% of total outstanding shares of Common, Voting Preferred, and Non-Voting Serial Preferred Stocks as of the record date, April 13, 2020 present or represented by proxy in the meeting. To view the Minutes of the 2020 PLDT Annual Stockholders' Meeting, please access this QR code:



The Board ensures the disclosure and filing of reports with the SEC, PSE and, as applicable, US SEC and NYSE and posting on the Company's website, immediately after the meeting or the day after the meeting, of all significant actions taken in the meeting and the votes obtained for each of such actions.

The Board ensures that material information and transactions that could potentially affect the market price of the Company's shares are timely disclosed and filed with the SEC, PSE and as applicable, with the US SEC and NYSE. In this regard, information on, among other matters, earnings results, acquisition or disposal of significant assets, off balance-sheet transactions, related party transactions, Board membership changes, shareholdings of directors and officers and any changes thereto, and remuneration of directors and officers are promptly and accurately disclosed. Disclosures/organizational announcements for the year 2020 may be accessed on the Company's website through the QR code:



PLDT regularly conducts analysts and investors' briefings to discuss financial and operating results for the second quarter and full year, and teleconferences to discuss first and third quarter results. Our Investor Relations Center also conducts regular dialogues with our investors. 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.

The Company's dividend policy provides a regular dividend payout rate of 60% of Core Earnings Per Share as regular dividends. The dividend policy takes into account: (i) the elevated levels of capital expenditures to build a robust, superior network to support the continued growth of data traffic; (ii) plans to invest in new adjacent businesses that will complement the current business and provide future sources of profits and dividends; and (iii) management of cash and gearing levels. In the event that no investment opportunities arise, the Company may consider the option of returning additional cash to shareholders in the form of special dividends or share buybacks. PLDT was able to pay out approximately 60% of its core earnings for the year 2020. Information on PLDT's 2020 Dividend Declarations is available through the QR code:



**Customers.** PLDT serves a broad range of customers from individuals, residential, micro, small and medium enterprise (SME) and large enterprise, including the public sector. PLDT strives to satisfy its customers' requirements and expectations regarding innovative products and services, quality of service, pricing, application process, service provisioning process, repair and restoration service and the billing process.

In 2020, in order to address the heightened needs of customers amid the pandemic, the following projects were initiated:

- **PLDT Home Facebook Messenger Digital Assistant launch**  
The PLDT Home FB Messenger chatbot was launched in May to provide self-care solutions to prospective and existing customers, including requests for bill access, bills payment, restricted account reconnection, service issue reports, paperless billing enrollment, subscription application or upgrade, among others.
- **Improvements to PLDT Facebook Page and PLDT Cares Facebook Page launch**  
The PLDT Cares FB page was launched in July to house customer education materials on common billing, payment, troubleshooting and account management topics in the form of instructional videos, text, and graphics. Service advisories for scheduled and emergency outages were posted on the PLDT Facebook page (PLDT Inc.'s official corporate Facebook page) to advise affected customers and the public.
- **Digital adoption push for paperless billing and bills payment via online channels**  
In keeping with Covid-19 precautions, in March 2020, the Company promoted digital channels for customers to receive and pay their bills, including auto-charge arrangements with partner banks to ensure continued use of our products and services.

- **Community Quarantine Programs: free NDD & speedboost, payment extension & installment payment**  
In solidarity with customers who grappled with the effects of the pandemic in 2020, the Company offered a payment deadline extension for accounts with overdue balances and proactively implemented a six-month installment payment scheme for accumulated bills. Additionally, customers were given a speedboost of at least 25mbps to support an increase of online activities, including work from home arrangements, remote learning, business and recreation activities. For a limited time, customers were likewise provided free NDD calls to keep them connected during the local community quarantine.

- **Installation complaints reporting facility**  
To strengthen accountability among business partners, an email address, subsequently converted to an online form was created to cater to reports by existing and prospective customers of alleged illegal installations by contracted partners. This led to the imposition of penalties on the erring vendors and the improvement of checks & balances within the organization.

- **Sales and Service Center (SSC) online booking through virtual appointment**

An online booking facility was made available in PLDT Home's website to give customers the option to conveniently book appointments and facilitate live online transactions through video chat with SSC frontliners. This initiative significantly boosted online appointments for typically in-person transactions to support the well-being and safety needs of customers and employees. For customers who still preferred in-person transactions, health and safety protocols were strictly enforced in stores nationwide.

- **PLDTHOMEBILL SMS channel launch**  
An SMS Help Channel was launched in November 2020 to cater to simple billing and payment-related concerns of customers. The SMS channel may be used by customers to quickly access information on their outstanding balance, to request for a copy of their e-Statement of Account and to get instructions on how to pay their bills using some of our authorized online payment channels.







• **PLDT Home Express Upgrade hotline 170 launch**

The PLDT Home Express Upgrade hotline is an agentless hotline that allows eligible customers to easily upgrade the speed of their internet plan without need of an aftersales hotline, visiting our SSCs or applying through the website. Upgrading through this hotline only takes a few digital steps, no documents are required for submission and the upgrade process only takes 24 hours to complete.

• **Proactive migration to Fibr**

To ensure that customers enjoy the best quality of internet connection, the Company is continuously expanding the roll-out of the latest fiber-to-the-home (FTTH) technology in various areas nationwide. Customers are offered an upgrade to a Fibr plan as soon as facilities become available. The upgrade is free and will ensure better internet experience.

**Employees.** PLDT respects the dignity, rights, and interests of its employees, among which are the right to self-organization, safe and healthy working conditions, professional development, and community-building social activities. The value of employees to the business is underscored by the inclusion of people and culture transformation among the shared Company goals. Identifying, developing, and retaining talent is a core responsibility and accountability of every leader. Anchored on the foundational premise that the Company's treatment of its employees will influence how employees, in turn, deliver service to customers, PLDT embeds employee experience at the core of all people initiatives, programs, and processes. Three principles guide the employee experience design: leader-led, employee-owned, digitally-enabled. The vision for digital market leadership is hinged on a high-performing culture, and PLDT continuously engages employees to aspire for this goal by aligning groups and individuals to the Company's shared goals and ensuring that the Company's performance management system is performance-driven and coaching centered. A digital platform has been

implemented to enable a standard performance management system across PLDT and Smart. Supporting the objective of shaping a high-performing culture is a Total Rewards Program that is merit-based and addresses both short-term and long-term transformation goals. Compensation and incentives are determined on the bases of performance and accomplishment. Two major rewards programs are in place; the Short-term Incentive Plan (STIP) and the Transformation Incentive Plan (TIP).

To ensure that we enable the best integrated telco strategy, PLDT relentlessly pursues its agenda on succession management. Working with our Leaders on present requirements is an urgent groundwork activity while creating a talent pipeline and ecosystem for the next horizon of products and services. This includes the development and implementation of capability building initiatives, series of targeted hiring in local and global markets and the revival of the Management Associate program.

A digital environment requires a strong learning culture. This is supported by PLDT's corporate university that utilizes all learning modalities for the best reach and an internal career opportunity marketplace to enable talent mobility for all its employees.

PLDT organizes engagement programs that prioritize the well-being of employees and strengthen the quality of work relationships. These allow employees to engage in a broad range of character-developing and relationship building activities through CSR, sports, special interest groups, and family-oriented programs. Formal channels for employee feedback are made available through engagement surveys conducted at regular intervals to give employees the opportunity to share their perspectives about relevant Company matters. Digital and social platforms are optimized for employee crowdsourcing and internal communication. Management-led digital dialogues provide opportunity for employees across various parts of the country to directly interact and voice out their suggestions and recommendations to top management.

**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 governmental and regulatory agencies, as well as legislative hearings relative to initiatives and proposed legislation in the fields of Information and Communication Technology (ICT), corporate governance 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.

**Suppliers.** PLDT aspires to maintain mutually beneficial relationships only with like principled suppliers that uphold PLDT's core values of fairness, accountability, integrity and transparency in their own businesses. Suppliers are required to 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, and intellectual property rights. The Company's purchases, as a general rule, are made on the basis of competitive bidding among accredited and qualified suppliers.

**Creditors.** In accordance with our Code of Ethics, we protect the rights of our 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 the three major international credit rating agencies as of yearend 2020.

**Communities.** In the spirit of service to Filipino communities, the PLDT Group continues to build on its CSR programs by leveraging on its expertise, technological strength, and corporate culture. Serving the community is an integral part of making technology accessible to all. With our technology and services, PLDT and Smart are well-positioned to provide much needed assistance to communities. Our role and core competence is that of an 'enabler'- providing the technical skills, technologies and resources in key areas where PLDT and Smart have chosen to help develop communities: education, livelihood, health, arts, disaster preparedness and response, environment, agriculture, internet safety and digital wellness.

## ADVOCACY AND NETWORKING

PLDT supports the advocacy for better governance and ethics in business as manifested in the Company's policy against corruption and bribery set forth in its Code of Ethics and reinforced in specific policies such as the Policy on Gift-Giving Activities, Gifts Policy, Supplier/Contractor Relations Policy, Corporate Governance Guidelines for Suppliers, which prohibit bribery or acts which may be construed as bribery involving third parties in business dealings with the Company.

These policies are implemented through anti-corruption programs and measures such as internal controls, training and communication, whistleblowing system, third party due diligence, and support for and participation in multi-sectoral anticorruption initiatives to eliminate graft and corruption.

On February 19 and 20, 2020, PLDT Chairman and President & CEO, Mr. Manuel V. Pangilinan and Smart President and CEO, Mr. Alfredo S. Panlilio joined over 1,000 international leaders when they signified their respective companies' commitments to the United Nations Global Compact (UNGC) by signing the "Statement from Business Leaders for Renewed Global Cooperation". PLDT and Smart are registered under the UNGC as the only Philippine telco participants, a tier higher than signatories limited to local engagement. Participants actively engage with the UNGC at the global level to integrate into their companies' operations, the organization's Ten Principles on human rights, labor, environment and anti-corruption.

PLDT continues to work with institutions and organizations engaged in programs and advocacy efforts in the field of corporate governance, compliance and business ethics. As a sponsoring partner member of the Ethics and Compliance Initiative (ECI), PLDT has access to ECI's vast online library on governance and related topics and opportunities to attend and participate in discussion groups and training sessions, as well as interact with other governance and ethics professionals around the world. In the process, PLDT is able to benchmark its governance practices against those of leading companies. Locally, PLDT is a premium member of the Integrity Initiative, Inc. and a member of the Good Governance Advocates and Practitioners of the Philippines (GGAPP). PLDT also participates in the activities of the Institute of Corporate Directors (ICD) and its sister institute in the public sector, the Institute for Solidarity in Asia (ISA).



**"PLDT is committed to making the UNGC principles part of company strategy, culture, and day-to-day operations, and to engage in collaborative projects in order to attain the UN Sustainable Development Goals (UNSDGs)."**

**- Manuel V. Pangilinan,  
PLDT Chairman and President & CEO**



**"The UNGC Statement for Renewed Global Cooperation underscores the commitment of PLDT and Smart to help in nation-building. We are guided by the business basics, espoused in the UNGC Principles, which are essential in creating shared value for business and society."**

**- Alfredo S. Panlilio,  
Smart President and CEO and concurrent PLDT Chief Revenue Officer**

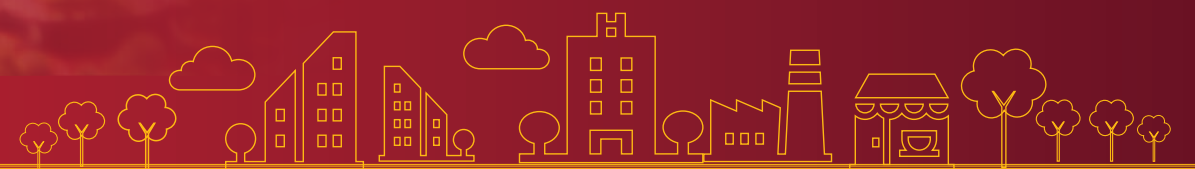




# We invest in the future.

“Though it’s good to be physically present to meet our customers, whenever we sell our plants online, however, we are able to sell most of what we post which generates better income for us and more convenient for our buyers compared to having a physical store set up.”

- Dan Saclangan  
Agriculturist and Living Gifts Nursery Owner





The PLDT Group's commitment to the proactive management of existing and emerging risks is reinforced by the Group Enterprise Risk Management Department (GRMD). The GRMD, under the leadership of the Chief Risk Management Officer (CRMO), develops and manages a comprehensive integrated risk management program that is implemented across all levels of the organization, with the goal of managing the Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus create even more value for the business and its stakeholder.

#### Group Enterprise Risk Management Department (GRMD)

The PLDT Group's commitment to the proactive management of existing and emerging risks is reinforced by the Group Enterprise Risk Management Department (GRMD). The GRMD, under the leadership of the Chief Risk Management Officer (CRMO), develops and manages a comprehensive integrated risk management program that is implemented across all levels of the organization, with the goal of managing the Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus create even more value for the business and its stakeholders.

In 2019, the GRMD engaged an external industry consultant with the aim of updating its policies and processes and helping navigate an ever-changing risk landscape. The consultant conducted an assessment of GRMD's current ERM practices and proposed solutions on how PLDT could best move forward with improving its ERM practice as a whole. As a result of this engagement, an updated ERM framework was adopted and related processes and policies were redeveloped accordingly. Enhancements include a revised approach to determining Risk Appetite and the adoption of the 3 Lines of Defense Model - a regulated framework designed to facilitate an effective risk management system by clarifying roles of management, various risk control and compliance oversight functions and Internal Audit. To aid in the implementation of the updated ERM Framework, a new Governance, Risk, and Compliance (GRC) platform was developed to improve the collection of risk information and enhance risk analysis/monitoring capabilities. Implementation of the restructured policies, processes, and tools began in late 2020 with full implementation expected by the end of 2021. These enhancements will help the GRMD to meet regulatory requirements, develop an intelligent risk culture within the company, promote active risk assessment and monitoring, and facilitate real-time reporting of risks.

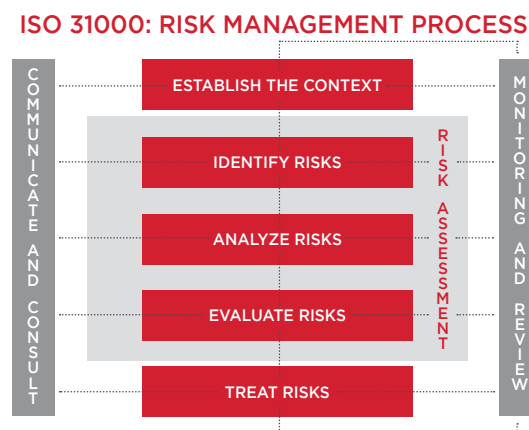
#### The PLDT Group Risk Management Philosophy Statement

The PLDT Group adopts a risk philosophy that recognizes risks as integral to its business thereby committing itself to managing these risks with the aim of attaining its business objectives, thus enhancing shareholder value.

*The PLDT Group operates in a complex and dynamic business environment which gives rise to a variety of risks that can be both threat and opportunity. Recognizing that these risks are an integral part of its business, the PLDT Group is committed to managing its overall risk exposure in a systematic way and in such a manner that supports its strategic decision-making process. Accordingly, the PLDT Group employs a comprehensive, integrated risk management program, effected across all levels of the organization, with the goal of identifying, analyzing and managing the Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus sustain competitive advantage. The PLDT Group believes that an effective risk management program will contribute to the attainment of objectives by PLDT and its subsidiaries, thus creating value for the business and its stakeholders.*

#### The Enterprise Risk Management Framework and Process

The GRMD promulgates and encourages the adoption of a standard risk evaluation process focused on the need to properly identify, analyze, evaluate, treat and monitor risks that may affect the achievement of business objectives. The ERM process implemented is based on the International Standard of ISO 31000.



The implementation of the ERM process ensures that high-priority risks are well understood and effectively managed across all functions and units within the PLDT Group.

#### Risk Committee

The Risk Committee assists the PLDT Board in overseeing Management's adoption and implementation of a system for identifying, assessing, monitoring and managing key risk areas. The committee reviews Management's reports on the Company's major risk exposures as well as Management's plans and actions to minimize, control or manage the impact of such risks.

The GRMD reports to the PLDT Risk Committee on a quarterly basis and to the PLDT Board of Directors on a semi-annual basis on developments with regard to the Group's risk management activities.

#### PLDT Group Top Risks

The GRMD, under the leadership of the Chief Risk Management Officer, promulgates and encourages the adoption of a standard risk evaluation process focused on the need to properly identify, analyze, evaluate, treat and monitor risks that may affect the achievement of business objectives. The ERM process being implemented is based on the International Standard of ISO 31000. A risk assessment exercise was undertaken by the Top Management Team to identify and prioritize the most important risks affecting the PLDT Group for 2020. The top risks, listed in no particular order of criticality, were: (i) prolonged pandemic (ii) customer experience issues and reputational risks; (iii) delivery of transformation initiatives; (iv) competitive situation and economic conditions; (v) rapid speed of disruptive innovations and new technologies; (vi) regulatory changes/ political scrutiny; (vii) cyber security incidents and data privacy breaches; (viii) people risks; (ix) inability to design and prepare future mode of operations; and (x) regular occurrence of natural disasters. Treatment strategies have been developed, and mitigation initiatives have been put in place. Risk management activities are continuously monitored and reviewed to ensure that critical risks are appropriately addressed across the organization.

“We support the frontline offices in the pandemic response--the City Health in Lapu-Lapu and the Lapu-Lapu City Hospital. We do planning, logistical support, and transportation of patients every day. We support them through humanitarian and relief assistance. Effective communication with the aid of technology will help address this problem.”

- Nagiel Bañacia,  
Officer-in-Charge of the Lapu-Lapu City Disaster Risk  
Reduction Management Office



“Several students needed to transfer as their parents lost income, we couldn't afford to offer online classes, and we weren't prepared for modular learning with only four teachers left. Central Visayan Institute and Foundation-Dynamic Learning Program, Smart, and PSF has helped us press on even in the direst of circumstances. We are amazed at how our teachers have set higher standards for themselves, and how our students continue to rise up to the challenges and perform well.”

- Olivia Sabacan-Payba,  
Principal Echelon Development School  
in Altavas, Aklan

“I'm glad I can rely on Smart's LTE network for speed and impeccable quality: I get the latest IATF advisories and guidelines online to help the Emergency Management Team formulate programs and policies to better protect our co-employees.”

- Paul Labis  
Smart post-paid subscriber



# BOARD OF DIRECTORS

**Manuel V. Pangilinan, 74, Filipino**

He 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. Since January 1, 2016, he has held the position of President and Chief Executive Officer of PLDT, and served as President and Chief Executive Officer of Smart Communications, Inc. (“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 Metro Pacific Investments Corporation (“MPIC”), Manila Electric Company (“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, Digitel Mobile Philippines, Inc. (“DMPI”), Digital Telecommunications Phils, Inc., (“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.

He 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.

He 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.

He 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).

**Manuel L. Argel, Jr., 71, Filipino**

He has been a director of PLDT since January 28, 2020. He is a member of the Social Security Commission, 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 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, Retired 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. He obtained his Bachelor of Arts in Philosophy and Bachelor of Laws Degrees from San Beda College.

**Helen Y. Dee, 77, Filipino**

She 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. Ms. Dee received her Master’s Degree in Business Administration from De La Salle University.

**Albert F. Del Rosario, 81, Filipino**

He 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. 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. 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 and Metrobank Foundation, Inc. He received numerous awards and recognition for his valuable contributions to the Philippines and abroad. In September 2004, he was conferred 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 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. Ambassador del Rosario graduated from New York University with a Bachelor of Science Degree in Economics.

**Ray C. Espinosa, 65, Filipino**

He 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 is Senior Advisor to the President and CEO of PLDT since January 28, 2019. 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 Signal 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.

**James L. Go, 82, Filipino**

He has been a director of PLDT, Inc. (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. (JGSHI) and Cebu Air, Inc. Mr. Go holds the position of Chairman and Chief



MANUEL V. PANGILINAN

MANUEL L. ARGEL, JR.

HELEN Y. DEE

ALBERT F. DEL ROSARIO

RAY C. ESPINOSA

JAMES L. GO

SHIGEKI HAYASHI

JUNICHI IGARASHI



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.

**Shigeki Hayashi, 53, Japanese**

He has been a director of PLDT since August 10, 2017. He is assigned as the Senior Vice President, Corporate Planning, NTT Ltd Japan Corporation since NTT Group's global reorganization in 2019. He handles corporate strategy and planning of the global business previously operated by NTT Communications Corporation ("NTT Com"). His previous positions in NTT Com were Vice President, Global Business (2016 to 2019), Director-Planning, Global Business (2012 to 2016), Senior Manager-Overseas Business Management, Global Business (2007 to 2012) and Senior Manager-Tax Accounting Division, Accounts and Finance Department (1999 to 2004). He was the Deputy General Manager-Corporate Management Department of NTT Europe Ltd. from 2004 to 2007. Mr. Hayashi obtained his Bachelor of Economics Degree from Osaka University.

**Junichi Igarashi, 57, Japanese**

He has been a director of PLDT since August 9, 2018. He is a member of the Board of Directors of PLDT and Chief Operating Advisor. He is also a member of the Governance, Nomination and Sustainability, Executive Compensation, Technology Strategy, Audit, Risk, and Data Privacy and Information Security Committees. From 2016 to 2018, he served as a Director of NTT DOCOMO, Smart Life Business Division in Tokyo, Japan. He developed and sold a language translation & travel mobile application (Jspeak: Japanese - 10 languages) for inbound travelers to Japan. From 2006 to 2016, he represented NTT DOCOMO as a GSMA PSMC (Product & Service Management Committee) member and exchanged strategic views about mobile industry with top 25 largest MNOs. On top of that, from 2013 to 2016, he was assigned in London, UK as General Manager for DOCOMO Europe, Inc. (a subsidiary of NTT DOCOMO) and worked with GSMA executives in GSMA London HQ. From 2006-2013, he served as a Director of NTT DOCOMO, Global Business Division in Japan. He conducted the PoC of WiMax Service in Canada (with Primus Communications, Inc.) and in Singapore (with InterTouch, Inc.). Prior to that, he served as a Director of Business Development and Head of Japanese Corporate Sales Division from 2003-2006 in StarHub, Singapore. Mr. Igarashi received his Master's Degree in Mechanical Engineering from Tokyo University and Master's Degree in Business Administration from the University of Michigan Ann Arbor, USA.

**Bernido H. Liu, 58, Filipino**

He 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. He is the Chairman and Chief Executive Officer of GOLDEN ABC, Incorporated. ("GABC"), a fashion retail company which creates and sells its own clothing, personal care and accessory lines marketed and retailed under a dynamic portfolio of well-differentiated proprietary brands. He is 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, Essentia Medical Group Incorporated, Red Logo Lifestyle Inc., Greentree Food Solutions, Inc., and a director of GABC International Pte Limited (SG) and GABC Singapore Retail Pte Ltd. He is a trustee for Children's Hour Philippines, and until March 27, 2018, was an independent member of the Board of Trustees of the PLDT-SMART Foundation, Inc.

Mr. Liu graduated with a Bachelor of Science Degree in Architecture from the University of San Carlos, Cebu, and completed the Executive Education Owner/President Management Program of the Harvard Business School. Over the years, Mr. Liu and GABC under his leadership have been recognized by different award-giving bodies. Awards include, among others, 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.

**Artemio V. Panganiban, 84, Filipino**

He 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, First Philippine Holdings Corporation, Metro Pacific Investments Corporation, Robinsons Land Corporation, GMA Network, GMA Holdings, and Asian Terminals, Inc., and a regular 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. 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, a member 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.

**Ma. Lourdes C. Rausa-Chan, 67, Filipino**

She has been serving as Corporate Secretary and Chief Governance Officer since November 1998 and March 2008, respectively. She has been a director of PLDT since March 29, 2011 and will continue to serve as such until the expiration of her term immediately prior to the Annual Meeting. She was the Head of Corporate Affairs and Legal Services until November 30, 2018. She is a director and the Corporate Secretary of ePLDT, PLDT Global Investments Holdings, Inc., PLDT Communications and Energy Ventures, Inc., ACeS Philippines Cellular Satellite Corporation and Mabuhay Investments Corporation, and also serves as Corporate Secretary of several other subsidiaries of PLDT, and of PLDT-Smart Foundation Inc. and Philippine Disaster Resilience Foundation, Inc. Prior to joining PLDT, she was the Group Vice President for Legal Affairs of Metro Pacific Corporation and the Corporate Secretary of some of its subsidiaries. Ms. Rausa-Chan received her Bachelor of Arts Degree in Political Science and Bachelor of Laws Degree from the University of the Philippines.

**Pedro E. Roxas, 65, Filipino**

He has been a director of PLDT since March 1, 2001 and qualified as an independent director since 2002. He is the Chairman of the Audit Committee and serves as an independent member of the Risk, Governance, Nomination and Sustainability and Executive Compensation Committees of the Board of Directors of PLDT. He is the Chairman of Roxas Holdings, Inc. and Roxas and Company, Inc., and an independent director of Meralco, BDO Private Bank and CEMEX Holdings Phil. Inc., which are reporting or PSE-listed companies. He is also the Chairman, President or a director of companies or associations in the fields of agri-business, sugar manufacturing and real estate development including Brightnote Assets Corporation, Club Punta Fuego, Inc., and Philippine Sugar Millers Association, and a member of the Board of Trustees of Philippine Business for Social Progress and Fundacion Santiago (where he is also the President) and Roxas Foundation, Inc.. Mr. Roxas received his Bachelor of Science Degree in Business Administration from the University of Notre Dame, Indiana, U.S.A.

**Marife B. Zamora, 68, Filipino**

She has been a director of PLDT since November 14, 2016. She is the Chairman of the Board of Willis Towers Watson Insurance Brokers, Inc., and a member of the Board of Trustees of the Asian Institute of Management and ABS-CBN Foundation Inc. 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 until December 2018, Managing Director for Asia Pacific, Europe, Middle East, Africa for Convergys Corporation, and served as the first Country Manager of Convergys Philippines, setting up its first contact center in 2003 and 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. Honors conferred on Ms. Zamora include the Asia CEO Awards 2011 Global Filipino Executive of the Year, the 'Go Negosyo' Woman STARpreneur Award 2012, and the 100 Most Influential Filipino Women in the World 2013. 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 Wharton School of the University of Pennsylvania.

# ADVISORY BOARD COMMITTEE



BERNIDO H. LIU    ARTEMIO V. PANGANIBAN    MA. LOURDES C. RAUSA-CHAN    PEDRO E. ROXAS    MARIFE B. ZAMORA



OSCAR S. REYES    ROBERTO R. ROMULO    BENNY S. SANTOSO    ORLANDO B. VEA    CHRISTOPHER H. YOUNG



# EXECUTIVE OFFICERS

**Alfredo S. Panlilio, 58, Filipino**

He has been the PLDT Group Chief Revenue Officer since July 1, 2019 and the President and CEO of Smart Communications, Inc. since August 8, 2019. He is also an Advisor of the Data Privacy and Information Security Committee of the Board of Directors of PLDT. He is the President and CEO of Digitel, DMPI and Talas Data Intelligence, Inc., and the Chairman, President and CEO of Asia Netcom Philippines Corporation, Digitel Crossing, Inc., and Mabuhay Investments Corporation, the Chairman and President of Telesat, Inc., ACeS Philippines Cellular Satellite Corporation, and Smart Broadband, Inc., the President of MVP Rewards and Loyalty Solutions, Inc., Airborne Access Corporation, I-Contacts Corporation, PLDT Communications and Energy Ventures, Inc., and Primeworld Digital Systems, Inc., and the Chairman of ePLDT, Inc., ePDS, Inc., IP Converge Data Services, Inc., IPC Rack It Data Center, Inc., Bonifacio Communications Corporation, PLDT Clark Telecom, Inc., , PLDT Subic Telecom, Inc., ABM Global Solutions, Inc., Curo Teknika, Inc., PLDT-Maratel, Inc., and PLDT-Philcom, Inc.

He also serves as Director of Cignal TV, Inc., Asean Telecom Holdings Sdn. Bhd., PLDT Global Corporation, 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 PLDT-Smart Foundation, Inc., Asian Carrier Conference, Inc., Kapampangan Development Foundation, and Philpop Musicfest Foundation, Inc. He is the President of Samahang Basketbol ng Pilipinas, Inc., MVP Sports Foundation, Inc., First Vice President of Philippine Olympic Committee, Second Vice President of FIBA Asia Central Board, Treasurer of National Golf Association of the Philippines and Manila Golf Country Club, Inc., Philippine Basketball Association Governor for the Meralco Bolts, and a member of the Management Association of the Philippines.

Prior to joining PLDT and Smart, Mr. Panlilio was Meralco's Senior Vice President and Head of Customer Retail Services and Corporate Communications from September 2010 to June 2019 championing innovation and transformation for the customers. He 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. He was a trustee of One Meralco Foundation, Inc. and Meralco Power Academy, and Associate Board Member of Semiconductor and Electronics Industries in the Philippines, Inc. He was the 2013 CEO Excel Awardee of the International

Association of Business Communicators Philippines. He 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. Mr. Panlilio holds a Bachelor of Science Degree in Business Administration (Computer Information Systems) from California State University-San Francisco State University and obtained his Master in Business Administration at J. L. Kellogg School of Management of Northwestern University/ the Hongkong University of Science and Technology.

**Alejandro O. Caeg, 61, Filipino**

He is the Head of PLDT Smart Consumer Sales Group and a member of the Smart 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.

**Anabelle L. Chua, 60, Filipino**

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 and PayMaya Philippines. 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.

**Mary Rose L. Dela Paz, 49, Filipino**

She is Chief Procurement Officer and 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 from the University of the Philippines.

**Gil Samson D. Garcia, 49, Filipino**

He was appointed Officer-in-Charge of Financial Reporting and Controllershship effective January 1, 2021, and is concurrently the Group Chief Financial Officer (CFO) of ePLDT since May 2015 which includes ePLDT, Inc., Curo Teknika (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 CFO 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 joined PLDT in February 2007 as Assistant Vice President for Financial Reporting and Controllershship and Head of Revenue and Cash Accounting (RevCash) until 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 was promoted to 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.

**Juan Victor I. Hernandez, 47, Filipino**

Head of Enterprise Business Group of PLDT and Smart, the segment that serves the small, medium, large and top tier enterprises in the Philippines, concurrently serves as the President & CEO of ePLDT, as well as its subsidiaries namely, ABM Global Solutions, Inc., ePDS, Inc. and Curo Teknika, Inc. He is the President of Bonifacio Cable Corporation, director and head of the enterprise business of PLDT Global Corporation, with presence in the United States, United Kingdom, Hongkong, Singapore and Australia. Mr. Hernandez is a trustee of IT and Business Processing Association of the Philippines (IBPAP), Chairman of the Board of Asian Carriers Conference Inc., director of ACASIA Communications Sdn Bhd, and Board Adviser of the Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI). He obtained his Bachelor of Science Degree in Agricultural Economics from the University of the Philippines and Master's Degree in Business Management from the Asian Institute of Management.

**Menardo G. Jimenez, Jr., 58, Filipino**

Head of Consumer Business - Home, joined PLDT in December 2001 and served in various capacities as Corporate Communications and Public Affairs Head, Retail Business 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.

**Gina Marina P. Ordoñez, 59, Filipino**

She is 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. Ms. Ordoñez 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, she 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 Citibank where she held various leadership positions for 16 years and where she was certified Six Sigma Black Belt professional.

She 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.



MANUEL V. PANGILINAN

ALFREDO S. PANLILIO

ALEJANDRO O. CAEG

ANABELLE L. CHUA

MARY ROSE L. DELA PAZ

GIL SAMSON D. GARCIA

JUAN VICTOR I. HERNANDEZ

MENARDO G. JIMENEZ

LEO I. POSADAS



**Leo I. Posadas, 54, Filipino**

He is 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.

**June Cheryl A. Cabal-Revilla, 47, Filipino**

47 years old, Group Controller, Chief Sustainability Officer of the PLDT Group and the Chief Financial Officer of Smart, PLDT-Smart Foundation, Philippine Disaster Resilience Foundation and in a number of subsidiaries and affiliates of PLDT, Smart & ePLDT until December 31, 2020. She is also the Founding Chairman of Gabay Guro, President of The Outstanding Young Men Foundation, and an Appointed Member of the Financial Reporting Standards Council of the Philippines. Prior to joining PLDT in June 2000 as a Certified Public Accountant and an Executive Trainee in the Finance Group, she was a Senior Associate in the Business Audit and Advisory Group of SGV & Co. She received her Bachelor of Science Degree in Accountancy from De La Salle University and Master's Degree in Business Management Major in Finance from Asian Institute of Management ("AIM") where she is an outstanding alumni and a Triple A awardee by the Federation of AIM Alumni Associations, Inc. She also finished her Executive Program in the Stanford Graduate School of Business. With her sterling achievements and advocacies, she received global recognitions here and abroad and frequently invited as speaker by several international organizations.

**Mario G. Tamayo, 61 Filipino**

He is 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.

**Victorico P. Vargas, 69, Filipino**

Business Transformation Office Head, 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., PLDT Global Inc., PLDT Subic Telecom, Inc. and PLDT Clark Telecom, 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.

**Marilyn A. Victorio-Aquino, 65, Filipino**

Chief Legal Counsel, joined First Pacific Company Limited ("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.

TOP MANAGEMENT TEAM



KEY ADVISORS



Retired as of December 31, 2020



# OFFICERS

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Chairman of the Board  
President and Chief Executive Officer

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Chief Revenue Officer

**Anabelle L. Chua**  
SVP, Chief Financial Officer and Chief Risk  
Management Officer

**Victorico P. Vargas**  
Business Transformation Office Head

**Ma. Lourdes C. Rausa-Chan**  
Corporate Secretary and Chief Governance Officer

**Marilyn A. Victorio-Aquino**  
SVP and Chief Legal Counsel

**Gina Marina P. Ordoñez**  
SVP and Chief People Officer

**Mary Rose L. Dela Paz**  
SVP and Chief Procurement Officer

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SVP and Technology Group Head

**Alejandro O. Caeg**  
SVP, Consumer Sales Head

**Juan Victor I. Hernandez**  
SVP and Enterprise Business Head

**Menardo G. Jimenez Jr.**  
SVP and Consumer Business – Home Head

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FVP and Treasurer

**Gil Samson D. Garcia**  
FVP and OIC-Financial Reporting and  
Controllershship

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FVP and International and Carrier Business  
and Strategic Partnership & Corporate  
Development Head

**Marco Alejandro T. Borlongan**  
FVP and Consumer Business Operations  
Management Head

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FVP, Program Management - CRO

**Bernard H. Castro**  
FVP and Consumer Business Fulfillment  
Management Head

**Joan A. De Venecia-Fabul**  
FVP and Deputy Chief Legal Counsel

**Gil Samson D. Garcia**  
FVP, OIC-Financial Reporting and  
Controllershship Sector

**Joseph Ian G. Gendrano**  
FVP and Deputy Data Privacy Officer and Core  
Enterprise Business Solutions Head

**Victor Emmanuel S. Genuino II'**  
FVP and Senior BTO Officer

**Ma Criselda B. Guhit**  
FVP and Tax Management and Advocacy Head

**Leah Camilla B. Jimenez**  
FVP and Data Privacy and Information Security  
Governance Head

**Princesita P. Katigbak**  
FVP and National Key Accounts Group Head

**Albert Mitchell L. Locsin**  
FVP and Enterprise Revenue Group 2 Head

**Florentino D. Mabasa Jr.<sup>2</sup>**  
Assistant Corporate Secretary

**Dale M. Ramos**  
FVP and Network Build Head

**Angel T. Redoble**  
FVP and Chief Info Security Officer and Cyber  
Security Operations Head

**Aileen D. Regio**  
FVP and Regulatory and Strategic Affairs Head

**Luis S. Reñon**  
FVP and Internal Audit and Fraud Risk  
Management Head

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FVP and BTO Process Innovation Head

**Victor Y. Tria**  
FVP and Enterprise Revenue Group 1 Head

**Jude Michael H. Turcuato**  
FVP and Sports Head

**Melissa V. Vergel De Dios**  
FVP and Investor Relations Head

**John Henri C. Yanez**  
FVP and HOME Marketing Head

**Catherine L. Yap-Yang**  
FVP and Group Corporate  
Communications Officer

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VP and Consumer Care Head

**Minerva M. Agas**  
VP and Logistics Head

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VP and Disruptive Business Head

**Cecille M. Alzona**  
VP and Financial Planning Head

**Elizabeth S. Andojar**  
VP and Enterprise Business Credit &  
Collection Management Head

**Roy Victor E. Añonuevo**  
VP and HOME Business Operations and  
Services Head

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VP and Commercial Contracts  
Management Head

**Mitchie M. Arcaina**  
VP and Organizational Change  
Management Head

**Jerameel A. Azurin**  
VP and Product Management Head of the  
Disruptive Business Group of PLDT Enterprise

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Controls Head

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VP and CRM Conglomerate 2 Head

**Joseph Michael Vincent G. Co**  
VP and People Operations Head

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VP and Senior Business Transformation  
Office Executive

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VP and IT Operations Support Systems &  
Automation Management Head

**Aniceto M. Franco III**  
VP and Small and Micro Business Head

**Gene S. De Guzman**  
VP and Enterprise Service Assurance Management-I Head

**John John R. Gonzales**  
VP and Enterprise Digital Solutions Engagement and  
Technical Services Head

**Leonard A. Gonzales**  
VP and Property, Facilities and Security Management Head

**Silverio S. Ibay Jr.**  
VP and Spend Management Accounting Head

**Gary F. Ignacio**  
VP and Enterprise Fixed Business Solutions Head

**Marven S. Jardiel**  
VP and Enterprise Customer Operations  
Management Head

**Alexander S. Kibanoff**  
VP and Learning and Development Head

**Javier C. Lagdameo**  
VP and CRM Conglomerate 1 Head

**Joseph Henry S. Lebumfacil<sup>3</sup>**  
VP and Enterprise Resource Planning Head

**Armando Dodjie T. Lim**  
VP and Consumer Service Area - GMM North Head

**Czar Christopher S. Lopez**  
VP and Technology Strategy and Transformation  
Office Head

**Paolo Jose C. Lopez**  
VP and Telesales, Online Stores, and Emerging  
Channels Head

**Maria Carmela F. Luque**  
VP and Financial Audit Head

**Loreevi Gail O. Mercado**  
VP and Talent Management Head

**Oliver Carlos G. Odulio**  
VP and Enterprise Business Continuity & Resilience Head

**Jonston Prince W. Ong**  
VP and BTO Executive

**Carlo S. Ople**  
VP and Deputy Head for PLDT-Smart Public Affairs

**Charles Louis L. Orcena**  
VP and Business and Customer Analytics Head

**Serviliano L. Padiz Jr.**  
VP and Cost Valuation Head

**Raymond A. Racho**  
VP and RAFM-Revenue Assurance Head

**Genaro C. Sanchez**  
VP and International Facilities Investments Management Head

**Maria Christina C. Semira**  
VP and Subsidiaries and Affiliates Head

**Ma. Merceditas T. Siapatuco**  
VP and Treasury Operations and Support Head

**Arvin L. Siena**  
VP and Technology Strategy and Transformation Office Head

**Carla Elena A. Tabuena**  
VP and Enterprise Business Service Operations  
Management Head

**Ma. Magdalene A. Tan**  
VP and Corporate Governance Enforcement Head

**Patrick S. Tang**  
VP and VisMin Regional Marketing Head

**Jecyn Aimee C. Teng**  
VP and CRM Banking and Financial Service Institution Head

**Milan M. Topacio**  
VP and Network Operations Center Head

**Radames Vittorio B. Zalameda**  
VP and Wireless/Fixed Network Optimization and  
Performance Executive

# FINANCIAL REVIEW

## 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, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019 and 2018 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.*

## 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.

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 or mobile broadband using pocket WiFi and other similar devices. We provide the following mobile telecommunications services through our wireless business: (i) mobile services, (ii) home 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.
- **Others.** Our other business consists primarily of our interests in digital platforms and other technologies, including our interests in VIH and Multisys.

## Amended Standards

The accounting policies adopted are consistent with those of the previous financial year, except that we have adopted certain amended standards starting January 1, 2020. The adoption of these amended standards did not have any significant impact on our financial position or performance. Please see *Note 2 – Summary of Significant Accounting Policies and Procedures* to the accompanying audited consolidated financial statements for further discussion.

## Selected Financial Data and Key Performance Indicators

	2020	2019	2018
Financial Data:			
Service revenues	Php173,634	Php161,355	Php152,369
Net income	24,580	22,786	18,973
Core income	27,129	25,111	25,855
Telco core income	28,087	27,080	24,047
EBITDA	86,158	79,815	64,027
EBITDA margin <sup>(1)</sup>	50%	49%	42%
Operational Data:			
Number of mobile subscribers	72,933,839	73,118,155	60,499,017
Number of fixed line subscribers	3,042,815	2,765,209	2,710,972
Number of broadband subscribers	3,090,118	2,161,484	2,025,563

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

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 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 – 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 an alternative to net income as an indicator of

<sup>1</sup>Appointment as First Vice President effective February 1, 2021 was confirmed by the Board of Directors in the meeting held in March 25, 2021

<sup>2</sup>Separated as First Vice President effective February 1, 2021 but will continue to serve as Assistant Corporate Secretary for the unexpired term of his appointment to said office or until the Board elects his successor to said office

<sup>3</sup>Appointment as Vice President effective November 1, 2020 was confirmed by the Board of Directors in the meeting held on March 25, 2021



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, and 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, 2020, 2019 and 2018 is presented in *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements.

Core Income and Telco Core Income

Core income 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. Also, Telco core income 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., (“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 a basis of granting incentives to employees.

Core income and Telco core income should not be considered as an alternative to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike net income, core income does not include foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and non-recurring gains and losses. We compensate for these limitations by using core income 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 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, 2020, 2019 and 2018 is presented in *Note 4 – Operating Segment Information* to the accompanying audited consolidated 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 core income to our Telco core income for the years ended December 31, 2020, 2019 and 2018.

The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
		(in millions)	
Consolidated net income	Php24,580	Php22,786	Php18,973
Add (deduct) adjustments:			
Depreciation and amortization	47,480	39,656	47,240
Financing costs – net	10,086	8,553	7,067
Provision for income tax	8,441	9,550	3,842
Amortization of intangible assets	2,496	758	892
Equity share in net losses of associates and joint ventures	2,328	1,535	87
Losses (gains) on derivative financial instruments – net	378	284	(1,086)
Impairment of investments	60	34	172
Noncurrent asset impairment	—	—	2,122
Interest income	(1,210)	(1,745)	(1,943)
Foreign exchange losses (gains) – net	(1,488)	(424)	771
Other income – net	(6,993)	(1,172)	(14,110)
Total adjustments	61,578	57,029	45,054
EBITDA	Php86,158	Php79,815	Php64,027

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, 2020, 2019 and 2018:

	2020	2019	2018
		(in millions)	
Consolidated net income	Php24,580	Php22,786	Php18,973
Add (deduct) adjustments:			
Manpower rightsizing program	2,625	3,296	1,703
Sun Trademark amortization	1,877	—	—
Losses from changes in fair value of financial assets at FVPL	599	675	1,154
Losses (gains) on derivative financial instruments – net, excluding hedge costs	284	233	(1,135)
Impairment of investments	60	34	172
Depreciation due to shortened life of property and equipment	—	—	4,564
Noncurrent asset impairment	—	—	2,122
Investment written-off	—	—	362
Other nonrecurring income	—	—	(1,018)
Core income adjustment on equity share in net losses (gains) of associates and joint ventures	(6)	(226)	23
Net income attributable to noncontrolling interests	(296)	(265)	(57)
Foreign exchange losses (gains) – net	(1,488)	(424)	771
Net tax effect of aforementioned adjustments	(1,106)	(998)	(1,779)
Total adjustments	2,549	2,325	6,882
Consolidated core income	27,129	25,111	25,855
Add (deduct) adjustments:			
Share in VIH losses	1,954	1,776	3,007
Accelerated depreciation, net	1,496	378	7,870
Loss (gain) on sale of Rocket Internet shares	364	(185)	(1,837)
Gain on iflix conversion	—	—	153
Gain on Phunware conversion	—	—	(113)
Gain on deconsolidation of subsidiary, net of tax	—	—	(10,888)
Gain from condonation of debt	(240)	—	—
Voyager gain on dilution, net	(323)	—	—
Gain on sale and leaseback of Smart Headquarters, net	(2,293)	—	—
Total adjustments	958	1,969	(1,808)
Consolidated telco core income	Php28,087	Php27,080	Php24,047

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expense), income (loss) before income tax, provision for (benefit from) income tax, net income (loss)/segment profit (loss), EBITDA, EBITDA margin, core income and Telco core income for the years ended December 31, 2020, 2019 and 2018. In each of the years ended December 31, 2020, 2019 and 2018, 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.



In 2019, we reclassified our revenues and expenses to reflect the adjustments on transactions between our wholly-owned subsidiaries resulting in a decrease in service revenues and interconnection costs. The adjustments had no impact on our net income, EBITDA, EPS and the consolidated statements of financial position and cash flows. In 2018, we reclassified the presentation of VIH from wireless to other business, resulting from the transfer from Smart to PCEV in April 2018. Accordingly, we changed prior years’ financial information to conform with the current years’ presentation in order to provide a clear comparison.

	Wireless	Fixed Line	Others <sup>(1)</sup>	Inter-segment Transactions	Consolidated
			(in millions)		
For the year ended December 31, 2020					
Revenues	Php104,211	Php98,739	Php—	(Php21,946)	Php181,004
Expenses	82,946	84,717	12	(22,853)	144,822
Other income (expenses) - net	(2,940)	4,221	(923)	(3,519)	(3,161)
Income (loss) before income tax	18,325	18,243	(935)	(2,612)	33,021
Provision for (benefit from) income tax	3,901	3,734	(617)	1,423	8,441
Net income (loss)/Segment profit (loss)	14,424	14,509	(318)	(4,035)	24,580
EBITDA	60,272	33,405	(12)	(7,507)	86,158
EBITDA margin <sup>(2)</sup>	61%	34%	—	—	50%
Core income	15,698	15,463	193	(4,225)	27,129
Telco core income	16,475	13,649	2,188	(4,225)	28,087
For the year ended December 31, 2019					
Revenues	96,906	89,406	—	(17,125)	169,187
Expenses	74,359	72,385	101	(17,059)	129,786
Other income (expenses) - net	(5,023)	(259)	(2,112)	329	(7,065)
Income (loss) before income tax	17,524	16,762	(2,213)	263	32,336
Provision for (benefit from) income tax	4,423	5,341	(444)	230	9,550
Net income (loss)/Segment profit (loss)	13,101	11,421	(1,769)	33	22,786
EBITDA	52,789	33,162	(101)	(6,035)	79,815
EBITDA margin <sup>(2)</sup>	58%	38%	—	—	49%
Core income (loss)	13,685	12,531	(1,151)	46	25,111
Telco core income	14,063	12,531	440	46	27,080
For the year ended December 31, 2018					
Revenues	89,929	85,222	1,138	(13,375)	162,914
Expenses	82,246	77,782	4,093	(14,980)	149,141
Other income (expenses) - net	(625)	(45)	12,099	(2,387)	9,042
Income before income tax	7,058	7,395	9,144	(782)	22,815
Provision for income tax	1,333	1,336	1,173	—	3,842
Net income/Segment profit	5,725	6,059	7,971	(782)	18,973
EBITDA	34,235	30,875	(2,688)	1,605	64,027
EBITDA margin <sup>(2)</sup>	41%	38%	—	—	42%
Core income	9,760	6,925	9,952	(782)	25,855
Telco core income	12,883	11,672	274	(782)	24,047

<sup>(1)</sup> Other business segment includes results of operations of Voyager Innovations Holdings, Pte. Ltd., or VIH, resulting from the transfer from Smart to PCEV in April 2018. Consequently, we reclassified the presentation of VIH from Wireless to Other business segment. Effective November 30, 2018, VIH was deconsolidated from PCEV.

<sup>(2)</sup> EBITDA margin for the year is measured as EBITDA from continuing operations divided by service revenues.

Years ended December 31, 2020 and 2019

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:

	Increase (Decrease)			
	2020	2019	Amount	%
	(in millions)			
Mobile service revenues	Php <b>97,566</b>	Php88,865	Php8,701	10
By service type				
Prepaid	<b>75,790</b>	67,850	7,940	12
Postpaid	<b>19,420</b>	19,502	(82)	—
Inbound roaming and others	<b>2,356</b>	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>	<b>30,533,816</b>	27,335,602	3,198,214	12
Prepaid	<b>29,090,167</b>	25,866,195	3,223,972	12
Postpaid	<b>1,443,649</b>	1,469,407	(25,758)	(2)
TNT	<b>41,688,854</b>	38,308,363	3,380,491	9
Sun <sup>(1)</sup>	<b>711,169</b>	7,474,190	(6,763,021)	(90)
Prepaid <sup>(2)</sup>	—	6,547,231	(6,547,231)	(100)
Postpaid	<b>711,169</b>	926,959	(215,790)	(23)
Total mobile subscribers	<b>72,933,839</b>	73,118,155	(184,316)	—

<sup>(1)</sup> Includes mobile broadband subscribers.  
<sup>(2)</sup> Beginning October 2020, Sun Prepaid subscribers were 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	<b>133</b>	132	1	1	<b>113</b>	116	(3)	(3)
TNT	<b>91</b>	77	14	18	<b>79</b>	69	10	14
Sun <sup>(3)</sup>	—	84	(84)	(100)	—	75	(75)	(100)
Postpaid								
Smart	<b>844</b>	824	20	2	<b>813</b>	806	7	1
Sun	<b>386</b>	418	(32)	(8)	<b>375</b>	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 subscribers were 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 Php82,946 million in 2020, an increase of Php8,587 million, or 12%, 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 80% 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	Php37,108	45	Php32,009	43	Php5,099	16
Depreciation and amortization	35,134	42	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
Total	Php82,946	100	Php74,359	100	Php8,587	12

Selling, general and administrative expenses increased by Php5,099 million, or 16%, to Php37,108 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
Total	(Php2,940)	(Php5,023)	Php2,083	41

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 Php3,901 million in 2020, a decrease of Php522 million, or 12%, from Php4,423 million in 2019.

**Net Income**

As a result of the foregoing, our Wireless business segment’s net income increased by Php1,323 million, or 10%, to Php14,424 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 Php2,013 million, or 15%, to Php15,698 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)
Total Fixed Line Revenues	Php98,739	100	Php89,406	100	Php9,333	10

**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 cybersecurity 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)
Total	Php84,717	100	Php72,385	100	Php12,332	17

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
Total	Php4,221	(Php259)	Php4,480	1,730

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
Total	(Php923)	(Php2,112)	Php1,189	56



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.

Years ended December 31, 2019 and 2018

Wireless

Revenues

We generated revenues of Php96,906 million from our Wireless business segment in 2019, an increase of Php6,977 million, or 8%, from Php89,929 million in 2018.

The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Mobile	Php88,865	92	Php81,096	90	Php7,769	10
Home broadband	85	—	155	—	(70 )	(45 )
MVNO and others <sup>(1)</sup>	1,711	2	1,750	2	(39 )	(2 )
Total Wireless Service Revenues	90,661	94	83,001	92	7,660	9
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	6,245	6	6,928	8	(683 )	(10 )
Total Wireless Revenues	Php96,906	100	Php89,929	100	Php6,977	8

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

Service Revenues

Our wireless service revenues in 2019 increased by Php7,660 million, or 9%, to Php90,661 million as compared with Php83,001 million in 2018, primarily due to higher mobile revenues, partly offset by lower home broadband revenues. As a percentage of our total wireless revenues, service revenues accounted for 94% and 92% in 2019 and 2018, respectively.

Mobile Services

Our mobile service revenues amounted to Php88,865 million in 2019, an increase of Php7,769 million, or 10%, from Php81,096 million in 2018. Mobile service revenues accounted for 98% of our wireless service revenues in each of 2019 and 2018. In the third quarter of 2018, the revenue split allocation among voice, SMS and data for our mobile bundled plans was revised to reflect the observed usage behavior pattern of our subscribers based on the network study conducted for our Wireless business segment.

The following table shows the breakdown of our mobile service revenues for the years ended December 31, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Mobile Services:						
Data	Php52,848	59	Php38,350	47	Php14,498	38
Voice	24,597	28	28,052	35	(3,455 )	(12 )
SMS	9,907	11	13,103	16	(3,196 )	(24 )
Inbound roaming and others <sup>(1)</sup>	1,513	2	1,591	2	(78 )	(5 )
Total	Php88,865	100	Php81,096	100	Php7,769	10

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

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php14,498 million, or 38%, to Php52,848 million in 2019 from Php38,350 million in 2018 due to increased mobile internet usage driven mainly by enhanced data products and consumer engagement promotions, supported by continuous network improvement and LTE migration, partially offset by lower revenues from mobile broadband. Data services accounted for 59% and 47% of our mobile service revenues in 2019 and 2018, respectively.

The following table shows the breakdown of our mobile data service revenues for the years ended December 31, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Data Services:						
Mobile internet <sup>(1)</sup>	Php48,399	91	Php33,207	87	Php15,192	46
Mobile broadband	3,547	7	4,589	12	(1,042 )	(23 )
Other data	902	2	554	1	348	63
Total	Php52,848	100	Php38,350	100	Php14,498	38

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

Mobile Internet

Mobile internet service revenues increased by Php15,192 million, or 46%, to Php48,399 million in 2019 from Php33,207 million in 2018, primarily due to the following: (i) promoting of data and content-led products such as *Giga Video*, *Giga Games*, *Giga Stories* for mobile prepaid services, which increased usage of video, gaming and social media by Smart, TNT and Sun subscribers; (ii) launching promotions of products, such as *Free Video Everyday* and *Free IG + FB For All*, which increased the number of mobile data users and further stimulated data usage; (iii) increased data usage resulting from events and activities, such as vlogger & creator camps, nationwide grassroots gaming tournaments, and large-scale eSports events, which attracted video creators and gamers; (iv) adoption of more accessible channels for customers to discover and buy mobile data services, such as \*123#, online stores, malls and convenience store chains; (v) introduction of new data-led postpaid plans with the launch of *Smart Signature*; and (vi) LTE migration initiatives that further increased the number of LTE device users and LTE data users among our subscriber base. Mobile internet services accounted for 54% and 41% of our mobile service revenues in 2019 and 2018, respectively.

Mobile Broadband

Mobile broadband revenues amounted to Php3,547 million in 2019, a decrease of Php1,042 million, or 23%, from Php4,589 million in 2018, primarily due to a decrease in the number of subscribers using pocket WiFi as users shift to using mobile internet and fixed DSL/Fiber home broadband. Mobile broadband services accounted for 4% and 6% of our mobile service revenues in 2019 and 2018, 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 Php348 million, or 63%, to Php902 million in 2019 from Php554 million in 2018, primarily due to revenues from VAS related to mobile gaming and other pay with mobile online subscriptions and purchases.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php3,455 million, or 12%, to Php24,597 million in 2019 from Php28,052 million in 2018, mainly on account of lower traffic due to subscribers’ shift to alternative calling options and other OTT services, and the impact of reduction in interconnection rates for voice services, as mandated by the NTC effective September 2018. Mobile voice services accounted for 28% and 35% of our mobile service revenues in 2019 and 2018, respectively.

Domestic voice service revenues decreased by Php1,656 million, or 7%, to Php21,830 million in 2019 from Php23,486 million in 2018, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php1,799 million, or 39%, to Php2,767 million in 2019 from Php4,566 million in 2018, primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php3,196 million, or 24%, to Php9,907 million in 2019 from Php13,103 million in 2018 mainly due to the declining SMS volumes as a result of alternative text messaging options, such as OTT services and social media, and the impact of the reduction in interconnection rates for SMS services. Mobile SMS services accounted for 11% and 16% of our mobile service revenues in 2019 and 2018, respectively.



Inbound Roaming and Others

Mobile revenues from inbound roaming and other services decreased by Php78 million, or 5%, to Php1,513 million in 2019 from Php1,591 million in 2018 due to lower other subscriber-related income.

The following table shows the breakdown of our mobile service revenues by service type for the years ended December 31, 2019 and 2018:

	2019	2018	Increase (Decrease)	
			Amount	%
		(in millions)		
Mobile service revenues	Php88,865	Php81,096	Php7,769	10
By service type				
Prepaid	67,850	59,914	7,936	13
Postpaid	19,502	19,591	(89)	—
Inbound roaming and others	1,513	1,591	(78)	(5)

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php67,850 million in 2019, an increase of Php7,936 million, or 13%, as compared with Php59,914 million in 2018. Mobile prepaid service revenues accounted for 76% and 74% of mobile service revenues in 2019 and 2018, respectively. The increase in revenues from our mobile prepaid services was primarily driven by a higher mobile prepaid subscriber base combined with higher average daily top-up by mobile prepaid subscribers and sustained growth in mobile internet usages.

Postpaid Revenues

Revenues generated from mobile postpaid services amounted to Php19,502 million in 2019, lower by Php89 million as compared with Php19,591 million in 2018, and accounted for 22% and 24% of mobile service revenues in 2019 and 2018, respectively.

Subscriber Base, ARPU and Churn Rates

The following table shows our mobile subscriber base as at December 31, 2019 and 2018:

	2019	2018	Increase	
			Amount	%
Mobile subscriber base				
Smart <sup>(1)</sup>	27,335,602	21,956,289	5,379,313	25
Prepaid	25,866,195	20,532,174	5,334,021	26
Postpaid	1,469,407	1,424,115	45,292	3
TNT	38,308,363	31,893,641	6,414,722	20
Sun <sup>(1)</sup>	7,474,190	6,649,087	825,103	12
Prepaid	6,547,231	5,753,163	794,068	14
Postpaid	926,959	895,924	31,035	3
Total mobile subscribers	73,118,155	60,499,017	12,619,138	21

<sup>(3)</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.

In compliance with Memorandum Circular (MC) No. 05-12-2017 issued jointly by the NTC, DICT, and DTI, Smart, TNT, and Sun extended the validity of prepaid loads to one year from the date of latest top-up. Beginning January 2018, the one-year validity was implemented particularly on prepaid loads worth Php300 and above. In July 2018, the one-year validity was fully implemented for all prepaid loads, including denominations lower than Php300, regardless of the validity period printed on the physical cards already out in the market.

The average monthly churn rates for Smart Prepaid subscribers were 4.1% and 6.5% in 2019 and 2018, respectively, while the average monthly churn rates for TNT subscribers were 4.0% and 5.8% in 2019 and 2018, respectively. The average monthly churn rates for Sun Prepaid subscribers were 4.5% and 6.1% in 2019 and 2018, respectively.

The average monthly churn rates for Smart Postpaid subscribers were 2.1% and 2.0% in 2019 and 2018, respectively, and 2.0% and 3.5% in 2019 and 2018, respectively, for Sun Postpaid subscribers.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2019 and 2018:

	Gross <sup>(1)</sup>		Increase (Decrease)		Net <sup>(2)</sup>		Increase (Decrease)	
	2019	2018	Amount	%	2019	2018	Amount	%
Prepaid								
Smart	Php132	Php130	Php2	2	Php116	Php118	(Php2)	(2)
TNT	77	79	(2)	(3)	69	71	(2)	(3)
Sun	84	89	(5)	(6)	75	81	(6)	(7)
Postpaid								
Smart	824	836	(12)	(1)	806	819	(13)	(2)
Sun	418	403	15	4	411	401	10	2

<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.

Home Broadband

Revenues from our Home Broadband services amounted to Php85 million in 2019, a decrease of Php70 million, or 45%, from Php155 million in 2018, primarily due to a decrease in the number of subscribers.

MVNO and Others

Revenues from our MVNO and other services amounted to Php1,711 million in 2019, a decrease of Php39 million, or 2%, from Php1,750 million in 2018.

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 Php683 million, or 10%, to Php6,245 million in 2019 from Php6,928 million in 2018, primarily due to lower issuances and decrease in average selling price per unit of mobile handsets.

Expenses

Expenses associated with our Wireless business segment amounted to Php74,359 million in 2019, a decrease of Php7,887 million, or 10%, from Php82,246 million in 2018. The decrease was mainly attributable to lower selling, general and administrative expenses, interconnection costs, provisions, asset impairment, and cost of sales and services, partially offset by higher depreciation and amortization. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 77% and 91% in 2019 and 2018, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2019 and 2018 and the percentage of each expense item in relation to the total:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
			(in millions)			
Selling, general and administrative expenses	Php32,009	43	Php39,693	48	(Php7,684)	(19)
Depreciation and amortization	29,484	40	24,778	30	4,706	19
Cost of sales and services	9,324	13	9,989	12	(665)	(7)
Interconnection costs	2,409	3	4,467	6	(2,058)	(46)
Provisions	1,011	1	2,173	3	(1,162)	(53)
Asset impairment	122	—	1,146	1	(1,024)	(89)
Total	Php74,359	100	Php82,246	100	(Php7,887)	(10)

Selling, general and administrative expenses decreased by Php7,684 million, or 19%, to Php32,009 million, primarily due to lower rent resulting mainly from the impact of PFRS 16 adoption, lower taxes and licenses, and professional and other contracted services, partly offset by higher expenses related to repairs and maintenance, compensation and employee benefits, and selling and promotions.

Depreciation and amortization charges increased by Php4,706 million, or 19%, to Php29,484 million, on account of depreciation of right-of-use asset resulting from the impact of PFRS 16 adoption and increase in depreciation of property and equipment due to higher asset base, partly offset by lower depreciation recognized due to shortened life of certain data network platform and other technology equipment resulting from the ongoing transformation projects.

Cost of sales and services decreased by Php665 million, or 7%, to Php9,324 million, primarily due to lower average cost per unit of mobile handsets and lower cost of services, mainly content costs.

Interconnection costs decreased by Php2,058 million, or 46%, to Php2,409 million, primarily due to lower interconnection cost on domestic voice and SMS services, as a result of the impact of reduction in interconnection rates, combined with lower traffic.

Provisions decreased by Php1,162 million, or 53%, to Php1,011 million, primarily due to lower provision for expected credit losses and lower provision for inventory obsolescence, for both trade inventories and network materials.



Asset impairment decreased by Php1,024 million, or 89%, to Php122 million, primarily due to the impairment of certain network equipment in 2018 as a result of continued network convergence strategy of DMPI.

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, 2019 and 2018:

	2019	2018	Change	
			Amount	%
			(in millions)	
Other Income (Expenses) - Net:				
Financing costs – net	(Php6,422)	(Php1,865)	(Php4,557)	(244)
Gains (losses) on derivative financial instruments – net	(243)	449	(692)	(154)
Equity share in net earnings of associates and joint ventures	—	62	(62)	(100)
Foreign exchange gains (losses) – net	118	(125)	243	194
Interest income	703	719	(16)	(2)
Other income – net	821	135	686	508
Total	(Php5,023)	(Php625)	(Php4,398)	(704)

Our Wireless business segment’s other expenses amounted to Php5,023 million in 2019, an increase of Php4,398 million from Php625 million in 2018, primarily due to the combined effects of the following: (i) higher net financing costs by Php4,557 million mainly attributed to the impact of PFRS 16 adoption; (ii) net losses on derivative financial instruments of Php243 million in 2019 as against net gains on derivative financial instruments of Php449 million in 2018 mainly due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018; (iii) equity share in net earnings of associates of Php62 million in 2018; (iv) lower interest income by Php16 million; (v) net foreign exchange gains of Php118 million in 2019 as against net foreign exchange losses of Php125 million in 2018, on account of revaluation of net foreign currency-denominated liabilities due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018; and (vi) higher other income – net by Php686 million mainly due to higher rental income, income from management services and other miscellaneous income.

Provision for Income Tax

Provision for income tax amounted to Php4,423 million in 2019, an increase of Php3,090 million from Php1,333 million in 2018 mainly due to higher taxable income.

Net Income

As a result of the foregoing, our Wireless business segment’s net income increased by Php7,376 million, or 129%, to Php13,101 million in 2019 from Php5,725 million in 2018.

EBITDA

Our Wireless business segment’s EBITDA increased by Php18,554 million, or 54%, to Php52,789 million in 2019 from Php34,235 million in 2018. EBITDA margin increased to 58% in 2019 from 41% in 2018.

Core Income

Our Wireless business segment’s core income increased by Php3,925 million, or 40%, to Php13,685 million in 2019 from Php9,760 million in 2018, mainly on account of higher EBITDA, partially offset by higher depreciation expense, net financing costs and provision for income tax.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php89,406 million in 2019, an increase of Php4,184 million, or 5%, from Php85,222 million in 2018.

The following table summarizes our total revenues by service from our Fixed Line business segment for the years ended December 31, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Data	Php60,764	68	Php55,732	65	Php5,032	9
Voice	26,267	29	25,178	30	1,089	4
Miscellaneous	788	1	738	1	50	7
	87,819	98	81,648	96	6,171	8
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	1,587	2	3,574	4	(1,987)	(56)
Total Fixed Line Revenues	Php89,406	100	Php85,222	100	Php4,184	5

Service Revenues

Our fixed line service revenues increased by Php6,171 million, or 8%, to Php87,819 million in 2019 from Php81,648 million in 2018, primarily due to higher revenues from our data and voice services. In the second quarter of 2018, the revenue split allocation between voice and data for our fixed line bundled plans was revised, in favor of data, to reflect the result of a network usage study of our Fixed Line business segment.

Data Services

The following table shows information of our data service revenues for the years ended December 31, 2019 and 2018:

	2019	2018	Increase	
			Amount	%
			(in millions)	
Data service revenues	Php60,764	Php55,732	Php5,032	9
Corporate data and ICT	32,315	28,999	3,316	11
Home broadband	28,449	26,733	1,716	6

Our data services posted revenues of Php60,764 million in 2019, an increase of Php5,032 million, or 9%, from Php55,732 million in 2018, primarily due to higher revenues from corporate data and leased lines, data center and ICT, and home broadband services. The percentage contribution of this service segment to our fixed line service revenues accounted for 69% and 68% in 2019 and 2018, respectively.

Corporate Data and ICT

Corporate data services amounted to Php26,681 million in 2019, an increase of Php2,690 million, or 11%, as compared with Php23,991 million in 2018, mainly due to the sustained demand for broadband internet and data networking services. Corporate data revenues accounted for 44% and 43% of total data services in 2019 and 2018, respectively.

ICT revenues increased by Php626 million, or 13%, to Php5,634 million in 2019 from Php5,008 million in 2018 mainly due to higher revenues from Data Centers, Cloud, Cybersecurity and managed IT services. The percentage contribution of this service segment to our total data service revenues accounted for 9% in each of 2019 and 2018.

Home Broadband

Home broadband data revenues amounted to Php28,449 million in 2019, an increase of Php1,716 million, or 6%, from Php26,733 million in 2018. This growth is driven by increasing demand for broadband services which the company is providing through its existing copper network and a nationwide roll-out of its fiber-to-the-home, or FTTH, network. Home broadband revenues accounted for 47% and 48% of total data service revenues in 2019 and 2018, respectively. In 2019, PLDT’s FTTH nationwide network rollout passed 7.2 million homes.

Voice Services

Revenues from our voice services increased by Php1,089 million, or 4%, to Php26,267 million in 2019 from Php25,178 million in 2018, 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 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 30% and 31% in 2019 and 2018, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues increased by Php50 million, or 7%, to Php788 million in 2019 from Php738 million in 2018. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 1% in each of 2019 and 2018.

Non-service Revenues

Non-service revenues decreased by Php1,987 million, or 56%, to Php1,587 million in 2019 from Php3,574 million in 2018, primarily due to lower sale of Telpad units, computer bundles, managed ICT equipment and Ultera devices.

Expenses

Expenses related to our Fixed Line business segment totaled Php72,385 million in 2019, a decrease of Php5,397 million, or 7%, as compared with Php77,782 million in 2018. The decrease was primarily due to lower expenses related to depreciation and amortization, asset impairment, cost of sales and services, and selling, general and administrative expenses, partly offset by higher interconnection costs. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 81% and 91% in 2019 and 2018, respectively.



The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2019 and 2018 and the percentage of each expense item in relation to the total:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
			(in millions)			
Selling, general and administrative expenses	Php40,856	56	Php41,065	53	(Php209)	(1)
Depreciation and amortization	16,141	22	22,303	29	(6,162)	(28)
Interconnection costs	7,577	11	5,145	7	2,432	47
Cost of sales and services	4,112	6	4,523	6	(411)	(9)
Provisions	3,530	5	3,547	4	(17)	—
Asset impairment	169	—	1,199	1	(1,030)	(86)
Total	Php72,385	100	Php77,782	100	(Php5,397)	(7)

Selling, general and administrative expenses decreased by Php209 million, or 1%, to Php40,856 million primarily due to lower rent expenses, mainly due to the impact of PFRS 16 adoption, as well as lower selling and promotions expenses, partly offset by higher compensation and employee benefits resulting from higher MRP expenses, professional and other contracted services, taxes and licenses, repairs and maintenance, and communication, training and travel expenses.

Depreciation and amortization charges decreased by Php6,162 million, or 28%, to Php16,141 million mainly on account of lower depreciation due to shortened life of certain network equipment in 2018 resulting from the modernization of facilities to adopt more effective technologies, partly offset by depreciation of right-of-use asset due to the impact of PFRS 16 adoption.

Interconnection costs increased by Php2,432 million, or 47%, to Php7,577 million, primarily due to higher international interconnection costs of PLDT Global, partly offset by lower domestic interconnection costs, mainly due to the impact of reduction in interconnection rate for voice services.

Cost of sales and services decreased by Php411 million, or 9%, to Php4,112 million, primarily due to lower cost of Telpad units, computer bundles, managed ICT equipment and Ultra devices, partly offset by higher cost of services.

Provisions decreased by Php17 million to Php3,530 million, primarily due to lower provision for inventory obsolescence, partly offset by higher provision for expected credit losses mainly from our Home trade receivables and contract assets.

Asset impairment decreased by Php1,030 million, or 86%, to Php169 million, primarily due to impairment provision for certain property and equipment of Digitel in 2018.

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, 2019 and 2018:

	2019	2018	Change	
			Amount	%
		(in millions)		
Other Income (Expenses) - Net:				
Financing costs – net	(Php5,078)	(Php5,195)	Php117	2
Gains (losses) on derivative financial instruments – net	(196)	355	(551)	(155)
Equity share in net earnings of associates	568	171	397	232
Foreign exchange gains (losses) – net	400	(58)	458	790
Interest income	680	812	(132)	(16)
Other income – net	3,367	3,870	(503)	(13)
Total	(Php259)	(Php45)	(Php214)	(476)

Our Fixed Line business segment’s other expenses amounted to Php259 million in 2019, an increase of Php214 million from Php45 million in 2018, primarily due to the combined effects of the following: (i) net losses on derivative financial instruments of Php196 million in 2019 as against net gains on derivative financial instruments of Php355 million in 2018 mainly due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018; (ii) lower other income – net by Php503 million; (iii) lower interest income by Php132 million; (iv) higher equity share in net earnings of associates by Php397 million; (v) lower net financing costs by Php117 million mainly due to higher capitalized interest and lower weighted average loan principal amount, partly offset by the impact of PFRS 16 adoption; and (vi) net foreign exchange gains of Php400 million in 2019 as against net foreign exchange losses of Php58 million in 2018, on account of revaluation of net foreign currency-denominated liabilities due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018.

Provision for Income Tax

Provision for income tax amounted to Php5,341 million in 2019, an increase of Php4,005 million from Php1,336 million in 2018, primarily due to higher taxable income.

Net Income

As a result of the foregoing, our Fixed Line business segment registered a net income of Php11,421 million in 2019, an increase of Php5,362 million, or 88%, as compared with Php6,059 million in 2018.

EBITDA

Our Fixed Line business segment’s EBITDA increased by Php2,287 million, or 7%, to Php33,162 million in 2019 from Php30,875 million in 2018. EBITDA margin remained stable at 38% for each of 2019 and 2018.

Core Income

Our Fixed Line business segment’s core income increased by Php5,606 million, or 81%, to Php12,531 million in 2019 from Php6,925 million in 2018, primarily as a result of lower depreciation expenses and higher EBITDA, partly offset by higher provision for income tax.

Others

Revenues

Revenues generated from our Other business segment, which include revenues from digital platforms and mobile financial services, amounted to nil and Php1,138 million in 2019 and 2018, respectively, due mainly to the deconsolidation of VIH in November 2018.

Expenses

Expenses related to our Other business segment totaled Php101 million in 2019, a decrease of Php3,992 million, or 98%, from Php4,093 million in 2018, due mainly to the deconsolidation of VIH.

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, 2019 and 2018:

	2019	2018	Change	
			Amount	%
		(in millions)		
Other Income (Expenses) - Net:				
Interest income	Php362	Php536	(Php174)	(32)
Gains on derivative financial instruments – net	155	282	(127)	(45)
Gain on deconsolidation of VIH	—	12,054	(12,054)	(100)
Financing costs – net	—	(131)	131	100
Foreign exchange losses – net	(76)	(588)	512	87
Equity share in net losses of associates and joint ventures	(2,103)	(320)	(1,783)	(557)
Other income (expenses) – net	(450)	266	(716)	(269)
Total	(Php2,112)	Php12,099	(Php14,211)	(117)

Our Other business segment’s other expenses amounted to Php2,112 million in 2019, a change of Php14,211 million as against other income of Php12,099 million in 2018, primarily due to the combined effects of the following: (i) lower other income – net by Php12,770 million mainly due to gain on deconsolidation of VIH of Php12,054 million in 2018 and lower realized gains on fair value of Rocket Internet investment, as well as unrealized loss on fair value of Phunware investment in 2019; (ii) higher equity share in net losses of associates and joint ventures by Php1,783 million mainly due to equity share in net losses of VIH amounting to Php2,268 million in 2019; (iii) lower interest income by Php174 million; (iv) lower net gains on derivative financial instruments by Php127 million; (v) lower net financing costs by Php131 million; and (vi) lower net foreign exchange losses by Php512 million mainly due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018.

Net Income (Loss)

As a result of the foregoing, our Other business segment registered a net loss of Php1,769 million in 2019, a change of Php9,740 million as against net income of Php7,971 million in 2018.

Core Income (Loss)

Our Other business segment’s core loss amounted to Php1,151 million in 2019, a change of Php11,103 million as against core income of Php9,952 million in 2018.

Years ended December 31, 2018 and 2017

Wireless

Revenues

We generated revenues of Php89,929 million from our Wireless business segment in 2018, a decrease of Php2,643 million, or 3%, from Php92,572 million in 2017.



The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2018 and 2017:

	2018	%	2017	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Mobile	Php81,096	90	Php84,439	91	(Php3,343)	(4)
Home Broadband	155	—	2,556	3	(2,401)	(94)
MVNO and others <sup>(1)</sup>	1,750	2	417	—	1,333	320
Total Wireless Service Revenues	83,001	92	87,412	94	(4,411)	(5)
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	6,928	8	5,160	6	1,768	34
Total Wireless Revenues	Php89,929	100	Php92,572	100	(Php2,643)	(3)

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

Service Revenues

Our wireless service revenues in 2018 decreased by Php4,411 million, or 5%, to Php83,001 million as compared with Php87,412 million in 2017, mainly as a result of lower revenues from mobile, and home broadband, partially offset by higher revenues from other services. As a percentage of our total wireless revenues, service revenues accounted for 92% and 94% for the years ended December 31, 2018 and 2017, respectively.

Mobile Services

Our mobile service revenues amounted to Php81,096 million in 2018, a decrease of Php3,343 million, or 4%, from Php84,439 million in 2017. Mobile service revenues accounted for 98% and 97% of our wireless service revenues for the years ended December 31, 2018 and 2017, respectively. In the third quarter of 2018, the revenue split allocation among voice, SMS and data for our mobile bundled plans was revised to reflect the current usage behavior pattern of our subscribers based on the recent network study conducted for our Wireless business segment.

The following table shows the breakdown of our mobile service revenues for the years ended December 31, 2018 and 2017:

	2018	%	2017	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Mobile Services:						
Data	Php38,350	47	Php26,281	31	Php12,069	46
Voice	28,052	35	30,724	36	(2,672)	(9)
SMS	13,103	16	26,045	31	(12,942)	(50)
Inbound roaming and others <sup>(1)</sup>	1,591	2	1,389	2	202	15
Total	Php81,096	100	Php84,439	100	(Php3,343)	(4)

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

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php12,069 million, or 46%, to Php38,350 million in 2018 from Php26,281 million in 2017 due to increased mobile internet usage driven mainly by enhanced data offers with video access, supported by continuous network improvement and LTE migration, as well as the impact of the revised revenue split allocation, partially offset by lower revenues from mobile broadband and the impact of adoption of PFRS 15. Data services accounted for 47% and 31% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

The following table shows the breakdown of our mobile data service revenues for the years ended December 31, 2018 and 2017:

	2018	%	2017	%	Increase (Decrease)	
			(in millions)		Amount	%
Data Services:						
Mobile internet <sup>(1)</sup>	Php33,207	87	Php20,086	76	Php13,121	65
Mobile broadband	4,589	12	6,030	23	(1,441)	(24)
Other data <sup>(2)</sup>	554	1	165	1	389	236
Total	Php38,350	100	Php26,281	100	Php12,069	46

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

<sup>(2)</sup> Beginning third quarter of 2018, revenues from other data include value-added services, or VAS.

Mobile internet

Mobile internet service revenues increased by Php13,121 million, or 65%, to Php33,207 million in 2018 from Php20,086 million in 2017, primarily due to the following: (i) LTE migration efforts which yielded growth in LTE SIMs and smartphone ownership among our subscriber base; (ii) *YouTube* promo which built a video-streaming habit among users; (iii) prevalent use of mobile apps, social networking and e-commerce sites, and other OTT services; and (iv) impact of the revised revenue split allocation. Mobile internet services accounted for 41% and 24% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php4,589 million in 2018, a decrease of Php1,441 million, or 24%, from Php6,030 million in 2017, primarily due to a decrease in the number of subscribers using pocket WiFi as they shift to using mobile internet and fixed DSL/Fiber home broadband. Mobile broadband services accounted for 6% and 7% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Other data

Revenues from our other data services, which include VAS, domestic leased lines and share in revenue from PLDT WeRoam, increased by Php389 million, or 236%, to Php554 million in 2018 from Php165 million in 2017.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php2,672 million, or 9%, to Php28,052 million in 2018 from Php30,724 million in 2017, mainly on account of lower traffic due to subscribers’ shift to digital lifestyle with access to alternative calling options and other OTT services, and the impact of reduction in interconnection rates for voice services, as mandated by the NTC, and adoption of PFRS 15, partly offset by the effect of the revised revenue split allocation. Mobile voice services accounted for 35% and 36% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Domestic voice service revenues decreased by Php650 million, or 3%, to Php23,486 million in 2018 from Php24,136 million in 2017, due to lower domestic inbound and outbound voice service revenues.

International voice service revenues decreased by Php2,022 million, or 31%, to Php4,566 million in 2018 from Php6,588 million in 2017, primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic, partially offset by the effect of higher weighted average rate of the Philippine peso relative to the U.S. dollar.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php12,942 million, or 50%, to Php13,103 million in 2018 from Php26,045 million in 2017 mainly due to declining SMS volumes as a result of alternative text messaging options, such as OTT services and social media, and the impact of the revised revenue split allocation, reduction in interconnection rates for SMS services and adoption of PFRS 15. Mobile SMS services accounted for 16% and 31% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php202 million, or 15%, to Php1,591 million in 2018 from Php1,389 million in 2017.

The following table shows the breakdown of our mobile service revenues by service type for the years ended December 31, 2018 and 2017:

	2018	2017 (in millions)	Increase (Decrease)	
			Amount	%
Mobile service revenues	Php81,096	Php84,439	(Php3,343 )	(4)
By service type				
Prepaid	59,914	59,862	52	—
Postpaid	19,591	23,188	(3,597)	(16)
Inbound roaming and others	1,591	1,389	202	15

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php59,914 million in 2018, an increase of Php52 million as compared with Php59,862 million in 2017. Mobile prepaid service revenues accounted for 74% and 71% of mobile service revenues for the years ended December 31, 2018 and 2017, respectively. The increase in revenues from our mobile prepaid services was primarily driven by a higher mobile prepaid subscriber base combined with the sustained growth in mobile internet revenues.



Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php19,591 million in 2018, a decrease of Php3,597 million, or 16%, as compared with Php23,188 million in 2017, and accounted for 24% and 27% of mobile service revenues for the years ended December 31, 2018 and 2017, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base and the impact of adoption of PFRS 15.

Subscriber Base, Average Revenue Per User, or ARPU, and Churn Rates

The following table shows our wireless subscriber base as at December 31, 2018 and 2017:

	2018	2017	Increase (Decrease)	
			Amount	%
Mobile subscriber base				
Smart <sup>(1)</sup>	21,956,289	21,821,441	134,848	1
Prepaid	20,532,174	20,433,351	98,823	—
Postpaid	1,424,115	1,388,090	36,025	3
TNT	31,893,641	28,807,964	3,085,677	11
Sun <sup>(1)</sup>	6,649,087	7,664,503	(1,015,416)	(13)
Prepaid	5,753,163	6,535,331	(782,168)	(12)
Postpaid	895,924	1,129,172	(233,248)	(21)
Total mobile subscribers	60,499,017	58,293,908	2,205,109	4

<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. Beginning the second quarter of 2017, 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, revised from the previous 120 days.

In compliance with Memorandum Circular (MC) No. 05-12-2017 issued jointly by the NTC, DICT, and DTI, Smart, TNT, and Sun extended the validity of prepaid loads to one year. Beginning January 2018, the one-year validity was implemented particularly on prepaid loads worth Php300 and above. In July 2018, the one-year validity was fully implemented for all prepaid loads, including denominations lower than Php300, regardless of the validity period printed on the physical cards already out in the market.

The average monthly churn rates for Smart Prepaid subscribers were 6.5% and 6.7% in 2018 and 2017, respectively, while the average monthly churn rates for TNT subscribers were 5.8% and 6.8% in 2018 and 2017, respectively. The average monthly churn rates for Sun Prepaid subscribers were 6.1% and 7.7% in 2018 and 2017, respectively.

The average monthly churn rates for Smart Postpaid subscribers were 2.0% and 2.3% in 2018 and 2017, respectively, and 3.5% in each of 2018 and 2017, for Sun Postpaid subscribers.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2018 and 2017:

	Gross <sup>(1)</sup>		Increase (Decrease)		Net <sup>(2)</sup>		Increase (Decrease)	
	2018	2017	Amount	%	2018	2017	Amount	%
	(in Pesos)				(in Pesos)			
Prepaid								
Smart	Php130	Php118	Php12	10	Php118	Php108	Php10	9
TNT	79	81	(2)	(2)	71	74	(3)	(4)
Sun	89	88	1	1	81	82	(1)	(1)
Postpaid								
Smart	836	1,004	(168)	(17)	819	972	(153)	(16)
Sun	403	422	(19)	(5)	401	418	(17)	(4)

<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.

Home Broadband

Revenues from our Home Broadband services decreased by Php2,401 million, or 94%, to Php155 million in 2018 from Php2,556 million in 2017, mainly due to the transfer of *Ulater* and *WiMAX* businesses to PLDT.

MVNO and Others

Revenues from our MVNO and other services increased by Php1,333 million to Php1,750 million in 2018 from Php417 million in 2017, primarily due to facility service fees relating to *Ulater*, *WiMAX* and *Shops.Work Unplugged*, or *SWUP*, in 2018, partially offset by lower revenue contribution from MVNOs of PLDT Global.

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 increased by Php1,768 million, or 34%, to Php6,928 million in 2018 from Php5,160 million in 2017, primarily due to the impact of adoption of PFRS 15.

Expenses

Expenses associated with our Wireless business segment amounted to Php82,246 million in 2018, a decrease of Php15,405 million, or 16%, from Php97,651 million in 2017. The decrease was mainly attributable to lower depreciation and amortization, asset impairment and interconnection costs, partially offset by higher cost of sales and services, and selling, general and administrative expenses. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 91% and 105% in the years ended December 31, 2018 and 2017, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2018 and 2017 and the percentage of each expense item in relation to the total:

	2018	%	2017	%	Increase (Decrease)	
					Amount	%
			(in millions)			
Selling, general and administrative expenses	Php39,693	48	Php39,584	41	Php109	—
Depreciation and amortization	24,778	30	36,776	38	(11,998)	(33)
Cost of sales and services	9,989	12	8,814	9	1,175	13
Interconnection costs	4,467	6	6,373	6	(1,906)	(30)
Provisions	2,173	3	2,191	2	(18)	(1)
Asset impairment	1,146	1	3,913	4	(2,767)	(71)
Total	Php82,246	100	Php97,651	100	(Php15,405)	(16)

Selling, general and administrative expenses increased by Php109 million to Php39,693 million, primarily due to higher taxes and licenses, repairs and maintenance, and compensation and employee benefits, partly offset by lower professional and other contracted services, rent, and selling and promotions expenses.

Depreciation and amortization charges decreased by Php11,998 million, or 33%, to Php24,778 million, on account of lower depreciation due to shortened life of certain data network platform and other technology equipment resulting from the ongoing transformation projects which commenced in the previous year, to improve and simplify the network and systems applications.

Cost of sales and services increased by Php1,175 million, or 13%, to Php9,989 million, primarily due to higher issuances of mobile handsets and cost of SIM packs.

Interconnection costs decreased by Php1,906 million, or 30%, to Php4,467 million, primarily due to lower interconnection cost on domestic voice and SMS services, mainly due to the impact of reduction in interconnection rates for voice and SMS, as well as lower interconnection charges on international SMS and data roaming services.

Provisions decreased by Php18 million, or 1%, to Php2,173 million, primarily due to lower provision for inventory obsolescence.

Asset impairment decreased by Php2,767 million, or 71%, to Php1,146 million primarily due to the impairment of certain network equipment in 2017 which were rendered obsolete due to technological advancements as a result of continuing network transformation projects.

Other Income (Expenses) – Net

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the years ended December 31, 2018 and 2017:

	2018	2017	Amount	Change	%
	(in millions)				
Other Income (Expenses) - net:					
Financing costs – net	(Php1,865)	(Php2,247)	Php382		17
Foreign exchange losses – net	(125)	(57)	(68)		(119)
Equity share in net earnings (losses) of associates	62	(129)	191		148
Gain on derivative financial instruments – net	449	282	167		59
Interest income	719	305	414		136
Other income – net	135	1,923	(1,788)		(93)
Total	(Php625)	Php77	(Php702)		(912)

Our Wireless business segment’s other expenses amounted to Php625 million in 2018, a change of Php702 million as against other income of Php77 million in 2017, primarily due to the net effects of the following: (i) lower other income – net by Php1,788 million mainly due to lower income from consultancy and other miscellaneous income, partly offset by lower impairment on Smart’s investment in AFPI; (ii) higher net foreign exchange losses by Php68 million; (iii) higher net gains on derivative financial instruments by Php167 million; (iv) equity share in net earnings of associates of Php62 million in 2018 as against equity share in net losses of Php129 million in 2017; (v) lower net financing costs by Php382 million mainly due to higher capitalized interest, lower financing charges and lower weighted average loan principal amount, partly offset by higher weighted average interest rates; and (vi) higher interest income by Php414 million mainly due to an increase in principal amount of temporary cash investment, higher weighted average interest rates and higher weighted average rate of the Philippine peso relative to the U.S. dollar.

Provision for (Benefit from) Income Tax

Provision for income tax amounted to Php1,333 million in 2018, a change of Php4,120 million as against benefit from income tax of Php2,787 million, which includes tax impact of depreciation due to shortened life of property and equipment and noncurrent asset impairment recognized in 2017.

Net Income (Loss)

As a result of the foregoing, our Wireless business segment’s net income increased by Php7,940 million to Php5,725 million in 2018 as against net losses of Php2,215 million in 2017.

EBITDA

Our Wireless business segment’s EBITDA decreased by Php2,160 million, or 6%, to Php34,235 million in 2018 from Php36,395 million in 2017. EBITDA margin decreased to 41% in 2018 from 42% in 2017.

Core Income

Our Wireless business segment’s core income decreased by Php52 million to Php9,760 million in 2018 from Php9,812 million in 2017 on account of lower EBITDA, higher provision for income tax and lower other miscellaneous income, partially offset by lower depreciation expense and net financing costs.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php85,222 million in 2018, an increase of Php6,881 million, or 9%, from Php78,341 million in 2017.

The following table summarizes our total revenues by service from our Fixed Line business segment for the years ended December 31, 2018 and 2017:

	2018	%	2017	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Data	Php55,732	65	Php44,294	57	Php11,438	26
Voice	25,178	30	28,500	36	(3,322)	(12)
Miscellaneous	738	1	1,963	2	(1,225)	(62)
	81,648	96	74,757	95	6,891	9
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	3,574	4	3,584	5	(10)	—
Total Fixed Line Revenues	Php85,222	100	Php78,341	100	Php6,881	9

Service Revenues

Our fixed line service revenues increased by Php6,891 million, or 9%, to Php81,648 million in 2018 from Php74,757 million in 2017, due to higher revenues from our data services, partially offset by lower voice and miscellaneous service revenues. In the second quarter of 2018, the revenue split allocation between voice and data for our fixed line bundled plans was revised, in favor of data, to reflect the result of a recent network usage study from our Fixed Line business segment.

Data Services

The following table shows information of our data service revenues for the years ended December 31, 2018 and 2017:

	2018	2017	Amount	Increase
			(in millions)	%
Data service revenues	Php55,732	Php44,294	Php11,438	26
Home broadband	26,733	18,054	8,679	48
Corporate data and ICT	28,999	26,240	2,759	11

Our data services posted revenues of Php55,732 million in 2018, an increase of Php11,438 million, or 26%, from Php44,294 million in 2017, primarily due to higher home broadband revenues from DSL and Fibr, higher corporate data and leased lines, and higher data center and ICT revenues. The percentage contribution of this service segment to our fixed line service revenues accounted for 68% and 59% for the years ended December 31, 2018 and 2017, respectively.

Home Broadband

Home broadband data revenues amounted to Php26,733 million in 2018, an increase of Php8,679 million, or 48%, from Php18,054 million in 2017. This growth is driven by increasing demand for broadband services which the company is providing through its existing copper network and a nationwide roll-out of its fiber-to-the-home, or FTTH, network, and the transfer of *Utera* and *WiMAX* businesses from SBI, as well as the impact of the revised revenue split allocation. Home broadband revenues accounted for 48% and 41% of total data service revenues in the years ended December 31, 2018 and 2017, respectively. In 2018, PLDT’s FTTH nationwide network rollout has passed 6.3 million homes.

Corporate Data and ICT

Corporate data services amounted to Php23,991 million in 2018, an increase of Php1,102 million, or 5%, as compared with Php22,889 million in 2017, mainly due to sustained market traction of internet services, such as Dedicated Internet Access and FibrBiz, as a result of higher internet connectivity requirements, and key Multiprotocol Label Switching solutions, such as IP-VPN, Metro Ethernet and *Shops.Work*. Corporate data revenues accounted for 43% and 52% of total data services in the years ended December 31, 2018 and 2017, respectively.

ICT revenues increased by Php1,657 million, or 49%, to Php5,008 million in 2018 from Php3,351 million in 2017 mainly due to higher revenues from colocation and managed IT services. The percentage contribution of this service segment to our total data service revenues accounted for 9% and 7% in the years ended December 31, 2018 and 2017, respectively.

Voice Services

Revenues from our voice services decreased by Php3,322 million, or 12%, to Php25,178 million in 2018 from Php28,500 million in 2017, primarily due to lower revenues from local exchange and domestic services. The decline 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 the impact of the revised revenue split allocation. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 31% and 38% for the years ended December 31, 2018 and 2017, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues decreased by Php1,225 million, or 62%, to Php738 million in 2018 from Php1,963 million in 2017 mainly due to lower management fees. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 1% and 3% for the years ended December 31, 2018 and 2017, respectively.

Non-service Revenues

Non-service revenues decreased by Php10 million to Php3,574 million in 2018 from Php3,584 million in 2017, primarily due to lower sale of hardware and software, and *Fabtab* for *myDSL* retention, partly offset by higher sale of computer bundles, managed ICT equipment, and *Utera* devices, combined with the impact of PFRS 15 adjustment.

Expenses

Expenses related to our Fixed Line business segment totaled Php77,782 million in 2018, an increase of Php13,918 million, or 22%, as compared with Php63,864 million in 2017. The increase was primarily due to higher depreciation and amortization, selling, general and administrative expenses, provisions, asset impairment, and interconnection costs. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 91% and 82% for the years ended December 31, 2018 and 2017, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2018 and 2017 and the percentage of each expense item in relation to the total:

	2018	%	2017	%	Increase (Decrease)	
			(in millions)		Amount	%
Selling, general and administrative expenses	Php41,065	53	Php37,390	59	Php3,675	10
Depreciation and amortization	22,303	29	15,001	23	7,302	49
Interconnection costs	5,145	7	4,587	7	558	12
Cost of sales and services	4,523	6	4,788	8	(265 )	(6)
Provisions	3,547	4	2,098	3	1,449	69
Asset impairment	1,199	1	—	—	1,199	100
Total	Php77,782	100	Php63,864	100	Php13,918	22

Selling, general and administrative expenses increased by Php3,675 million, or 10%, to Php41,065 million primarily due to higher professional and other contracted services, repairs and maintenance, rent, and selling and promotions expenses, partly offset by lower compensation and employee benefits, mainly as a result of lower incentive plan and MRP costs.

Depreciation and amortization charges increased by Php7,302 million, or 49%, to Php22,303 million mainly due to a higher depreciable asset base and depreciation due to shortened life of certain network equipment resulting from the modernization of facilities to adopt more effective technologies, such as VVDSL and FTTH.



Interconnection costs increased by Php558 million, or 12%, to Php5,145 million, primarily due to higher international interconnection costs, as a result of an increase in international inbound calls that terminated to other domestic carriers, partly offset by lower domestic interconnection costs.

Cost of sales and services decreased by Php265 million, or 6%, to Php4,523 million, primarily due to lower cost of hardware and software, *Fabtab* for *myDSL* retention, and *TVolution* units, partly offset by higher cost of services.

Provisions increased by Php1,449 million, or 69%, to Php3,547 million, primarily due to higher expected credit losses mainly due to lower collection efficiency by 1% and provision for unbilled receivables relating to devices, as well as higher provision for inventory obsolescence due to provision for network materials resulting from the modernization of facilities.

Asset impairment amounted to Php1,199 million in 2018 primarily due to the impairment provision for property and equipment of Digitel.

Other Income (Expenses) – Net

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the years ended December 31, 2018 and 2017:

	2018	2017	Amount	Change
				%
			(in millions)	
Other Income (Expenses) - net:				
Financing costs – net	(Php5,195)	(Php5,106)	(Php89)	(2)
Foreign exchange losses	(58)	(98)	40	41
Equity share in net earnings of associates	171	44	127	289
Gains on derivative financial instruments – net	355	251	104	41
Interest income	812	695	117	17
Other income – net	3,870	891	2,979	334
Total	(Php45)	(Php3,323)	Php3,278	99

Our Fixed Line business segment’s other expenses amounted to Php45 million in 2018, a decrease of Php3,278 million, or 99%, from Php3,323 million in 2017, mainly due to the combined effects of the following: (i) higher other income – net by Php2,979 million, mainly due to the impairment of investment in Hastings PDRs in 2017 while nil in 2018, and higher other miscellaneous income; (ii) higher equity share in net earnings of associates by Php127 million; (iii) higher interest income by Php117 million; (iv) higher net gains on derivative financial instruments by Php104 million; (v) lower foreign exchange losses by Php40 million; and (vi) higher net financing costs by Php89 million.

Provision for Income Tax

Provision for income tax amounted to Php1,336 million in 2018, a decrease of Php2,344 million, or 64%, from Php3,680 million in 2017, mainly due to lower taxable income.

Net Income

As a result of the foregoing, our Fixed Line business segment registered a net income of Php6,059 million in 2018, a decrease of Php1,415 million, or 19%, as compared with Php7,474 million in 2017.

EBITDA

Our Fixed Line business segment’s EBITDA increased by Php1,397 million, or 5%, to Php30,875 million in 2018 from Php29,478 million in 2017. EBITDA margin decreased to 38% in 2018 from 39% in 2017.

Core Income

Our Fixed Line business segment’s core income decreased by Php1,921 million, or 22%, to Php6,925 million in 2018 from Php8,846 million in 2017, primarily as a result of higher depreciation expense, partially offset by higher EBITDA and lower provision for income tax.

Others

Revenues

Revenues generated from our Other business segment, which include revenues from digital platforms and mobile financial services, amounted to Php1,138 million in 2018, a decrease of Php141 million, or 11%, from Php1,279 million in the same period in 2017, due mainly to the deconsolidation of VIH.

Expenses

Expenses related to our Other business segment totaled Php4,093 million in 2018, an increase of Php1,319 million, or 48%, from Php2,774 million in the same period in 2017, due to higher selling, general and administrative expenses of VIH.

Other Income (Expenses) – Net

The following table summarizes the breakdown of our Other business segment’s other income (expenses) for the years ended December 31, 2018 and 2017:

	2018	2017	Amount	Change
				%
			(in millions)	
Other Income (Expenses) - net:				
Gain on deconsolidation of VIH	Php12,054	Php—	Php12,054	100
Interest income	536	655	(119)	(18)
Gain on derivative financial instruments – net	282	—	282	100
Financing costs – net	(131)	(214)	83	39
Equity share in net earnings (losses) of associates and joint ventures	(320)	2,991	(3,311)	(111)
Foreign exchange losses	(588)	(256)	(332)	(130)
Other income – net	266	7,354	(7,088)	(96)
Total	Php12,099	Php10,530	Php1,569	15

Our Other business segment’s other income amounted to Php12,099 million in 2018, an increase of Php1,569 million, or 15%, from Php10,530 million in 2017, primarily due to the combined effects of the following: (i) gain on the deconsolidation of VIH of Php12,054 million in 2018; (ii) net gains on derivative financial instruments of Php282 million in 2018; (iii) lower net financing costs by Php83 million; (iv) lower interest income by Php119 million; (v) higher net foreign exchange losses by Php332 million; and (vi) equity share in net losses of associates and joint ventures of Php320 million in 2018 as against equity share in net earnings of associates and joint ventures of Php2,991 million in 2017 mainly due to sale of Beacon shares and SPi Global in 2017; and (vii) lower other income – net by Php7,088 million mainly due to gain on sale of Beacon shares and gain on conversion of iflix convertible notes in 2017, and unrealized loss on fair value of iflix investment in 2018, partly offset by realized gain on fair value of Rocket Internet investment in 2018.

Net Income

As a result of the foregoing, our Other business segment registered a net income of Php7,971 million in 2018, a decrease of Php854 million, or 10%, from Php8,825 million in 2017.

EBITDA

Our Other business segment’s EBITDA amounted to negative Php2,688 million in 2018, an increase of Php1,381 million, or 106%, from negative Php1,307 million in 2017.

Core Income

Our Other business segment’s core income amounted to Php9,952 million in 2018, an increase of Php324 million, or 3%, as compared with Php9,628 million in 2017, primarily as a result of higher miscellaneous income, partially offset by equity share in net losses of associates and joint ventures in 2018, higher negative EBITDA and higher provision for income tax.

Plans

We are one of the the leading telecommunications and digital services providers in the Philippines. We intend to reinforce our leading position while offering a broader range and relevant products and services.

Our current estimate for our consolidated capital expenditures in 2021 will be between Php88 billion to Php92 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 to support the changing demand profile of our customers, allow delivery of superior customer experience, and help 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 2021. 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.

Furthermore, the company’s capex investments, particularly in the transport network, aim to make the PLDT network 5G-ready.

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 ensure that the PLDT network is 5G-ready; and
- (4) IT/Support Systems –upgrade of our IT and support systems.

We expect to fund incremental capital expenditures from loan financing and free cash flow.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the years ended December 31, 2020, 2019 and 2018, as well as our consolidated capitalization and other consolidated selected financial data as at December 31, 2020 and 2019:

	2020	2019	2018
	(in millions)		
<b>Cash Flows</b>			
Net cash flows provided by operating activities	Php85,076	Php69,392	Php61,116
Net cash flows used in investing activities	(68,669)	(84,316)	(25,054)
<i>Payment for purchase of property and equipment, including capitalized interest</i>	<i>(78,100)</i>	<i>(89,701)</i>	<i>(48,771)</i>
Net cash flows provided by (used in) financing activities	463	(11,613)	(18,144)
Net increase (decrease) in cash and cash equivalents	15,868	(27,285)	18,749
	2020	2019	2018
	(in millions)		
<b>Capitalization</b>			
Interest-bearing financial liabilities:			
Long-term financial liabilities:			
Long-term debt	Php205,195	Php172,834	Php155,835
Current portion of interest-bearing financial liabilities:			
Long-term debt maturing within one year	17,570	19,722	20,441
Total interest-bearing financial liabilities	222,765	192,556	176,276
Total equity attributable to equity holders of PLDT	115,408	111,987	112,358
	Php338,173	Php304,543	Php288,634
<b>Other Selected Financial Data</b>			
Total assets	Php575,846	Php525,027	Php482,750
Property and equipment	260,868	232,134	195,964
Cash and cash equivalents	40,237	24,369	51,654
Short-term investments	989	314	1,165

Our consolidated cash and cash equivalents and short-term investments totaled Php41,226 million as at December 31, 2020. Principal sources of consolidated cash and cash equivalents in 2020 were cash flows from operating activities amounting to Php85,076 million, proceeds from availment of long-term and short-term debts of Php61,271 million and Php10,000 million, respectively, proceeds from disposal of property and equipment of Php5,830 million, proceeds from maturity of short-term investments of Php4,375 million, collection of MPIC receivables of Php2,826 million, proceeds from disposal of Rocket Internet shares of Php2,127 million and interest received of Php1,106 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php78,100 million; (2) long-term debt principal and interest payments of Php28,365 million and Php8,343 million, respectively; (3) cash dividend payments of Php16,721 million; (4) payment of short-term debt of Php10,000 million; (5) payment for purchase of short-term investments of Php5,147 million; (6) settlement of obligations under lease liabilities of Php5,781 million; and (7) payment for purchase of investment in debt securities of Php1,194 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php24,683 million as at December 31, 2019. Principal sources of consolidated cash and cash equivalents in 2019 were cash flows from operating activities amounting to Php69,392 million, proceeds from availment of long-term debt of Php37,500 million, interest received of Php1,723 million, collection of receivables from MPIC of Php1,771 million, proceeds from disposal of Rocket Internet shares of Php1,021 million and net proceeds from maturity of short-term investments of Php843 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php89,701 million; (2) debt principal and interest payments of Php20,494 million and Php7,143 million, respectively; (3) cash dividend payments of Php15,592 million; and (4) settlement of obligations under lease liabilities of Php5,399 million.

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php15,684 million, or 23%, to Php85,076 million in 2020 from Php69,392 million in 2019, primarily due to lower prepayments, higher operating income, lower pension and other employee benefits, and lower level of settlement of other noncurrent liabilities and accrued expenses and other current liabilities, partially offset by higher level of settlement of accounts payable.

Our consolidated net cash flows provided by operating activities increased by Php8,276 million, or 14%, to Php69,392 million in 2019 from Php61,116 million in 2018, primarily due to higher operating income, higher level of collection of receivables, and lower level of settlement of accounts payable, partly offset by higher prepayments, higher pension contribution and higher settlement of other noncurrent liabilities.

Cash flows provided by operating activities of our Wireless business segment increased by Php5,823 million, or 13%, to Php50,073 million in 2020 from Php44,250 million in 2019, primarily due to lower prepayments and lower level of settlement of other noncurrent liabilities and accrued expenses and other current liabilities, partially offset by higher level of settlement of accounts payable and lower level of collection of receivables. Cash flows provided by operating activities of our Fixed Line business segment increased by Php15,270 million, or 75%, to Php35,571 million in 2020 from Php20,301 million in 2019 primarily due lower pension and other employee benefits, lower level of settlement of accounts payable, higher operating income, and lower prepayments, partially offset by lower level of collection of receivables. Cash flows provided by operating activities of our Other business segment amounted to Php10,174 million in 2020, as against cash flows used in operating activities of Php379 million in 2019, primarily due to higher operating income and lower level of settlement of accounts payables, partially offset by lower level of collection of receivables.

Cash flows provided by operating activities of our Wireless business segment increased by Php4,954 million, or 13%, to Php44,250 million in 2019 from Php39,296 million in 2018, primarily due to higher operating income, lower level of settlement of accounts payable and higher level of collection of receivables, partly offset by higher prepayments and higher level of settlement of other noncurrent liabilities. Cash flows provided by operating activities of our Fixed Line business segment decreased by Php2,300 million, or 10%, to Php20,301 million in 2019 from Php22,601 million in 2018 primarily due to higher pension contribution, lower level of collection of receivables and higher level of settlement of accrued expenses and other current liabilities, partially offset by lower corporate taxes paid. Cash flows used in operating activities of our Other business segment increased by Php50 million, or 15%, to Php379 million in 2019 from Php329 million in 2018, primarily due to higher level of settlement of accounts payable, partly offset by lower operating loss, higher level of collection of receivables, and lower level of settlement of accrued expenses and other current liabilities.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php68,669 million in 2020, a decrease of Php15,647 million, or 19%, from Php84,316 million in 2019, primarily due to the combined effects of the following: (1) lower payment for purchase of property and equipment, including capitalized interest, by Php11,601 million; (2) higher proceeds from disposal of property and equipment by Php5,606 million; (3) higher proceeds from disposal of Rocket internet shares by Php1,106 million; (4) higher level of collection of MPIC receivables by Php1,055 million; (5) lower interest received by Php617 million; (6) net payment for purchase of investment in debt securities of Php1,044 million in 2020; and (7) net payment for purchase of short-term investment of Php772 million in 2020 as against net proceeds from maturity of short-term investments of Php843 million in 2019.

Consolidated net cash flows used in investing activities amounted to Php84,316 million in 2019, an increase of Php59,262 million from Php25,054 million in 2018, primarily due to the combined effects of the following: (1) higher payment for purchase of property and equipment, including capitalized interest, by Php40,930 million; (2) lower proceeds from sale of Rocket Internet shares by Php10,379 million and proceeds from repurchase of Matrixx’s Convertible Series B Preferred Shares of Php237 million in 2018; (3) proceeds from sale of MPIC receivables of Php6,976 million in 2018 and lower collection of MPIC receivables by Php2,680 million; (4) proceeds from disposal of Hastings PDRs of Php1,664 million in 2018; (5) higher interest received by Php608 million; (6) lower net payment for purchase of short-term investment by Php733 million; and (7) payment for purchase of investment in Multisys of Php1,588 million and net decrease in cash resulting from the deconsolidation of VIH of Php1,186 million in 2018.

Our consolidated payment for purchase of property and equipment, including capitalized interest, in 2020 totaled Php78,100 million, a decrease of Php11,601 million, or 13%, as compared with Php89,701 million in 2019. Smart’s payment for purchase of property, including capitalized interest, decreased by Php15,100 million, or 28%, to Php39,002 million in 2020 from Php54,102 million in 2019. Smart’s capex spending was primarily focused on expansion of LTE (4G) coverage and capacity, and rollout of 5G base stations in key business districts of Metro Manila, and key cities in Visayas and Mindanao. PLDT’s payment for purchase of property, including capitalized interest, increased by Php4,332 million, or 13%, to Php38,291 million in 2020 from Php33,959 million in 2019. PLDT’s capex spending was used to finance the fixed line expansion, modernization and upgrade of transport network, continuous expansion of fiber optic footprint nationwide, 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 2019 totaled Php89,701 million, an increase of Php40,930 million, or 84%, as compared with Php48,771 million in 2018. Smart Group’s capital spending increased by Php22,218 million, or 70%, to Php54,102 million in 2019 from Php31,884 million in 2018. Smart Group’s capex spending was primarily focused on expansion of LTE (4G) coverage and capacity. PLDT’s capital spending increased by Php18,707 million, or 123%, to Php33,959 million in 2019 from Php15,252 million in 2018. PLDT’s capex spending was used to finance the fixed line modernization program and the continuous facility roll-out and expansion of our domestic and international fiber optic 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 provided by financing activities amounted to Php463 million in 2020, as against cash flows used in financing activities of Php11,613 million in 2019, primarily due to the combined effects of the following: (1) higher proceeds from availment of long-term debt by Php23,771 million; (2) higher settlement of obligations under lease liabilities by Php382 million; (3) higher payment of debt issuance costs by Php732 million; (4) higher interest paid by Php1,200 million; (5) higher cash dividends paid by Php1,129 million; and (6) higher payments of long-term debt by Php7,871 million.

On a consolidated basis, cash flows used in financing activities amounted to Php11,613 million in 2019, a decrease of Php6,531 million, or 36%, from Php18,144 million in 2018, primarily due to the combined effects of the following: (1) higher proceeds from availment of long-term debt by Php17,000 million; (2) higher interest paid by Php529 million; (3) net settlement of derivative financial instruments of Php50 million in 2019 as against net proceeds from collection from derivative financial instruments of Php886 million in 2018; (4) higher cash dividend payments by Php1,664 million; (5) higher payments of long-term debt by Php1,754 million; and (6) settlement of obligations under lease liabilities of Php5,399 million in 2019.

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 debts in 2020 amounted to Php61,271 million and Php10,000 million, respectively, mainly from PLDT’s issuance of fixed rate U.S. Dollar notes and PLDT’s and Smart’s drawings related to refinancing of maturing loan obligations, prepayment of outstanding loans and financing of capital expenditure requirements. Payments of principal on our long-term and short-term debts in 2020 amounted to Php28,365 million and Php10,000 million, respectively, while payment of interest amounted to Php8,343 million.

Proceeds from availment of long-term debt for the year ended December 31, 2019 amounted to Php37,500 million, mainly from PLDT’s and Smart’s drawings related to the financing of capital expenditure requirements and refinancing of maturing loan obligations. Payments of principal and interest on our total debt amounted to Php20,494 million and Php7,143 million, respectively, for the year ended December 31, 2019.

Our consolidated long-term debt increased by Php30,209 million, or 16%, to Php222,765 million as at December 31, 2020 from Php192,556 million as at December 31, 2019, primarily due to issuance of fixed rate U.S. Dollar notes and drawings from our long-term and short-term facilities, partly offset by debt amortizations and prepayments. As at December 31, 2020, Smart’s long-term debt level increased by 1%, to Php78,764 million from Php78,152 as at December 31, 2019, and PLDT’s long-term debt level increased by 26% to Php144,001 million from Php114,404 million as at December 31, 2019.

Our consolidated long-term debt increased by Php16,280 million, or 9%, to Php192,556 million as at December 31, 2019 from Php176,276 million as at December 31, 2018, primarily due to drawings from our long-term facilities, partly offset by debt amortizations and prepayments. As at December 31, 2019, the long-term debt level of Smart increased by 18% to Php78,152 million from Php65,996 as at December 31, 2018, and PLDT’s long-term debt level increased by 4% to Php114,404 million from Php110,280 million as at December 31, 2018.

See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt* to the accompanying audited consolidated 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, 2020 and 2019, 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 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, 2020 and 2019:

Class	Date		Amount		
	Approved <sup>(1)</sup>	Record	Payable	Per Share (in million Php, except per share amount)	Total
2020					
Common					
Regular Dividend	March 5, 2020	March 19, 2020	April 3, 2020	39	8,426
	August 6, 2020	August 20, 2020	September 4, 2020	38	8,210
Preferred					
10% Cumulative Convertible Redeemable Preferred Stock Series JJ	April 8, 2020	February 11, 2020	May 12, 2020	0.0027/day	—
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	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
Voting Preferred Stock	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
Charged to Retained Earnings					16,695
2019					
Common					
Regular Dividend	March 21, 2019	April 4, 2019	April 23, 2019	36	7,778
	August 8, 2019	August 27, 2019	September 10, 2019	36	7,778
Preferred					
10% Cumulative Convertible Redeemable Preferred Stock Series JJ	May 9, 2019	May 31, 2019	June 28, 2019	1	—
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 29, 2019	February 22, 2019	March 15, 2019	—	12
	May 9, 2019	May 24, 2019	June 15, 2019	—	12
	August 8, 2019	August 27, 2019	September 15, 2019	—	13
	November 7, 2019	November 22, 2019	December 15, 2019	—	12
Voting Preferred Stock	March 7, 2019	March 27, 2019	April 15, 2019	—	3
	June 11, 2019	June 28, 2019	July 15, 2019	—	2
	September 24, 2019	October 8, 2019	October 15, 2019	—	2
	December 3, 2019	December 18, 2019	January 15, 2020	—	3
Charged to Retained Earnings					15,615

<sup>(1)</sup> Dividends were declared based on total amount paid up.

Our dividends declared after December 31, 2020 are detailed as follows:

Class	Date		Amount		
	Approved <sup>(1)</sup>	Record	Payable	Per Share (in million Php, except per share amount)	Total
Common					
Regular Dividend	March 4, 2021	March 18, 2021	April 6, 2021	40	8,642
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 26, 2021	February 22, 2021	March 15, 2021	—	12
Voting Preferred Stock	March 4, 2021	March 24, 2021	April 15, 2021	—	3
Charged to Retained Earnings					8,657

<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 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 Senior Unsecured Notes Programs	BBB+ BBB+	Stable
Fitch Ratings, or Fitch (unsolicited)	Long-term Foreign Currency Issuer Default Rating	BBB	Stable
	Long-term Local Currency Issuer Default Rating	BBB	Stable
CRISP	Issuer rating	AAA	Stable

On March 18, 2021, Moody’s affirmed PLDT’s long term local currency issuer rating at “Baa2”. Rating is considered “investment grade.” The outlook is stable.

On November 26, 2020, S&P Global affirmed our long-term foreign issuer credit rating at “BBB+”, with a stable outlook, and also, on our senior unsecured notes programs at “BBB+”. These ratings are considered as “investment grade.”

On January 28, 2021, Fitch affirmed, on unsolicited basis, PLDT’s long-term foreign currency issuer default rating and long-term local currency issuer default rating at “BBB”, with a stable outlook. On the same date, Fitch has withdrawn all of PLDT’s ratings for commercial reasons.

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 25, 2021, there has been no change in the credit rating issued by CRISP.

Changes in Financial Conditions

Our total assets amounted to Php575,846 million as at December 31, 2020, an increase of Php50,819 million, or 10%, from Php525,027 million as at December 31, 2019, primarily due to higher property and equipment, prepayments, and cash and cash equivalents.

Our total assets amounted to Php525,027 million as at December 31, 2019, an increase of Php42,277 million, or 9%, from Php482,750 million as at December 31, 2018, primarily due to higher property and equipment, prepayments and right-of-use of assets resulting from the impact of PFRS 16 adoption, partly offset by lower cash and cash equivalents.

Our total liabilities amounted to Php456,181 million as at December 31, 2020, an increase of Php47,444 million, or 12%, from Php408,737 million as at December 31, 2019, primarily due to higher interest-bearing financial liabilities.

Our total liabilities amounted to Php408,737 million as at December 31, 2019, an increase of Php42,653 million, or 12%, from Php366,084 million as at December 31, 2018, primarily due to higher interest-bearing financial liabilities, lease liabilities on account of the impact of PFRS 16 adoption, and higher accounts payable and accrued expenses and other liabilities.

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, and 60% of our telco core income for 2019 and 2020. 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 Php16,721 million, Php15,592 million, and Php13,928 million as at December 31, 2020, 2019 and 2018, respectively.

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 March 31, 2021 is 42.08%.

As at March 31, 2021, 10,060 stockholders were Philippine persons and held approximately 61.96% of PLDT’s common capital stock. In addition, as at March 31, 2021, there were a total of approximately 18.2 million ADSs outstanding, substantially all of which PLDT believes were held in the United States by 231 holders.

For the period from March 1 to March 31, 2021, a total of 3.57 million shares of PLDT’s common capital stock were traded on the PSE. During the same period, the volume of trading was 2.93 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 2020 and 2019 and for the first three months of 2021 were as follows:

	Philippine Stock Exchange		New York Stock Exchange	
	High	Low	High	Low
2021				
First Quarter	Php1,463.00	Php1,195.00	US\$35.49	US\$24.81
January	1,463.00	1,313.00	35.49	28.08
February	1,437.00	1,285.00	30.89	26.15
March	1,338.00	1,195.00	28.47	24.81
2020				
First Quarter	1,129.00	805.00	21.61	15.91
Second Quarter	1,305.00	1,081.00	26.28	20.56
Third Quarter	1,487.00	1,226.00	30.58	24.54
Fourth Quarter	1,439.00	1,265.00	30.26	25.55
2019				
First Quarter	1,386.00	1,105.00	26.33	19.36
Second Quarter	1,373.00	1,102.00	25.72	21.10
Third Quarter	1,295.00	1,080.00	25.47	20.44
Fourth Quarter	1,146.00	978.50	22.23	19.25



**Holders**

As at March 31, 2021, there were 11,552 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	48,627,262	} Php243,136,310 }	36.98
2. Philippine Telecommunications Investment Corporation	Various – Filipino	31,270,920		
3. JG Summit Holdings, Inc.	Filipino	26,034,263	130,171,315	12.05
4. NTT DOCOMO, INC.	Filipino	24,255,732	121,278,660	11.23
5. Metro Pacific Resources, Inc.	Japanese	22,796,902	113,984,510	10.55
6. J. P. Morgan Hong Kong Nominees Limited	Filipino	21,556,676	107,783,380	9.98
7. NTT Communications Corporation	Chinese	13,301,619	66,508,095	6.16
8. Social Security System, or SSS	Japanese	12,633,487	63,167,435	5.85
9. Pan-Malayan Management & Inv Corp.	Filipino	9,613,281	48,066,405	4.45
10. Malayan Insurance Co., Inc.	Filipino	781,124	3,905,620	0.36
11. Manuel V. Pangilinan	Filipino	288,000	1,440,000	0.13
12. James L. Go	Filipino	271,611	1,358,055	0.13
13. Alfonso T. Yuchengco	Filipino	135,914	679,570	0.06
14. Albert F. &/or Margaret Gretchen V. del Rosario	Filipino	118,458	592,290	0.05
15. Express Holdings, Inc.	Filipino	106,780	533,900	0.05
16. Enrique T. Yuchengco, Inc.	Filipino	86,723	433,615	0.04
17. Mechatrends Contractors Corporation	Filipino	59,868	299,340	0.03
18. JDC Investment Realty Enterprises, Inc.	Filipino	50,000	250,000	0.02
19. Hare & Company	Filipino	47,708	238,540	0.02
20. George R. Verstraete	American	34,511	172,555	0.02
		29,744	148,720	0.01
		<b>212,100,583</b>	<b>Php1,060,502,915</b>	

**Dividends**

The following table shows the dividends declared to common shareholders from the earnings for the years ended December 31, 2018, 2019 and 2020:

Earnings	Date		Amount		
	Approved	Record	Payable	Per share	Total Declared (in millions)
2018	August 9, 2018	August 28, 2018	September 11, 2018	Php36	Php7,778
2018	March 21, 2019	April 4, 2019	April 23, 2019	36	7,778
				72	15,556
2019	August 8, 2019	August 27, 2019	September 10, 2019	36	7,778
2019	March 5, 2020	March 19, 2020	April 3, 2020	39	8,426
				75	16,204
2020	August 6, 2020	August 20, 2020	September 4, 2020	38	8,210
2020	March 4, 2021	March 18, 2021	April 6, 2021	40	8,642
				Php78	Php16,852

**Contractual Obligations and Commercial Commitments**

*Contractual Obligations*

For a detailed discussion of our consolidated contractual undiscounted obligations as at December 31, 2020 and 2019, see *Note 28 – Financial Assets and Liabilities* to the accompanying audited consolidated financial statements.

*Commercial Commitments*

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to nil as at December 31, 2020 and 2019.

**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 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, 2020 and 2019 were 2.6% and 2.5%, respectively. We expect inflation to stay within the 2% to 4% target range of the BSP.

**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, 2020 and 2019:

	2020	2019
	(in millions)	
Audit Fees	Php47	Php48
All Other Fees	23	20
<b>Total</b>	<b>Php70</b>	<b>Php68</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.* Other than the audit fees, we did not have any other audit-related fees for the years ended December 31, 2020 and 2019.

*Tax Fees.* We did not have any tax fees for the years ended December 31, 2020 and 2019.

*All Other Fees.* This category consists primarily of fees with respect to our Sarbanes-Oxley Act 404 assessment in 2020 and 2019, and other non-audit engagements.

The fees presented above includes out-of-pocket expenses incidental to our independent auditors’ work, amount of which do not exceed 5% of the agreed-upon engagement fees.

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.



## AUDIT COMMITTEE REPORT

**For the Year 2020**


(in the Annual Report to the Stockholders and on Form 17-A)

The Board of Directors  
PLDT Inc. (PLDT)


Further to our compliance with applicable corporate governance laws and rules, we confirm for 2020 that:

- Each voting member of the Audit Committee is an independent director as determined by the Board of Directors;
- We had nine (9) joint meetings with the Audit Committees of Smart Communications, Inc. (Smart) and Digital Telecommunications Phils., Inc. (Digitel) during the year;
- We have reviewed and approved for retention the Audit Committee Charter, amended and adopted by the Board on January 22, 2018, until the next review in 2021;
- 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 the PLDT's Internal Audit Group the annual plan for their regular audits, and the results of their examinations;
- 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 the significant legal matters and updates on the Company's compliance with regulations and applicable laws.
- 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 2020 and the audited consolidated financial statements of the PLDT Group as of and for the year ended December 31, 2020 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 Philippine Financial Reporting Standards (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, 2020 in the PLDT Group's Annual Report to the Stockholders and to the Philippine Securities and Exchange Commission (Phil. SEC) on Form 17-A.

Respectfully submitted,

  
**Mr. Pedro E. Roxas**  
Chairman

  
**Retired CJ Artemio V. Panganiban**  
Member

  
**Mr. Bernido H. Liu**  
Member



## 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, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, 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.

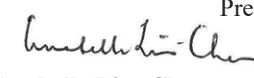
In preparing the consolidated financial statements, management is responsible for assessing the PLDT Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate 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.


  
**Manuel V. Pangilinan**  
Chairman of the Board  
President and Chief Executive Officer

  
**Anabelle Lim-Chua**  
Senior Vice President and Chief Financial Officer

  
**Gil Samson D. Garcia**  
First Vice President and OIC – Financial Reporting  
and Controllship Head


**MAR 26 2021**  
SUBSCRIBED AND SWORN to before me this 26th day of March 2021 affiants exhibiting to me their Passport, as follows:

Name	Passport No.	Date of Expiry	Place of Issue
Manuel V. Pangilinan	P9969361A	December 17, 2028	DFA, NCR East
Anabelle Lim-Chua	P7458770A	June 5, 2028	DFA, Manila
Gil Samson D. Garcia	P6003906B	December 21, 2030	DFA, NCR East

  
**JOYCE A. SAPLA**  
Notarial Public for the City of Makati  
Until December 31, 2021  
Appointment No. M-103  
Roll of Attorneys No. 60429  
PTR No. 8534488 – 01/05/2021 Makati City  
IBP Lifetime No. 010874 / RSM  
9/F, MGO Bldg. Legazpi St. Legazpi Vill., Makati City, MM

Doc. No. 09 ;  
Page No. 3 ;  
Book No. II ;  
Series of 2021.





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working world

SyCip Gorres Velayo & Co.  
6760 Ayala Avenue  
1226 Makati City  
Philippines

Tel: (632) 891 0307  
Fax: (632) 819 0872  
ey.com/ph

BOA/PRC Reg. No. 0001,  
October 4, 2018, valid until August 24, 2021  
SEC Accreditation No. 0012-FR-5 (Group A),  
November 6, 2018, valid until November 5, 2021

# 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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.





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## Revenue recognition

At December 31, 2020, the Group recognized revenues amounting to Php181,004 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, 2020, the Group has pension assets amounting to Php18,651million 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 Php10,728 million within the plan assets every year-end to reflect the actual return on plan assets.





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 terminal 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, 2020, the Group's goodwill attributable to the Wireless and Fixed Line cash-generating units (CGUs) were Php56,571 million and Php4,808 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 respectively.

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, 2020, the Group's property and equipment was Php260,868 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 SEC Form 17-A for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and the Annual Report for the year ended December 31, 2020, which are expected 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 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.



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- 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 engagement partner on the audit resulting in this independent auditor's report is Marydith C. Miguel.

SYCIP GORRES VELAYO & CO.

*Marydith C. Miguel*  
Marydith C. Miguel  
Partner

CPA Certificate No. 65556  
SEC Accreditation No. 0087-AR-5 (Group A),  
January 10, 2019, valid until January 9, 2022  
Tax Identification No. 102-092-270  
BIR Accreditation No. 08-001998-55-2020,  
December 3, 2020, valid until December 2, 2023  
PTR No. 8534334, January 4, 2021, Makati City

March 25, 2021



A member firm of Ernst & Young Global Limited

## PLDT INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2020 and 2019  
(in million pesos)

	2020	2019
<b>ASSETS</b>		
<b>Noncurrent Assets</b>		
Property and equipment (Notes 9 and 22)	260,868	232,134
Right-of-use assets (Note 10)	18,303	15,890
Investments in associates and joint ventures (Note 11)	52,123	53,863
Financial assets at fair value through profit or loss (Note 12)	380	3,369
Debt instruments at amortized cost – net of current portion (Note 13)	1,153	—
Investment properties (Notes 6 and 14)	895	778
Goodwill and intangible assets (Note 15)	65,329	67,825
Deferred income tax assets – net (Note 7)	19,556	23,623
Derivative financial assets – net of current portion (Note 28)	—	1
Prepayments – net of current portion (Notes 19 and 25)	66,109	48,933
Financial assets at fair value through other comprehensive income – net of current portion (Notes 6, 11 and 25)	—	162
Contract assets – net of current portion (Note 5)	668	750
Other financial assets – net of current portion (Note 28)	2,915	1,986
Other non-financial assets – net of current portion	109	136
Total Noncurrent Assets	488,408	449,450
<b>Current Assets</b>		
Cash and cash equivalents (Note 16)	40,237	24,369
Short-term investments (Note 28)	989	314
Trade and other receivables (Note 17)	22,053	22,436
Inventories and supplies (Note 18)	4,085	3,412
Current portion of contract assets (Note 5)	1,799	1,997
Current portion of derivative financial assets (Note 28)	22	41
Current portion of debt instruments at amortized cost (Note 13)	—	150
Current portion of prepayments (Notes 19 and 25)	10,657	11,298
Current portion of financial assets at fair value through other comprehensive income (Notes 6, 11 and 25)	168	2,757
Current portion of other financial assets (Notes 20 and 28)	7,172	8,086
Current portion of other non-financial assets	256	717
Total Current Assets	87,438	75,577
<b>TOTAL ASSETS</b>	<b>575,846</b>	<b>525,027</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)
Treasury shares under employee benefit trust (Note 26)	(21)	(394)
Capital in excess of par value (Note 20)	130,312	130,312
Other equity reserves (Note 26)	19	276
Retained earnings (Note 20)	25,652	18,063
Other comprehensive loss (Note 6)	(35,652)	(31,368)
Total Equity Attributable to Equity Holders of PLDT	115,408	111,987
Noncontrolling interests (Note 6)	4,257	4,303
<b>TOTAL EQUITY</b>	<b>119,665</b>	<b>116,290</b>

See accompanying Notes to Consolidated Financial Statements.

## PLDT INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(continued)*

As at December 31, 2020 and 2019  
(in million pesos)

	2020	2019
<b>Noncurrent Liabilities</b>		
Interest-bearing financial liabilities – net of current portion (Notes 21 and 28)	205,195	172,834
Lease liabilities – net of current portion (Note 10)	15,982	13,100
Deferred income tax liabilities (Note 7)	726	2,583
Derivative financial liabilities – net of current portion (Note 28)	360	25
Customers' deposits (Note 28)	2,371	2,205
Pension and other employee benefits (Note 26)	13,342	8,985
Deferred credits and other noncurrent liabilities (Note 22)	4,668	4,557
Total Noncurrent Liabilities	242,644	204,289
<b>Current Liabilities</b>		
Accounts payable (Note 23)	82,413	77,845
Accrued expenses and other current liabilities (Notes 24 and 27)	107,759	100,815
Current portion of interest-bearing financial liabilities (Notes 21 and 28)	17,570	19,722
Current portion of lease liabilities (Note 10)	4,043	3,215
Dividends payable	1,194	1,584
Current portion of derivative financial liabilities (Note 28)	176	88
Income tax payable	382	1,179
Total Current Liabilities	213,537	204,448
<b>TOTAL LIABILITIES</b>	<b>456,181</b>	<b>408,737</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>575,846</b>	<b>525,027</b>

See accompanying Notes to Consolidated Financial Statements.



## PLDT INC. AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENTS

For the Years Ended December 31, 2020, 2019 and 2018  
(in million pesos, except earnings per common share amounts which are in pesos)

	2020	2019	2018
<b>REVENUES FROM CONTRACTS WITH CUSTOMERS</b>			
Service revenues (Note 5)	173,634	161,355	152,369
Non-service revenues (Note 5)	7,370	7,832	10,545
	<b>181,004</b>	169,187	162,914
<b>EXPENSES</b>			
Selling, general and administrative expenses (Note 5)	75,255	68,230	73,916
Depreciation and amortization (Notes 9 and 10)	47,480	39,656	47,240
Cost of sales and services (Note 5)	12,295	13,429	14,427
Asset impairment (Note 5)	7,646	4,833	8,065
Interconnection costs	2,146	3,638	5,493
	<b>144,822</b>	129,786	149,141
	<b>36,182</b>	39,401	13,773
<b>OTHER INCOME (EXPENSES) – NET</b> (Note 5)	<b>(3,161)</b>	(7,065)	9,042
<b>INCOME BEFORE INCOME TAX</b>	<b>33,021</b>	32,336	22,815
<b>PROVISION FOR INCOME TAX</b> (Note 7)	<b>8,441</b>	9,550	3,842
<b>NET INCOME</b>	<b>24,580</b>	22,786	18,973
<b>ATTRIBUTABLE TO:</b>			
Equity holders of PLDT (Note 8)	24,284	22,521	18,916
Noncontrolling interests	296	265	57
	<b>24,580</b>	22,786	18,973
<b>Earnings Per Share Attributable to Common Equity Holders of PLDT</b> (Notes 5 and 8)			
Basic	112.12	103.97	87.28
Diluted	112.12	103.97	87.28

See accompanying Notes to Consolidated Financial Statements.

## PLDT INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2020, 2019 and 2018  
(in million pesos)

	2020	2019	2018
<b>NET INCOME</b>	<b>24,580</b>	22,786	18,973
<b>OTHER COMPREHENSIVE INCOME – NET OF TAX</b> (Note 6)			
Fair value changes of financial assets at fair value through other comprehensive income (Note 25)	37	127	(29)
Foreign currency translation differences of subsidiaries	(27)	23	117
Net transactions on cash flow hedges:	(306)	(256)	(271)
Net fair value losses on cash flow hedges (Note 28)	(433)	(330)	(286)
Income tax related to fair value adjustments charged directly to equity (Note 7)	127	74	15
Net other comprehensive loss to be reclassified to profit or loss in subsequent years	(296)	(106)	(183)
Share in the other comprehensive loss of associates and joint ventures accounted for using the equity method (Note 11)	(37)	—	—
Actuarial losses on defined benefit obligations:	(3,957)	(6,074)	(1,222)
Remeasurement in actuarial losses on defined benefit obligations (Note 26)	(5,640)	(8,672)	(1,788)
Income tax related to remeasurement adjustments (Note 7)	1,683	2,598	566
Revaluation increment on investment properties:	—	(2)	(2)
Depreciation of revaluation increment in investment properties transferred to property and equipment (Note 9)	(1)	(3)	(2)
Income tax related to revaluation increment charged directly to equity (Note 7)	1	1	—
Net other comprehensive loss not to be reclassified to profit or loss in subsequent years	(3,994)	(6,076)	(1,224)
Total Other Comprehensive Loss – Net of Tax	(4,290)	(6,182)	(1,407)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>20,290</b>	16,604	17,566
<b>ATTRIBUTABLE TO:</b>			
Equity holders of PLDT	20,000	16,343	17,504
Noncontrolling interests	290	261	62
	<b>20,290</b>	16,604	17,566

See accompanying Notes to Consolidated Financial Statements.

# PLDT INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2020, 2019 and 2018  
(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, 2020	510	1,093	(6,505)	(394)	130,312	276	18,063	(31,368)	111,987	4,303	116,290
Treasury shares under employee benefit trust (Note 26)	—	—	—	373	—	—	—	—	373	—	373
Other equity reserves (Note 26)	—	—	—	—	—	(257)	—	—	(257)	—	(257)
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)	—	—	—	—	—	—	—	(4,284)	(4,284)	(6)	(4,290)
Distribution charges on perpetual notes (Note 20)	—	—	—	—	—	—	—	—	—	(236)	(236)
Acquisition and dilution of noncontrolling interests and other adjustments	—	—	—	—	—	—	—	—	—	(10)	(10)
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
Balances as at January 1, 2019 (as previously stated)	510	1,093	(6,505)	(854)	130,526	697	12,081	(25,190)	112,358	4,308	116,666
Effect of adoption of PFRS 16	—	—	—	—	—	—	(924)	—	(924)	—	(924)
Balances as at January 1, 2019 (as restated)	510	1,093	(6,505)	(854)	130,526	697	11,157	(25,190)	111,434	4,308	115,742
Treasury shares under employee benefit trust (Note 26)	—	—	—	460	(130)	—	—	—	330	—	330
Other equity reserves (Note 26)	—	—	—	—	—	(421)	—	—	(421)	—	(421)
Cash dividends (Note 20)	—	—	—	—	—	—	(15,615)	—	(15,615)	(15)	(15,630)
Total comprehensive income (loss):	—	—	—	—	—	—	22,521	(6,178)	16,343	261	16,604
Net income (Note 8)	—	—	—	—	—	—	22,521	—	22,521	265	22,786
Other comprehensive loss (Note 6)	—	—	—	—	—	—	—	(6,178)	(6,178)	(4)	(6,182)
Distribution charges on perpetual notes (Note 20)	—	—	—	—	—	—	—	—	—	(236)	(236)
Acquisition and dilution of noncontrolling interests	—	—	—	—	(84)	—	—	—	(84)	(15)	(99)
Balances as at December 31, 2019	510	1,093	(6,505)	(394)	130,312	276	18,063	(31,368)	111,987	4,303	116,290
Balances as at January 1, 2018 (as previously stated)	510	1,093	(6,505)	(940)	130,374	827	634	(19,151)	106,842	4,341	111,183
Effect of adoption of PFRS 9	—	—	—	—	—	—	4,101	(4,627)	(526)	—	(526)
Effect of adoption of PFRS 15	—	—	—	—	—	—	2,553	—	2,553	—	2,553
Balances as at January 1, 2018 (as restated)	510	1,093	(6,505)	(394)	130,374	827	7,288	(23,778)	108,869	4,341	113,210
Treasury shares under employee benefit trust (Note 26)	—	—	—	86	—	—	—	—	86	—	86
Other equity reserves (Note 26)	—	—	—	—	—	(130)	—	—	(130)	—	(130)
Cash dividends (Note 20)	—	—	—	—	—	—	(13,887)	—	(13,887)	(15)	(13,902)
Total comprehensive income (loss):	—	—	—	—	—	—	18,916	(1,412)	17,504	62	17,566
Net income (Note 8)	—	—	—	—	—	—	18,916	—	18,916	57	18,973
Other comprehensive income (loss) (Note 6)	—	—	—	—	—	—	—	(1,412)	(1,412)	5	(1,407)
Distribution charges on perpetual notes (Note 20)	—	—	—	—	—	—	(236)	—	(236)	—	(236)
Acquisition and dilution of noncontrolling interests	—	—	—	—	152	—	—	—	152	(80)	72
Balances as at December 31, 2018	510	1,093	(6,505)	(854)	130,526	697	12,081	(25,190)	112,358	4,308	116,666

See accompanying Notes to Consolidated Financial Statements.

# PLDT INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020, 2019 and 2018  
(in million pesos)

	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	33,021	32,336	22,815
Adjustments for:			
Depreciation and amortization (Notes 9 and 10)*	47,480	39,656	47,240
Interest on loans and other related items – net (Note 5)	8,736	7,275	6,783
Asset impairment (Note 5)	7,646	4,833	8,065
Amortization of intangible assets (Notes 5 and 15)	2,496	758	892
Equity share in net losses of associates and joint ventures (Notes 5 and 11)	2,328	1,535	87
Pension benefit costs (Notes 5 and 26)	2,218	1,018	1,855
Incentive plan (Notes 5 and 26)	1,134	638	208
Accretion on lease liabilities (Notes 5, 10 and 29)	1,125	1,061	—
Investment derecognized (Note 12)	599	—	—
Losses (gains) on derivative financial instruments – net (Notes 5 and 28)	378	284	(1,086)
Accretion on financial liabilities (Notes 5 and 21)	146	122	145
Impairment of investments (Note 11)	60	34	172
Interest income (Note 5)	(1,210)	(1,745)	(1,943)
Foreign exchange losses (gains) – net (Notes 5 and 28)	(1,488)	(424)	771
Losses (gains) on disposal of property and equipment (Note 9)	(3,369)	88	(12)
Gains on disposal of investments in subsidiaries – net (Note 11)	—	—	(144)
Gains on deconsolidation of subsidiary (Notes 5 and 11)	—	—	(12,054)
Others	(3,466)	696	(1,076)
Operating income before changes in assets and liabilities	97,834	88,165	72,718
Decrease (increase) in:			
Prepayments	(18,894)	(28,898)	(4,318)
Contract assets	160	337	390
Trade and other receivables	(585)	(1,560)	(12,175)
Other financial and non-financial assets	324	(198)	—
Inventories and supplies	(1,017)	12	26
Increase (decrease) in:			
Customers' deposits	166	12	(250)
Pension and other employee benefits	(249)	(7,965)	(5,733)
Other noncurrent liabilities	5,220	(1,559)	(11)
Accounts payable	(2,813)	18,768	7,729
Accrued expenses and other current liabilities	7,178	4,375	5,184
Net cash flows generated from operations	87,324	71,489	63,560
Income taxes paid	(2,248)	(2,097)	(2,444)
Net cash flows from operating activities	85,076	69,392	61,116

\* For 2020 and 2019, this includes the depreciation of right-of-use assets.  
See accompanying Notes to Consolidated Financial Statements.



## PLDT INC. AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*

For the Years Ended December 31, 2020, 2019 and 2018  
(in million pesos)

	2020	2019	2018
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Interest received	1,106	1,723	1,115
Proceeds from:			
Disposal of property and equipment (Note 9)	5,830	224	345
Maturity of short-term investments	4,375	1,415	6,102
Collection of notes receivable	2,534	1,771	11,707
Disposal of financial assets at fair value through profit or loss (Note 12)	2,020	1,023	11,643
Dividends received (Note 11)	316	—	—
Redemption of investment in debt securities (Note 13)	150	—	105
Disposal of investment properties (Note 14)	—	11	—
Disposal of investments in associates and joint ventures (Note 11)	—	—	1,710
Payments for:			
Acquisition of investments in associates and joint ventures (Note 11)	(579)	(20)	(111)
Purchase of investment in debt securities (Note 13)	(1,194)	—	—
Interest capitalized to property and equipment (Notes 5 and 9)	(1,597)	(1,455)	(1,524)
Purchase of short-term investments	(5,147)	(572)	(5,992)
Purchase of property and equipment (Note 9)	(76,503)	(88,246)	(47,247)
Acquisition of investments in subsidiaries – net of cash acquired	—	(80)	(2,814)
Acquisition of intangible assets (Note 15)	—	—	(21)
Net additions to right-of-use assets (Note 10)	—	(145)	—
Decrease (increase) in other financial and non-financial assets	20	35	(72)
Net cash flows used in investing activities	(68,669)	(84,316)	(25,054)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>			
Proceeds from:			
Availments of long-term debt (Notes 21 and 29)	61,271	37,500	20,500
Availments of short-term debt (Note 21)	10,000	—	—
Derivative financial instruments (Notes 28 and 29)	—	—	886
Payments for:			
Distribution charges on perpetual notes (Note 20)	(236)	(236)	(236)
Derivative financial instruments (Notes 28 and 29)	(430)	(50)	—
Debt issuance costs (Notes 21 and 29)	(927)	(195)	(38)
Obligations under lease liabilities (Notes 10 and 29)	(5,781)	(5,399)	—
Interest – net of capitalized portion (Notes 5, 21 and 29)	(8,348)	(7,143)	(6,614)
Short-term debt (Note 21)	(10,000)	—	—
Cash dividends (Notes 20 and 29)	(16,721)	(15,592)	(13,928)
Long-term debt (Notes 21 and 29)	(28,365)	(20,494)	(18,740)
Decrease (increase) in treasury shares under employee benefit trust	—	(4)	26
Net cash flows from (used in) financing activities	463	(11,613)	(18,144)
<b>NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(1,002)</b>	<b>(748)</b>	<b>831</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>15,868</b>	<b>(27,285)</b>	<b>18,749</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (Note 16)</b>	<b>24,369</b>	<b>51,654</b>	<b>32,905</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 16)</b>	<b>40,237</b>	<b>24,369</b>	<b>51,654</b>

See accompanying Notes to Consolidated Financial Statements.

## PLDT INC. AND SUBSIDIARIES

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. 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, 2020. NTT Communications and NTT DOCOMO are subsidiaries of NTT Holding Company. 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, 2020. 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, 2020, 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, 2020. 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 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 16.69 million ADSs outstanding as at December 31, 2020.

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, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issuance by the Board of Directors on March 25, 2021, as reviewed by the Audit Committee on March 23, 2021.

Amendments to the Articles of Incorporation

On April 8, 2020 and June 9, 2020, the Board of Directors and stockholders, respectively, approved the amendment of the Second Article of the Articles of Incorporation of PLDT, or the Amendment, (a) to reflect the current focus of PLDT’s business, which is the provision of telecommunications services through trending and constantly evolving technologies and innovative products and services; and (b) to allow sufficient flexibility for the PLDT business units to design their operations and expand their products and services by constantly transforming PLDT from being the country’s leading telecommunications company to a dynamic and customer-centric multi-media organization.

On November 24, 2020, the Amendment of the Articles of Incorporation of PLDT was approved by the Philippine SEC.

Amendments to the By-Laws

On March 25, 2021, the Board of Directors approved the amendments to the By-Laws of PLDT to conform with the provisions of Republic Act No. 11232, known as the Revised Corporation Code of the Philippines.

The application for the amendment of the By-Laws of PLDT will be submitted to the Philippine SEC for review and approval.

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 Reporting Standards Council, or FRSC.

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, financial instruments at fair value through other comprehensive income, or FVOCI, 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, 2020 and 2019:

Name of Subsidiary	Place of Incorporation	Principal Business Activity	2020		2019	
			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
Smart Money Holdings Corporation, or SMHC <sup>(a)</sup>	Cayman Islands	Investment company	—	100.0	—	100.0
Far East Capital Limited, or FECL <sup>(b)</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>(b)</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
Telesat, Inc. <sup>(b)</sup>	Philippines	Satellite communications services	100.0	—	100.0	—
ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines	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>(b)</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	—
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	Philippines	Internet-based purchasing, IT consulting and professional services	—	100.0	—	100.0
ePDS, Inc., or ePDS	Philippines	Bills printing and other related value-added services, or VAS	—	100.0	—	100.0
netGames, Inc. <sup>(b)</sup>	Philippines	Gaming support services	—	57.5	—	57.5
MVP Rewards Loyalty Solutions, Inc., or MRSI <sup>(c)</sup>	Philippines	Full-services customer rewards and loyalty programs	—	100.0	—	100.0
Digitel:	Philippines	Telecommunications services	99.6	—	99.6	—
Digitel Information Technology Services, Inc. <sup>(b)</sup>	Philippines	Internet services	—	99.6	—	99.6
PLDT-Maratel, Inc., or Maratel	Philippines	Telecommunications services	98.0	—	98.0	—



Name of Subsidiary	Place of Incorporation	Principal Business Activity	2020		2019	
			Percentage of Ownership			
			Direct	Indirect	Direct	Indirect
Bonifacio Communications Corporation, or BCC	Philippines	Telecommunications, infrastructure and related VAS	75.0	—	75.0	—
Pacific Global One Aviation Company, Inc., or PG1	Philippines	Air transportation business	65.3	—	65.0	—
Pilipinas Global Network Limited, or PGNL, and Subsidiaries	British Virgin Islands	International distributor of Filipino channels and content	64.6	—	64.6	—
Others						
PLDT Global Investments Holdings, Inc., or 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 <sup>(b)</sup>	Philippines	Investment company	67.0	—	67.0	—
PLDT Global Investments Corporation, or PGIC	British Virgin Islands	Investment company	—	100.0	—	100.0
PLDT Communications and Energy Ventures, Inc., or PCEV	Philippines	Investment company	—	99.9	—	99.9

<sup>(a)</sup> In 2019, SMHC was dissolved.

<sup>(b)</sup> Ceased commercial operations.

<sup>(c)</sup> On September 14, 2018, MRSI was incorporated and ePLDT made an initial investment of Php50 million.

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.

Noncontrolling interests share in losses even if the losses exceed the noncontrolling equity interest in the subsidiary.

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.

Divestment of CURE

On October 26, 2011, PLDT received the Order issued by the NTC approving the application jointly filed by PLDT and Digitel for the sale and transfer of approximately 51.6% of the outstanding common stock of Digitel to PLDT. The approval of the application was subject to conditions which included the divestment by PLDT of CURE, in accordance with the Divestment Plan, as follows:

- CURE is obligated to sell its *Red Mobile* business to Smart consisting primarily of its subscriber base, brand and fixed assets; and
- Smart is obligated to sell all of its rights and interests in CURE whose remaining assets will consist of its congressional franchise, 10 Megahertz, or MHz, of 3G frequency in the 2100 band and related permits.

In compliance with the commitments in the divestment plan, CURE completed the sale and transfer of its *Red Mobile* business to Smart on June 30, 2012 for a total consideration of Php18 million through a series of transactions, which included: (a) the sale of CURE’s *Red Mobile* trademark to Smart; (b) the transfer of CURE’s existing *Red Mobile* subscriber base to Smart; and (c) the sale of CURE’s fixed assets to Smart at net book value.

In a letter dated July 26, 2012, Smart informed the NTC that it has complied with the terms and conditions of the divestment plan as CURE had rearranged its assets, such that, except for assets necessary to pay off obligations due after June 30, 2012 and certain tax assets, CURE’s only remaining assets as at June 30, 2012 were its congressional franchise, the 10 MHz of 3G frequency in the 2100 band and related permits.

In a letter dated September 10, 2012, Smart informed the NTC that the minimum Cost Recovery Amount, or CRA, to enable PLDT to recover its investment in CURE includes, among others, the total cost of equity investments in CURE, advances from Smart for operating requirements, advances from stockholders and associated funding costs. In a letter dated January 21, 2013, the NTC referred the computation of the CRA to the Commissioners of the NTC.

In a letter dated March 5, 2018, PLDT informed the NTC that it is waiving its right to recover any and all cost related to the 10MHz of 3G radio frequency previously assigned to CURE. Accordingly, CURE will not claim any cost associated with it in the event of subsequent assignment by the NTC to another qualified telecommunication company. With the foregoing, PLDT is deemed to have fully complied with its obligation to divest from CURE as a condition to the sale and transfer of Digitel shares to PLDT.

In 2018, Smart recognized full impairment of its receivable from CURE, due to uncertainty of collectability, and its investments in PHC and FHI, which holds the 97% and 3% interest in CURE, respectively. These transactions were eliminated in our consolidated financial statements.

ePLDT’s Additional Investment in ePDS

On March 5, 2018 and August 7, 2018, the Board of Directors of ePLDT approved the additional investment in ePDS amounting to Php134 million and Php66 million, respectively, thereby increasing its equity interest in ePDS from 67% to 95%. On November 7, 2019, ePLDT acquired the 5% minority interest in ePDS for a consideration of Php20 million, thereby increasing its equity interest in ePDS from 95% to 100%. This transaction was eliminated in our consolidated financial statements.

Expiration of Digitel’s Legislative Franchise

On February 17, 1994, the Philippine Congress granted a legislative franchise to Digitel under Republic Act No. 7678 to install, operate and maintain telecommunications systems throughout the Philippines for public domestic and international telecommunications, and for other purposes. Republic Act No. 7678 expired on February 17, 2019 and was not renewed due to the migration of all of its subscribers to PLDT in January 2018. Our management is currently assessing the business direction of Digitel moving forward. PLDT has committed to provide financial support to discharge its liabilities as the need arises. This transaction was eliminated in our consolidated financial statements.

Decrease in PCEV’s Authorized Capital Stock and Par Value of Common Stock

On May 10, 2019 and June 25, 2019, PCEV’s Board of Directors and stockholders, respectively, approved the following resolutions and amendments to the articles of incorporation of PCEV: (a) decrease in the par value of common stock; and (b) decrease in the authorized capital stock as follows:

	Prior to Amendments			After Amendments		
	Authorized Capital (Php)	Number of Shares	Par Value (Php)	Authorized Capital (Php)	Number of Shares	Par Value (Php)
	(in millions)			(in millions)		
Common Stock	12,060	1	21,000	4,996	1	8,700
Class I Preferred Stock	67	33	2	67	33	2
Class II Preferred Stock	50	50	1	50	50	1
Total Authorized Capital Stock	12,177	84		5,113	84	

The decrease in PCEV’s authorized capital was approved by the Philippine SEC on December 19, 2019. Consequently, the partial return of capital representing their proportionate share in the decrease in par value amounting to Php6,825 million and Php4 million were paid to Smart and PCEV’s minority shareholders, respectively. This transaction was eliminated in our consolidated financial statements.

Expiration of Philcom’s Legislative Franchise

Effective September 15, 2019, Philcom ceased to operate as a telecommunications service provider, pursuant to the expiration of its legislative franchise, Republic Act No. 7783. In order to facilitate continued customer service, arrangements have been made between Philcom and PLDT where PLDT would make its services available to the affected Philcom subscribers on a voluntary basis. The NTC interposed no objection to the transfer of Philcom’s subscribers to PLDT, subject to certain conditions. Consequently, Philcom and PLDT executed a Deed of Assignment on August 15, 2019 and September 13, 2019 wherein all property and equipment of Philcom, accounts receivable, inventories and subscribers were transferred to PLDT for a total consideration of Php1,760 million and Php319 million, respectively, after complying with the conditions imposed by NTC. PLDT has committed to provide financial support to discharge its liabilities as the need arises. This transaction was eliminated in our consolidated financial statements.

Expiration of SubicTel’s Franchise

Effective January 23, 2020, SubicTel ceased to operate as a telecommunications service provider, pursuant to the expiration of its franchise issued by the Subic Bay Metropolitan Authority, or SBMA. In order to facilitate continued customer service, arrangements have been made between SubicTel and PLDT where PLDT would make its services available to the affected SubicTel subscribers on a voluntary basis, and SubicTel assigned its assets and subscribers to PLDT for a consideration of Php622 million. The NTC did not object to the transfer of SubicTel’s subscribers to PLDT, subject to certain conditions. Likewise, the SBMA Board approved the issuance of Certificate of Registration to PLDT to operate within SBMA. The PLDT Board of Directors had approved the acquisition of the assets and subscribers of SubicTel on September 24, 2019. This transaction was eliminated in our consolidated financial statements.

Expiration of Maratel’s Legislative Franchise

Effective April 27, 2020, Maratel ceased to operate as a telecommunications service provider, following the expiration of its legislative franchise, Republic Act No. 7970. In order to ensure continued customer service, Maratel assigned its assets and subscribers to PLDT for a consideration of Php500 million. The NTC did not object to the transfer of Maratel subscribers to PLDT, subject to certain conditions. The PLDT Board of Directors had approved the acquisition of Maratel’s assets and subscribers on November 7, 2019. This transaction was eliminated in our consolidated financial statements.

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 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 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 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 National Capital Region and the provinces of Laguna, Cavite, Rizal and Bulacan were placed under modified ECQ 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 independent component cities from December 1 to 31, 2020 as indicated therein. Under said Memorandum, all HUCs of the National Capital Region, 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.

These and other measures have affected and caused disruption to businesses and economic activities, and their impacts on businesses continue to evolve. See Amendments to PFRS 16, *Leases, Covid-19 Related Concessions* below, *Note 3 – Estimating allowance for expected credit losses* and *Note 5 – Income and expenses – Contract balances*.



To provide our customers with connectivity when they need it the most, we provided zero-rated access to certain Government agencies and emergency hotlines, boosted minimum speeds for our PLDT Home subscribers, increased data allocations for postpaid and prepaid customers, equipped our corporate customers with telecommuting solutions, suspended disconnections for our postpaid customers, free use of selected business corporations for corporate customers and for our Overseas Filipino Workers, extended the duration of free calls through our Free Bee app. On May 1, 2020, we implemented a six-month installment payment program for the outstanding monthly bills of our postpaid subscribers. Under this payment program, PLDT Home, Smart consumer postpaid, and Sun consumer postpaid subscribers can settle their unpaid balances as at April 30, 2020 in six equal monthly payments with 0% interest and no penalties. This program was further extended for two months that ended on December 31, 2020. 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.

In 2020, total expenses related to our Covid-19 measures amounted to Php903 million.

### 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.

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 was previously projected to be of continued use and was accordingly estimated to be with indefinite life is now amortized over a period of 12 months starting August 2020. Total amortization of the Sun Trademark amounted to Php1,877 million as at December 31, 2020. 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 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 transfer of PHW subscribers took effect on March 1, 2021 after compliance 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, subject to purchase price adjustment. This transaction will be eliminated in our consolidated financial statements.

### 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, 2020. The adoption of these amended standards did not have significant impact on our financial position or performance.

- Amendments to PFRS 3, *Business Combinations, Definition of Business*

The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to Philippine Accounting Standards, or PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Amendments to PFRS 9, *Financial Instruments* and PFRS 7, *Financial Instruments: Disclosures, Interest Rate Benchmark Reform Phase 1*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *Leases, Covid-19 Related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor occurring as a direct consequence of the Covid-19 pandemic is a lease modification if it meets all of the following criteria:

- The change in lease payments results in a revised lease consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the Covid-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

We adopted the amendments beginning June 1, 2020 and applied the practical expedient where rent concessions as a result of the Covid-19 pandemic that meets the criteria above shall not be considered as a lease modification.

Lessors have granted forgiveness on lease payments as an effect of the Covid-19 pandemic. The rent concessions for PLDT and Smart (including DMPi) amounted to Php137 million for the year ended December 31, 2020.

### Summary of Significant Accounting Policies

The following is the summary of significant accounting policies we applied in preparing our consolidated financial statements:

#### *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 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 retranslated 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 SMHC, 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.

### **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 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, portions of short-term investments, trade and other receivables, and portions of other financial assets as at December 31, 2020 and 2019. 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 until the financial asset is derecognized. 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 ECL model.

Our financial assets at FVOCI include receivables from MPIC as at December 31, 2020 and 2019. See *Note 25 – Related Party Transactions* and *Note 28 – Financial Assets and Liabilities*.

##### *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 and equity investments as at December 31, 2020 and 2019. See *Note 12 – Financial Assets at FVPL* and *Note 28 – Financial Assets and Liabilities*.

#### *Classification of financial liabilities*

Financial liabilities are 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, call spreads and liability from redemption of preferred stock as at December 31, 2020 and 2019. See *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, 2020 and 2019. See *Note 21 – Interest-bearing Financial 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.

#### *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 instruments 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 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. 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 – Impairment testing of goodwill* 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 – Impairment testing of goodwill* 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, financial assets at FVOCI and non-financial assets such as investment properties, at fair value at each reporting date. The fair values of financial instruments measured at amortized cost are disclosed in *Note 28 – Financial Assets and Liabilities*. The fair values of investment properties are disclosed in *Note 14 – Investment Properties*.

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.

## Revenue

### 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, 2020, 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 Php22,921 million, of which we expect to recognize approximately 72% in 2021 and 28% in 2022 and onwards. As at December 31, 2019, 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 Php22,864 million, of which we expect to recognize approximately 68% in 2020 and 32% in 2021 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, Sun 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, Sun Cellular, TNT, SmartBro and Sun Broadband brands. 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 breakage or expiry of airtime load in proportion to the pattern of rights exercised by the customer if it expects to be entitled to that breakage amount. If we do not expect to be entitled to a breakage amount based on historical experience with the customers, then we recognize the expected breakage 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.

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. The related incremental costs are recognized in the same manner in our consolidated income statements, if such costs are expected to be recovered.

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.

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 a period of time 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 operate customer engagement and loyalty programs which allow customers to accumulate points when postpaid customers pay their bills on time and in full, purchase products or services, and load or top-up for prepaid customers once registered to the program. Customers may avail of the “MVP Rewards Card” for free, powered by PayMaya, which allows for instant conversion of points into the PayMaya wallet of the customer that can be used for all purchases transacted using the “MVP Rewards Card”. Meanwhile, “Giga Points”, Smart’s loyalty program, gives rewards in the form of points for every subscriber top-up and buy Giga. Each Giga Point is equivalent to Php1.00. These customer loyalty programs are not treated as a separate performance obligation but as a reduction of revenue when earned, which is booked under loyalty expense.

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 an 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 availment. We act as an agent for certain VAS arrangements.

Revenue from server hosting, co-location services and customer support services are recognized at point in time as the services are performed.

*Contract balances*

*Contract assets*

A contract asset is initially recognized for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables when billed. Contract assets are subject to impairment assessment. 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 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 as we would have not incurred these if the contract had not been obtained. These 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 and certain of its subsidiaries maintain 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 and certain of its subsidiaries account for their 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*

##### *Cycle 1 TIP*

PLDT provides incentive compensation to key officers, executives and other eligible participants, in the PLDT Group in the form of PLDT Inc. common shares of stock, or Performance Shares, over a three-year vesting period from January 1, 2017 to December 31, 2019. The award of the performance shares is contingent on the achievement of Performance Targets based on PLDT Group’s cumulative consolidated core net income.

The starting point of expense recognition is the date of grant, which is the date when the formal invitation letter was sent to the eligible participants. The fair value of the award (excluding the effect of any service and non-market performance vesting conditions) is determined at the grant date. At each subsequent reporting date until vesting, a best estimate of the cumulative charge to profit or loss at that date is computed. As the share-based payments vests in installments over the service period, the award is treated as expense over the vesting period. On December 11, 2018, the Executive Compensation Committee, or ECC, of the Board approved Management’s recommended modifications to the Plan, and partial equity and cash settled set-up was implemented for the 2019 TIP Grant. The revised set-up includes a fixed number of shares that will be granted (“equity award”) and the estimated fair value of the difference between the number of shares granted in the original equity grant and the equity award will be paid in cash (“cash award”). The fair value of the cash award is determined at each reporting date using the estimated fair value of the corresponding shares.

##### *Cycle 2 TIP*

On August 7, 2020, the ECC approved the adjusted TIP that covers the years 2020 and 2021, and will be settled in cash. The cash grant will be for the two years covered and payment will be in 2022. The Cycle 2 TIP will be based on the achievement of the Cumulative Consolidated Core Net Income, or CCNI, for the years 2020 and 2021.

This other long-term employee benefit liability is recognized and measured using the projected unit credit method and to be 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 – Beginning January 1, 2019**

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.

*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.

#### ***Leases – Prior to January 1, 2019***

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and the date of renewal or extension period for scenario (b).

*As a Lessee.* Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in our consolidated income statements on a straight-line basis over the lease term.

All other leases are classified as finance leases. A finance lease gives rise to the recognition of a leased asset and finance lease liability. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that we will obtain ownership of the leased asset at the end of the lease term. Interest expense is recognized over the lease term using the EIR.

*As a Lessor.* Leases where we retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Any initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Rental income is recognized in our consolidated income statements on a straight-line basis over the lease term.

All other leases are classified as finance leases. At the inception of the finance lease, the asset subject to lease agreement is derecognized and lease receivable is recognized. Interest income is accrued over the lease term using the EIR and lease amortization is accounted for as reduction of lease receivable.

#### ***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. They are disclosed in the notes to our consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. 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.

### ***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, 2021*

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate, or IBOR, is replaced with an alternative nearly risk-free interest rate, or RFR.

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
- Relief from discontinuing hedging relationships; and
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

We shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively, however, we are not required to restate prior periods. These amendments will apply to some of our financial instruments which are linked to the old interest rate benchmark. We are anticipating the discontinuance of LIBOR as benchmark by 2022. Therefore, the amendments will have no significant impact on our consolidated financial statements.

#### *Effective beginning on or after January 1, 2022*

- Amendments to 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 amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments will have no significant 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. We will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

We are currently assessing the impact of the amendments on our consolidated financial statements.

- Amendments to PFRS 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, *Business Combinations* 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, *Provisions, Contingent Liabilities and Contingent Assets* 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

We are currently assessing the impact of the amendments on our consolidated financial statements.

#### *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, 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.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

The amendments will have no significant impact on our consolidated financial statements.

- 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. We will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments will have no significant impact on our consolidated financial statements.

- 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.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

The amendments will have no significant impact on our consolidated financial statements.

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Presentation of Financial Statements, Classification of Liabilities as Current or Noncurrent*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- 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, 2023 and must be applied retrospectively.

We are currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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:

- A specific adaptation for contracts with participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.



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.

#### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between the PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. We are currently assessing the impact of this amendment.

### **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 as 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. Therefore, we determined that we are the principal in these contracts.

- 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;
- 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; and
- Our consideration in these contracts is the entire consideration billed to the service provider.

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. For receivables from MPIC, we have determined that its business model is to both collect contractual cash flows and sale of financial assets.

PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio 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 unlikelyness 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 PLDT Group is the Philippine Peso, except for (a) SMHC, FECL Group, PLDT Global and certain of its subsidiaries, PGNL and certain of its subsidiaries, Chikka and certain of its subsidiaries and PGIC, which uses the U.S. Dollar; (b) iCommerce, CPL and AGSPL, which uses the Singaporean Dollar; (c) AGS Indonesia, which uses the Indonesian Rupiah; and (d) PLDT Malaysia Sdn Bhd, which uses the Malaysian Ringgit.

#### *Determining the lease term of contracts with renewal and termination options – Company as a Lessee – Beginning January 1, 2019*

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 Php4,940 million and Php4,393 million for the years ended December 31, 2020 and 2019, respectively. Total lease liabilities amounted to Php20,025 million and Php16,315 million as at December 31, 2020 and 2019, respectively. See *Note 10 – Leases* and *Note 28 – Financial Assets and Liabilities*.

#### *Determining the lease term of contracts with renewal and termination options – Company as a Lessee – Prior to January 1, 2019*

As a lessee, we have various lease agreements in respect of certain equipment and properties. We evaluate whether significant risks and rewards of ownership of the leased properties are transferred to us (finance lease) or retained by the lessor (operating lease) based on PAS 17. Total lease expense amounted to Php7,321 million for the year ended December 31, 2018. Total finance lease obligations amounted to Php514 thousand as at December 31, 2018. See *Note 5 – Income and Expenses – Selling, General and Administrative Expenses*, *Note 21 – Interest-bearing Financial Liabilities – Obligations under Finance Leases* and *Note 28 – Financial Assets and Liabilities*.

#### *Accounting for investment in Multisys Technologies Corporation, or Multisys*

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. On February 1, 2019, the Philippine SEC approved the capital increase of Multisys.

Based on our judgment, at the PLDT Group level, PGIH’s investment in Multisys gives PGIH a joint control in Multisys and thus is accounted for as investment in joint venture using the equity method of accounting in accordance with PAS 28, *Investments in Associates and Joint Ventures*. See *Note 11 – Investment in Associates and Joint Ventures – Investment in Joint Ventures – Investment of PGIH in Multisys*.

#### *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*.

#### *Assessment of loss of control over VIH*

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, PLDT 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 subscription of the new investors in VIH, PCEV's ownership interest was diluted to 48.74% as such and retained only two out of the five Board of Director seats in the investee. Consequently, as at November 28, 2018, PLDT lost its control on VIH and accounted for its remaining interest as investment in an associate. On May 14, 2020, VIH issued Convertible Loan Note Instruments and Warrant Certificates to the Subscribers and on December 31, 2020, the Convertible Note issued to PCEV was converted in full into Class A2 Preferred Shares. Thereafter, PCEV's ownership was diluted from 48.74% to 43.97%.

See *Note 11 – Investments in Associates and Joint Ventures – Investments in Associates – Investment of PCEV in VIH.*

*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 have 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 have 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 – Investment in Associates and Joint Ventures – Investment in Joint Ventures – Investments of PLDT in VTI, Bow Arken and Brightshare.*

*Accounting for investment in Beacon Electric Asset Holdings, Inc., or Beacon, under equity method*

PAS 28 provides that where an entity holds 20% or more of the voting power (directly or through subsidiaries) of an investee, it will be presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. If the ownership interest is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated.

PCEV entered into Share Purchase Agreement with MPIC on May 30, 2016 and June 13, 2017, to sell its equity interest in Beacon for a total consideration of Php26,200 million and Php21,800 million, respectively. Upon closing of these sale transactions, MPIC settled portion of the considerations and the balances are being paid in annual installments until 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. The unpaid balance from MPIC is measured at fair value using discounted cash flow valuation method, with interest income to be accreted over the term of the receivable.

After full divestment, PCEV continues to hold its representation in the Board of Directors and participate in decision making. PCEV retained 50% proxy voting right and is presumed to still hold joint control over Beacon. The role of the representative of PCEV in the Board of Directors is not to jointly control the business but to ensure security of the payment of its outstanding receivables. Thus, PCEV will remain to hold significant influence over Beacon. See *Note 11 – Investments in Associates and Joint Ventures – Investments in Joint Ventures – Investment of PCEV in Beacon.*

#### *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, 2020 and 2019.

#### *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, 2020 and 2019.

#### *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.

#### *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 Php20,025 million and Php16,315 million as at December 31, 2020 and 2019, 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, 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.

The asset impairment recognized on noncurrent assets amounted to nil for the years ended December 31, 2020 and 2019, while Php2,122 million for the year ended December 31, 2018. 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 2018 and 2017, PLDT and Smart shortened its estimated useful lives of certain data network platform and other technology equipment resulting from the transformation projects to improve and simplify the network and systems applications. As a result, we recognized additional depreciation amounting to Php540 million and Php15,807 million for the years ended December 31, 2019 and 2018, respectively.

In 2019, PLDT increased its estimated useful life of certain information origination and termination equipment and central office equipment due to technology advancement allowing longer economic life of the subscriber equipment. As a result, PLDT recognized a decrease in depreciation amounting to Php1,719 million for the year ended December 31, 2019.

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 amounting to Php1,028 million for the year ended December 31, 2020.

In 2019, Smart shortened its estimated useful lives of certain network, technology and other equipment, the most significant of which are the 2G technology-related equipment in preparation for the shutdown of said technology. The shutdown is part of our strategy to address increasing demand for data and data-centric applications by moving to faster speed LTE and 5G technologies. As a result, Smart recognized additional depreciation expense of Php1,458 million in 2020 and Php1,508 million in 2019. Smart expects additional depreciation expense arising from the acceleration of the estimated useful lives of the affected equipment amounting to Php1,397 million in 2021 and Php46 million in each of the years 2022 and 2023.

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 reengineering initiatives. As a result, Smart recognized additional depreciation expense of Php3,035 million in 2020. Smart expects additional depreciation arising from the acceleration of estimated useful lives of the technology equipment amounting to Php1,406 million in 2021 and Php1,110 million in each of the years from 2022 to 2024.

The total depreciation and amortization of property and equipment amounted to Php42,540 million, Php35,263 million and Php47,240 million for the years ended December 31, 2020, 2019 and 2018, respectively. Total carrying values of property and equipment, net of accumulated depreciation and amortization, amounted to Php260,868 million and Php232,134 million as at December 31, 2020 and 2019, 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 was previously projected to be of continued use and was accordingly estimated to be with indefinite life is now treated as with finite life and is 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 Php2,496 million, Php758 million and Php892 million for the years ended December 31, 2020, 2019 and 2018, respectively. Total carrying values of intangible assets with finite lives amounted to Php3,950 million and Php1,941 million as at December 31, 2020 and 2019, respectively. See *Note 4 – Operating Segment Information*, *Note 5 – Income and Expenses – Selling, General and Administrative Expenses* and *Note 15 – Goodwill and Intangible Assets*.

### 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 periods. 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 Php1,940 million and Php2,294 million as at December 31, 2020 and 2019, respectively. Total consolidated provision from deferred income tax amounted to Php3,989 million, Php6,267 million and Php1,375 million for the years ended December 31, 2020, 2019 and 2018, respectively. Total consolidated recognized net deferred income tax assets amounted to Php19,556 million and Php23,623 million as at December 31, 2020 and 2019, respectively. See *Note 4 – Operating Segment Information* and *Note 7 – Income Taxes*.

### Estimating allowance for expected credit losses

#### 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 and 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. However, we considered incorporating new macro-economic assumptions and updated the probability weights assigned used in the calculation of ECL to reflect the impact of changes in the economic conditions in 2020 resulting from the Covid-19 pandemic. The changes resulted to higher provision for ECL for the year ended December 31, 2020.

- *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 Php6,446 million, Php4,071 million and Php4,192 million for the years ended December 31, 2020, 2019 and 2018, respectively. Trade and other receivables, net of allowance for expected credit losses, amounted to Php22,053 million and Php22,436 million as at December 31, 2020 and 2019, respectively. See *Note 5 – Income and Expenses* and *Note 17 – Trade and Other Receivables*.

Total impairment loss for contract assets amounted to Php266 million, Php291 million and Php223 million for years ended December 31, 2020, 2019 and 2018, respectively. Contract assets, net of allowance for expected credit losses, amounted to Php2,467 million and Php2,747 million as at December 31, 2020 and 2019, respectively. See *Note 5 – Income and Expenses*.



- *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

- Retail subscribers;
- Corporate subscribers;
- Foreign administrations and domestic carriers; and
- 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 Php2,218 million, Php1,018 million and Php1,855 million for the years ended December 31, 2020, 2019 and 2018, respectively. The prepaid benefit costs amounted to Php1,021 million and Php342 million as at December 31, 2020 and 2019, respectively. The accrued benefit costs amounted to Php13,342 million and Php8,985 million as at December 31, 2020 and 2019, respectively. See *Note 5 – Income and Expenses – Compensation and Employee Benefits*, *Note 19 – Prepayments* and *Note 26 – Pension and Other Employee Benefits*.

#### *Cycle 1 TIP*

On September 26, 2017, the Board of Directors of PLDT approved the TIP which intends 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. The incentive compensation will be in the form of Performance Shares, PLDT common shares of stock, which will be released in three annual grants on the condition, among others, that pre-determined consolidated core net income targets are successfully achieved over three annual performance periods from January 1, 2017 to December 31, 2019. On September 26, 2017, the Board of Directors approved the acquisition of 860 thousand Performance Shares to be awarded under the TIP. On March 7, 2018, the ECC of the Board approved the acquisition of additional 54 thousand shares, increasing the total Performance Shares to 914 thousand. Metropolitan Bank and Trust Company, or Metrobank, through its Trust Banking Group, is the appointed Trustee of the trust established for purposes of the TIP. The Trustee is designated to acquire the PLDT common shares in the open market through the facilities of the PSE and administer their distribution to the eligible participants subject to the terms and conditions of the TIP.

On December 11, 2018, the ECC, of the Board approved Management's recommended modifications to the Plan, and partial equity and cash settled set-up was implemented for the 2019 TIP Grant. The revised set-up includes a fixed number of shares that will be granted ("equity award") and the estimated fair value of the difference between the number of shares granted in the original equity grant and the equity award will be paid in cash ("cash award"). The fair value of the cash award is determined at each reporting date using the estimated fair value of the corresponding shares.

As at March 25, 2021, a total of 757 thousand PLDT common shares have been acquired by the Trustee, of which 238 thousand PLDT common shares have been released on March 12, 2020, April 7, 2020 and January 19, 2021 for the 2019 annual grant, and 302 thousand PLDT common shares have been released on March 28, 2019 for the 2018 annual grant, and 204 thousand shares on April 15, 2018 for the 2017 annual grant. The cash award for the 2019 annual grant that was paid on March 12, 2020 amounted to Php654 million. The TIP is administered by the ECC of the Board.

#### *Cycle 2 TIP*

On August 7, 2020, the ECC approved the adjusted TIP that covers the years 2020 and 2021, and will be settled in cash. The cash grant will be for the two years covered and payment will be in 2022. The Cycle 2 TIP will be based on the achievement of the CCNI for the years 2020 and 2021.

This other long-term employee benefit liability is recognized and measured using the projected unit credit method and to be amortized on a straight-line basis over the vesting period.

The expense accrued for the TIP amounted to Php1,134 million, Php638 million and Php208 million for the years ended December 31, 2020, 2019 and 2018, respectively. The accrued incentive payable, representing the cash settled set-up amounted to Php1,134 million and Php795 million as at December 31, 2020 and 2019, 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 are recognized in the period in which these are 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 Php2,000 million and Php1,767 million as at December 31, 2020 and 2019, 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, 2020 amounted to Php3,724 million and Php217,291 million, respectively, while the total fair values of noncurrent financial assets and noncurrent financial liabilities as at December 31, 2019 amounted to Php1,657 million and Php173,457 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, IPCDSI Group, AGS Group, Curo and ePDS; full service customer rewards and loyalty programs provided by MRSI; and distribution of Filipino channels and content through PGNL and its subsidiaries; and
- Others – PCEV, PGIH, PLDT Digital and its subsidiaries, and PGIC, 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.

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, 2020, 2019 and 2018, and as at December 31, 2020 and 2019 are as follows:

	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	—	—	—	—	—
Total revenues	104,211	98,739	—	(21,946)	181,004
<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 earnings (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	3,901	3,734	(617)	1,423	8,441
Net income (loss) / Segment profit (loss)	14,424	14,509	(318)	(4,035)	24,580
EBITDA	60,272	33,405	(12)	(7,507)	86,158
EBITDA margin	61 %	34 %	—	34 %	50 %
Core income (loss)	15,698	15,463	193	(4,225)	27,129



	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
(in million pesos, except for EBITDA margin)					
<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
Total assets	226,395	374,702	14,414	(39,665)	575,846
Operating liabilities	227,687	274,614	1,457	(48,303)	455,455
Deferred income tax liabilities	23	330	—	373	726
Total liabilities	227,710	274,944	1,457	(47,930)	456,181
<b>Other segment information</b>					
Capital expenditures, including capitalized interest (Note 9)	33,118	38,786	—	—	71,904
<b>December 31, 2019</b>					
<b>Revenues</b>					
External customers	94,488	74,699	—	—	169,187
Service revenues	88,243	73,112	—	—	161,355
Non-service revenues	6,245	1,587	—	—	7,832
Inter-segment transactions	2,418	14,707	—	(17,125)	—
Service revenues	2,418	14,707	—	(17,125)	—
Non-service revenues	—	—	—	—	—
Total revenues	96,906	89,406	—	(17,125)	169,187
<b>Results</b>					
Depreciation and amortization	29,484	16,141	—	(5,969)	39,656
Asset impairment	1,133	3,699	1	—	4,833
Equity share in net earnings (losses) of associates and joint ventures	—	568	(2,103)	—	(1,535)
Interest income	703	680	362	—	1,745
Financing costs – net	6,422	5,078	—	(2,947)	8,553
Provision for (benefit from) income tax	4,423	5,341	(444)	230	9,550
Net income (loss) / Segment profit (loss)	13,101	11,421	(1,769)	33	22,786
EBITDA	52,789	33,162	(101)	(6,035)	79,815
EBITDA margin	58%	38%	—	—	49%
Core income (loss)	13,685	12,531	(1,151)	46	25,111
<b>Assets and liabilities</b>					
Operating assets	287,059	198,468	7,943	(45,929)	447,541
Investments in associates and joint ventures	10	73,386	9,897	(29,430)	53,863
Deferred income tax assets – net	13,102	11,791	(711)	(559)	23,623
Total assets	300,171	283,645	17,129	(75,918)	525,027
Operating liabilities	221,755	229,855	833	(46,289)	406,154
Deferred income tax liabilities	1,986	384	252	(39)	2,583
Total liabilities	223,741	230,239	1,085	(46,328)	408,737
<b>Other segment information</b>					
Capital expenditures, including capitalized interest (Note 9)	30,718	42,153	—	—	72,871
<b>December 31, 2018</b>					
<b>Revenues</b>					
External customers	87,193	74,593	1,128	—	162,914
Service revenues	80,265	71,020	1,084	—	152,369
Non-service revenues	6,928	3,573	44	—	10,545
Inter-segment transactions	2,736	10,629	10	(13,375)	—
Service revenues	2,736	10,628	10	(13,374)	—
Non-service revenues	—	1	—	(1)	—
Total revenues	89,929	85,222	1,138	(13,375)	162,914
<b>Results</b>					
Depreciation and amortization	24,778	22,303	159	—	47,240
Asset impairment	3,319	4,746	—	—	8,065
Equity share in net earnings (losses) of associates and joint ventures	62	171	(320)	—	(87)
Interest income	719	812	536	(124)	1,943
Financing costs – net	1,865	5,195	131	(124)	7,067
Provision for income tax	1,333	1,336	1,173	—	3,842
Net income (loss) / Segment profit (loss)	5,725	6,059	7,971	(782)	18,973
EBITDA	34,235	30,875	(2,688)	1,605	64,027
EBITDA margin	41%	38%	—	—	42%
Core income (loss)	9,760	6,925	9,952	(782)	25,855
<b>Assets and liabilities</b>					
Operating assets	230,182	199,557	30,962	(61,075)	399,626
Investments in associates and joint ventures	—	43,426	12,001	—	55,427
Deferred income tax assets – net	16,879	12,479	(1,119)	(542)	27,697
Total assets	247,061	255,462	41,844	(61,617)	482,750
Operating liabilities	168,837	206,812	16,773	(29,319)	363,103
Deferred income tax liabilities	2,321	482	367	(189)	2,981
Total liabilities	171,158	207,294	17,140	(29,508)	366,084
<b>Other segment information</b>					
Capital expenditures, including capitalized interest (Note 9)	32,248	26,242	—	—	58,490

The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
		(in million pesos)	
Consolidated net income	24,580	22,786	18,973
Add (deduct) adjustments:			
Depreciation and amortization (Notes 9 and 10)	47,480	39,656	47,240
Financing costs – net (Note 5)	10,086	8,553	7,067
Provision for income tax (Note 7)	8,441	9,550	3,842
Amortization of intangible assets (Note 15)	2,496	758	892
Equity share in net losses of associates and joint ventures (Note 11)	2,328	1,535	87
Losses (gains) on derivative financial instruments – net (Note 28)	378	284	(1,086)
Impairment of investments (Note 11)	60	34	172
Interest income (Note 5)	(1,210)	(1,745)	(1,943)
Foreign exchange losses (gains) – net (Notes 5 and 28)	(1,488)	(424)	771
Other income – net (Note 5)	(6,993)	(1,172)	(14,110)
Noncurrent asset impairment	—	—	2,122
Total adjustments	61,578	57,029	45,054
Consolidated EBITDA	86,158	79,815	64,027

The following table shows the reconciliation of our consolidated net income to our consolidated core income for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
		(in million pesos)	
Consolidated net income	24,580	22,786	18,973
Add (deduct) adjustments:			
Manpower rightsizing program, or MRP (Note 5)	2,625	3,296	1,703
Sun trademark amortization (Note 15)	1,877	—	—
Investment derecognized (Note 12)	599	—	—
Losses (gains) on derivative financial instruments – net, excluding hedge costs (Note 28)	284	233	(1,135)
Impairment of investments (Note 11)	60	34	172
Core income adjustment on equity share in net losses (earnings) of associates and joint ventures	(6)	(226)	23
Net income attributable to noncontrolling interests	(296)	(265)	(57)
Foreign exchange losses (gains) – net (Notes 5 and 28)	(1,488)	(424)	771
Unrealized losses in fair value of investments	—	675	1,154
Depreciation due to shortened life of property and equipment	—	—	4,564
Noncurrent asset impairment	—	—	2,122
Investment written-off	—	—	362
Nonrecurring income	—	—	(1,018)
Net tax effect of aforementioned adjustments	(1,106)	(998)	(1,779)
Total adjustments	2,549	2,325	6,882
Consolidated core income	27,129	25,111	25,855

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, 2020, 2019 and 2018:

	2020		2019		2018	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Consolidated core EPS	125.29	125.29	115.95	115.95	119.39	119.39
Add (deduct) adjustments:						
Foreign exchange gains (losses) – net	5.36	5.36	1.73	1.73	(3.57)	(3.57)
Core income adjustment on equity share in net earnings (losses) of associates and joint ventures	0.03	0.03	1.05	1.05	(0.11)	(0.11)
Impairment of investments	(0.28)	(0.28)	(0.16)	(0.16)	(0.80)	(0.80)
Gains (losses) on derivative financial instruments – net, excluding hedge costs	(0.92)	(0.92)	(0.75)	(0.75)	4.08	4.08
Investment derecognized	(2.77)	(2.77)	—	—	—	—
Sun trademark amortization	(6.08)	(6.08)	—	—	—	—
MRP	(8.51)	(8.51)	(10.73)	(10.73)	(5.52)	(5.52)
Unrealized losses in fair value of investments	—	—	(3.12)	(3.12)	(5.34)	(5.34)
Investment written-off	—	—	—	—	(1.68)	(1.68)
Noncurrent asset impairment	—	—	—	—	(9.82)	(9.82)
Depreciation due to shortened life of property and equipment	—	—	—	—	(14.06)	(14.06)
Others	—	—	—	—	4.71	4.71
Total adjustments	(13.17)	(13.17)	(11.98)	(11.98)	(32.11)	(32.11)
Consolidated EPS attributable to common equity holders of PLDT (Note 8)	112.12	112.12	103.97	103.97	87.28	87.28

The following table presents our revenues from external customers by category of products and services for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
	(in million pesos)		
<b>Wireless services</b>			
Service revenues:			
Mobile	95,589	87,823	79,904
Home broadband	40	85	155
MVNO and others	119	335	206
	95,748	88,243	80,265
Non-service revenues:			
Sale of mobile handsets and broadband data modems	6,041	6,245	6,928
Total wireless revenues	101,789	94,488	87,193
<b>Fixed line services</b>			
Service revenues:			
Voice	19,484	19,890	21,148
Data	58,064	52,787	49,504
Miscellaneous	338	435	368
	77,886	73,112	71,020
Non-service revenues:			
Sale of computers, phone units and SIM cards	1,140	1,193	3,056
Point-product-sales	189	394	517
	1,329	1,587	3,573
Total fixed line revenues	79,215	74,699	74,593
<b>Other services</b>	—	—	1,128
Total revenues	181,004	169,187	162,914

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, 2020, 2019 and 2018.

## 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, 2020, 2019 and 2018:

Revenue Streams	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
(in million pesos)					
<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
<b>December 31, 2019</b>					
<b>Type of good or service</b>					
Service revenue	90,661	87,819	—	(17,125)	161,355
Non-service revenue	6,245	1,587	—	—	7,832
Total revenues from contracts with customers	96,906	89,406	—	(17,125)	169,187
<b>Timing of revenue recognition</b>					
Transferred over time	90,661	87,819	—	(17,125)	161,355
Transferred at a point time	6,245	1,587	—	—	7,832
Total revenues from contracts with customers	96,906	89,406	—	(17,125)	169,187
<b>December 31, 2018</b>					
<b>Type of good or service</b>					
Service revenue	83,001	81,648	1,094	(13,374)	152,369
Non-service revenue	6,928	3,574	44	(1)	10,545
Total revenues from contracts with customers	89,929	85,222	1,138	(13,375)	162,914
<b>Timing of revenue recognition</b>					
Transferred over time	83,001	81,648	1,094	(13,374)	152,369
Transferred at a point time	6,928	3,574	44	(1)	10,545
Total revenues from contracts with customers	89,929	85,222	1,138	(13,375)	162,914

#### Contract Balances

Contract balances as at December 31, 2020 and 2019 consists of the following:

	2020	2019
	(in million pesos)	
Trade and other receivables (Note 17)	38,304	39,340
Contract assets	2,559	2,817
Contract liabilities and unearned revenues (Notes 22 and 24)	9,571	8,483



The decrease in gross trade and other receivables of Php1,036 million as at December 31, 2020 was primarily due to write-off of uncollectible accounts against the related allowance for ECLs and collection of carrier.

The decrease of Php258 million in contract assets as at December 31, 2020 was due to fewer new connections from postpaid bundled contracts during the year.

The increase of Php1,088 million in contract liabilities and unearned revenues as at December 31, 2020 is related to the overall higher revenues from postpaid and prepaid subscribers due to the increase in demand as a result of the Covid-19 restrictions.

Set out below is the movement in the allowance for expected credit losses of contracts assets for the years ended December 31, 2020 and 2019 and 2018.

	2020	2019	2018
		(in million pesos)	
Balances at beginning of the year	70	131	114
Reclassification	22	(61)	—
Provisions	—	—	17
Balances at end of the year	92	70	131

Changes in the contract liabilities and unearned revenues accounts for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
		(in million pesos)	
Balances at beginning of the year	8,483	7,182	8,541
Deferred during the year	127,160	111,084	102,288
Recognized as revenue during the year	(126,072)	(109,783)	(103,647)
Balances at end of the year	9,571	8,483	7,182

The contract liabilities and unearned revenues accounts as at December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Unearned revenues from prepaid contracts	6,185	5,454
Advance monthly service fees	1,747	1,777
Short-term advances for installation services	1,167	726
Leased facilities	446	469
Long-term advances from equipment	26	57
Total contract liabilities and unearned revenues	9,571	8,483
<b>Contract liabilities:</b>		
Noncurrent (Note 22)	4	13
Current (Note 24)	12	44
<b>Unearned revenues:</b>		
Noncurrent (Note 22)	972	591
Current (Note 24)	8,583	7,835

As at December 31, 2020, the noncurrent and current portion of contract liabilities and unearned revenues amounted to Php976 million and Php8,595 million, respectively, while as at December 31, 2019, the noncurrent and current portion of contract liabilities and unearned revenues amounted to Php604 million and Php7,879 million, respectively.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses for the years ended December 31, 2020, 2019 and 2018 consist of the following:

	2020	2019	2018
		(in million pesos)	
Compensation and employee benefits	26,833	24,883	23,543
Repairs and maintenance (Notes 14, 18 and 25)	21,555	20,007	14,331
Professional and other contracted services (Note 25)	7,307	7,408	12,809
Selling and promotions (Note 25)	6,542	5,395	6,340
Taxes and licenses	5,495	4,570	4,974
Amortization of intangible assets (Note 15)	2,496	758	892
Insurance and security services (Note 25)	1,699	1,671	1,499
Rent (Notes 10 and 25)	1,384	1,290	7,321
Communication, training and travel (Note 25)	903	1,203	1,069
Other expenses	1,041	1,045	1,138
Total selling, general and administrative expenses	75,255	68,230	73,916

### *Compensation and Employee Benefits*

Compensation and employee benefits for the years ended December 31, 2020, 2019 and 2018 consist of the following:

	2020	2019	2018
		(in million pesos)	
Salaries and other employee benefits	20,856	19,931	19,777
MRP	2,625	3,296	1,703
Pension benefit costs (Note 26)	2,218	1,018	1,855
Incentive plan (Note 26)	1,134	638	208
Total compensation and employee benefits	26,833	24,883	23,543

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, 2020, 2019 and 2018 consist of the following:

	2020	2019	2018
		(in million pesos)	
Cost of computers, mobile handsets and broadband data modems (Note 18)	8,275	9,402	10,513
Cost of services (Note 18)	2,991	3,680	3,429
Cost of point-product-sales (Note 18)	1,029	347	485
Total cost of sales and services	12,295	13,429	14,427

### *Asset Impairment*

Asset impairment for the years ended December 31, 2020, 2019 and 2018 consist of the following:

	2020	2019	2018
		(in million pesos)	
Trade and other receivables (Note 17)	6,446	4,071	4,192
Inventories and supplies (Note 18)	934	471	1,528
Contract assets	266	291	223
Property and equipment (Note 9)	—	—	1,958
Other assets	—	—	164
Total asset impairment	7,646	4,833	8,065

Other Income (Expenses) – Net

Other income (expenses) – net for the years ended December 31, 2020, 2019 and 2018 consist of the following:

	2020	2019	2018
	(in million pesos)		
Gains (losses) on sale of property and equipment (Note 9)	3,369	(88)	12
Reversal of provisions	2,679	999	1,250
Foreign exchange gains (losses) – net (Note 28)	1,488	424	(771)
Interest income	1,210	1,745	1,943
Gains (losses) on derivative financial instruments – net (Note 28)	(378)	(284)	1,086
Equity share in net losses of associates and joint ventures (Note 11)	(2,328)	(1,535)	(87)
Financing costs – net	(10,086)	(8,553)	(7,067)
Gain on deconsolidation of VIH	—	—	12,054
Others – net (Notes 11, 12 and 14)	885	227	622
Total other expenses – net	(3,161)	(7,065)	9,042

Interest Income

Interest income for the years ended December 31, 2020, 2019 and 2018 consist of the following:

	2020	2019	2018
	(in million pesos)		
Interest income on cash and cash equivalents (Note 16)	560	1,022	957
Interest income arising from revenue contracts with customers	414	430	340
Interest income on financial instruments at FVOCI	70	239	—
Interest income on financial instruments at amortized cost (Note 13)	1	6	6
Interest income – others	165	48	640
Total interest income	1,210	1,745	1,943

Financing Costs – Net

Financing costs – net for the years ended December 31, 2020, 2019 and 2018 consist of the following:

	2020	2019	2018
	(in million pesos)		
Interest on loans and other related items	10,333	8,730	8,307
Accretion on lease liabilities (Note 10)	1,125	1,061	—
Accretion on financial liabilities (Note 21)	146	122	145
Financing charges	79	95	139
Capitalized interest (Note 9)	(1,597)	(1,455)	(1,524)
Total financing costs – net	10,086	8,553	7,067

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, 2020, 2019 and 2018 are as follows:

	Foreign currency translation differences of subsidiaries	Net loss on available -for-sale financial investments – net of tax	Net transactions on cash flow hedges – net of tax	Revaluation increment on investment properties – net of tax	Actuarial losses on defined benefit plans – net of tax	Share in the other comprehensive 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
	(in million pesos)									
Balances as at January 1, 2020	722	(9)	(896)	616	(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)	616	(35,720)	(37)	(1)	(35,652)	9	(35,643)
Balances as at January 1, 2019	695	(9)	(640)	618	(25,689)	—	(165)	(25,190)	19	(25,171)
Other comprehensive income (loss)	27	—	(256)	(2)	(6,074)	—	127	(6,178)	(4)	(6,182)
Balances as at December 31, 2019	722	(9)	(896)	616	(31,763)	—	(38)	(31,368)	15	(31,353)
Balances as at January 1, 2018	583	4,300	(369)	620	(24,467)	182	—	(19,151)	14	(19,137)
Effect of adoption of PFRS 9	—	(4,309)	—	—	—	(182)	(136)	(4,627)	—	(4,627)
Balances as at January 1, 2018 (as restated)	583	(9)	(369)	620	(24,467)	—	(136)	(23,778)	14	(23,764)
Other comprehensive income (loss)	112	—	(271)	(2)	(1,222)	—	(29)	(1,412)	5	(1,407)
Balances as at December 31, 2018	695	(9)	(640)	618	(25,689)	—	(165)	(25,190)	19	(25,171)

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, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Net deferred income tax assets	19,556	23,623
Net deferred income tax liabilities	726	2,583

The components of our consolidated net deferred income tax assets and liabilities as at December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Net deferred income tax assets:		
Pension and other employee benefits	6,394	4,886
Unamortized past service pension costs	4,874	5,846
Accumulated provision for doubtful accounts	3,577	3,806
Provisions	2,917	1,661
Unearned revenues	2,509	2,108
Customer list and trademark	1,116	3,890
Accumulated write-down of inventories to net realizable values	699	701
Lease liability over right-of-use assets under PFRS 16	666	393
NOLCO	88	432
Fixed asset impairment/depreciation due to shortened life of property and equipment	61	138
Derivative financial instruments	33	—
Excess MCIT over RCIT	3	1,408
Taxes and duties capitalized	(124)	—
Unrealized foreign exchange losses (gains)	(457)	580
Others	(2,800)	(2,226)
Total deferred income tax assets – net	19,556	23,623



	2020	2019
	(in million pesos)	
Net deferred income tax liabilities:		
Investment property	569	278
Unrealized foreign exchange gains	167	254
Intangible assets and fair value adjustment on assets acquired – net of amortization	70	1,964
Others	(80)	87
Total deferred income tax liabilities	726	2,583

Changes in our consolidated net deferred income tax assets (liabilities) as at December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Net deferred income tax assets – balances at beginning of the year	23,623	27,697
Net deferred income tax liabilities – balances at beginning of the year	(2,583)	(2,981)
Net balances at beginning of the year	21,040	24,716
Movement charged directly to other comprehensive income	1,811	2,673
Provision for deferred income tax	(3,989)	(6,267)
Adjustments due to adoption of PFRS 16	—	(83)
Others	(32)	1
Net balances at end of the period	18,830	21,040
Net deferred income tax assets – balances at end of the year	19,556	23,623
Net deferred income tax liabilities – balances at end of the year	(726)	(2,583)

The analysis of our consolidated net deferred income tax assets as at December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Deferred income tax assets:		
Deferred income tax assets to be recovered after 12 months	13,041	16,033
Deferred income tax assets to be recovered within 12 months	6,515	7,590
	19,556	23,623

The analysis of our consolidated net deferred income tax liabilities as at December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after 12 months	(477)	(2,376)
Deferred income tax liabilities to be settled within 12 months	(249)	(207)
Net deferred income tax liabilities	(726)	(2,583)

Provision for income tax for the years ended December 31, 2020, 2019 and 2018 consist of:

	2020	2019	2018
	(in million pesos)		
Current	4,452	3,283	2,467
Deferred (Note 3)	3,989	6,267	1,375
	8,441	9,550	3,842

The impact of the application of MCIT amounting to Php1,426 million, Php206 million and Php488 million for the years ended December 31, 2020, 2019 and 2018, respectively, was considered in both provision for income tax current and deferred.

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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
	(in million pesos)		
Provision for income tax at the applicable statutory tax rate	9,906	9,701	6,845
Tax effects of:			
Non deductible expenses	144	907	1,235
Equity share in net losses (income) of associates and joint ventures	(20)	(220)	26
Loss (income) not subject to income tax	(27)	154	(1,827)
Income subject to final tax	(189)	(599)	(297)
Difference between Optional Standard Deduction, or OSD, and itemized deductions	(426)	(251)	(22)
Special deductible items and income subject to lower tax rate	(537)	(643)	(750)
Net movement in unrecognized deferred income tax assets and other adjustments	(410)	501	(1,368)
Actual provision for income tax	8,441	9,550	3,842

The breakdown of our consolidated deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over RCIT, and NOLCO for which no deferred income tax assets were recognized and the equivalent amount of unrecognized deferred income tax assets as at December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Accumulated provision for expected credit losses	2,907	2,947
NOLCO	1,358	3,322
Fixed asset impairment	1,284	1,146
Provisions	761	116
Pension and other employee benefits	61	—
Excess MCIT over RCIT	20	27
Unearned revenues	17	95
Operating lease	10	1
Unrealized foreign exchange losses	5	45
Accumulated write-down of inventories to net realizable values	2	11
Interest on subordinated shareholder advances	(4)	—
Gain on disposal of asset	—	105
	6,421	7,815
Unrecognized deferred income tax assets	1,940	2,294

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 Php209 million and Php1,988 million as at December 31, 2020 and 2019, respectively, were not recognized. Meanwhile, the deferred tax liability not recognized due to OSD amounting to Php234 million as at December 31, 2020 pertains to the gain on fair value adjustment of PCEV's investment to VIH as PCEV expects to use the OSD method in computing its taxable income in the future when said gain is realized.

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, 2020 are as follows:

Date Incurred	Expiry Date	MCIT	NOLCO
		(in million pesos)	
December 31, 2018	December 31, 2021	—	1,224
December 31, 2019	December 31, 2022	9	63
December 31, 2020	December 31, 2025	14	188
		23	1,475
NOLCO incurred by foreign affiliates which can be carried over indefinitely		—	195
		23	1,670
Consolidated tax benefits		23	501
Consolidated unrecognized deferred income tax assets		(20)	(413)
Consolidated recognized deferred income tax assets		3	88

The excess MCIT totaling Php23 million as at December 31, 2020 can be deducted against future RCIT liability. The excess MCIT that was deducted against RCIT amounted to Php1,426 million, Php206 million and Php488 million for the years ended December 31, 2020, 2019 and 2018, respectively. The amount of expired portion of excess MCIT amounted to Php1 million, Php10 million and Php1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

NOLCO totaling Php1,670 million as at December 31, 2020 can be claimed as deduction against future taxable income. The NOLCO claimed as deduction against taxable income amounted to Php2,109 million, Php9,530 million and Php1,094 million for the years ended December 31, 2020, 2019 and 2018, respectively. The amount of expired NOLCO amounted to Php1,170 million, Php973 million and Php1,272 million for the years ended December 31, 2020, 2019 and 2018, 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 2020 and 2021 as deductions from gross income for the next five consecutive taxable years immediately following the year of the loss. Hence, the expiration of NOLCO incurred in 2020 amounting to Php188million, which ordinarily can be carried over until December 31, 2023, is extended until December 31, 2025.

#### *Corporate Recovery and Tax Incentives for Enterprises Act, or CREATE, Bill*

On February 3, 2021, the Bicameral Conference Committee under the 18th Congress of the Philippines ratified the reconciled version of House Bill No. 4157 with Senate Bill No.1357, or the Corporate Recovery and Tax Incentives for Enterprises Act, or CREATE.

The CREATE bill 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 bill was signed by the Speaker of the House of Representatives and the Senate President. Thereafter, it was transmitted to the Office of the President for approval. Once signed into law, the Act will take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

PAS 12, *Income Taxes*, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period. Meanwhile, PAS 10, *Events after the Reporting Period*, identifies the enactment or announcement of a change in tax rates and laws after the end of the reporting period as an example of a non-adjusting event.

As at the end of reporting date, December 31, 2020, the CREATE Bill is not considered substantively enacted. As such, current and deferred taxes are measured using the applicable statutory tax rate of 30%.

#### *Registration with Subic Bay Freeport Zone and Clark Special Economic Zone*

SubicTel and ClarkTel are registered with the Subic Bay Freeport Zone and the Clark Special Economic Zone, or Economic Zones, respectively, under Republic Act No. 7227 otherwise known as the Bases Conversion and Development Act of 1992. As registrants, SubicTel and ClarkTel are 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.

## 8. Earnings Per Common Share

The following table presents information necessary to calculate the EPS for the years ended December 31, 2020, 2019 and 2018:

	2020		2019		2018	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Consolidated net income attributable to equity holders of PLDT	<b>24,284</b>	<b>24,284</b>	22,521	22,521	18,916	18,916
Dividends on preferred shares (Note 20)	<b>(59)</b>	<b>(59)</b>	(59)	(59)	(59)	(59)
Consolidated net income attributable to common equity holders of PLDT	<b>24,225</b>	<b>24,225</b>	22,462	22,462	18,857	18,857
(in thousands, except per share amounts which are in pesos)						
Weighted average number of common shares	<b>216,056</b>	<b>216,056</b>	216,056	216,056	216,056	216,056
EPS attributable to common equity holders of PLDT (Note 5)	<b>112.12</b>	<b>112.12</b>	103.97	103.97	87.28	87.28

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 period 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 period 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, 2020 and 2019 are as follows:

	Cable and wire facilities	Central equipment	Network facilities	Buildings and improvements	Vehicles, furniture and other network equipment	Information origination and termination equipment	Land and land improvements	IT systems and platforms	Security platforms	Property under construction	Total
(in million pesos)											
<b>As at December 31, 2018</b>											
Cost	217,773	128,321	217,164	26,546	58,711	20,823	4,576	—	—	40,123	714,037
Accumulated depreciation, impairment and amortization	(170,302)	(112,354)	(146,826)	(20,557)	(52,012)	(15,752)	(270)	—	—	—	(518,073)
Net book value	47,471	15,967	70,338	5,989	6,699	5,071	4,306	—	—	40,123	195,964
<b>Year ended December 31, 2019</b>											
Net book value at beginning of the year	47,471	15,967	70,338	5,989	6,699	5,071	4,306	—	—	40,123	195,964
Effect of adoption of PFRS 16	—	—	(244)	(1)	—	—	—	—	—	—	(245)
Net book value at the beginning of the year (as restated)	47,471	15,967	70,094	5,988	6,699	5,071	4,306	—	—	40,123	195,719
Additions (Note 4)	1,448	856	557	176	3,804	2,987	3	—	—	63,040	72,871
Disposals/Retirements	(24)	—	(99)	(3)	(109)	—	—	—	—	(77)	(312)
Reclassifications	(11,066)	(20,057)	24,693	(5)	(2,161)	1,227	—	6,529	16	(30)	(854)
Transfers and others	10,374	7,720	32,290	541	1,247	4,696	21	—	—	(56,889)	—
Translation differences charged directly to cumulative translation adjustments	(1)	(1)	—	(4)	2	—	—	—	—	—	(4)
Adjustments	—	—	—	(20)	—	—	—	—	—	—	(20)
Depreciation of revaluation increment on investment properties transferred to property and equipment charged to other comprehensive income	—	—	—	(3)	—	—	—	—	—	—	(3)
Depreciation and amortization	(8,084)	(3,857)	(17,025)	(1,102)	(3,410)	(1,782)	(3)	—	—	—	(35,263)
Net book value at end of the year	40,118	628	110,510	5,568	6,072	12,199	4,327	6,529	16	46,167	232,134
<b>As at December 31, 2019</b>											
Cost	201,652	2,800	321,798	28,128	29,241	30,906	4,597	50,654	17	46,167	715,960
Accumulated depreciation, impairment and amortization	(161,534)	(2,172)	(211,288)	(22,560)	(23,169)	(18,707)	(270)	(44,125)	(1)	—	(483,826)
Net book value	40,118	628	110,510	5,568	6,072	12,199	4,327	6,529	16	46,167	232,134
<b>Year Ended December 31, 2020</b>											
Net book value at beginning of the year	40,118	628	110,510	5,568	6,072	12,199	4,327	6,529	16	46,167	232,134
Additions (Note 4)	915	155	2,124	238	1,548	2,771	102	991	—	63,060	71,904
Disposals/Retirements	(12)	—	(114)	(212)	(59)	—	(265)	(1)	—	(16)	(679)
Reclassifications	6,116	(707)	(31,539)	(263)	4,030	10,979	(70)	(5,893)	24	17,312	11
Transfers and others	21,066	—	42,477	897	(455)	5,614	11	6,576	76	(76,262)	—
Translation differences charged directly to cumulative translation adjustments	—	—	(1)	—	(1)	—	—	(1)	—	—	(3)
Adjustments	9	871	(700)	28	125	1	53	(122)	—	(201)	64
Depreciation of revaluation increment on investment properties transferred to property and equipment charged to other comprehensive income	—	—	—	(1)	—	—	—	—	—	—	(1)
Depreciation and amortization (Note 3)	(9,922)	(398)	(11,154)	(1,282)	(4,664)	(14,224)	(10)	(862)	(24)	—	(42,540)
Net book value at end of the year	58,290	549	111,603	4,973	6,596	17,340	4,148	7,217	92	50,060	260,868
<b>As at 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

Interest capitalized to property and equipment that qualified as borrowing costs amounted to Php1,597 million, Php1,455 million and Php1,524 million for the years ended December 31, 2020, 2019 and 2018, respectively. See *Note 5 – Income and Expenses – Financing Costs – Net*. The average interest capitalization rate used was approximately 4% for the year ended December 31, 2020 and 5% for each of the years ended December 31, 2019 and 2018.

Our net foreign exchange differences, which qualified as borrowing costs, amounted to nil for the years ended December 31, 2020 and 2019, and Php411 million for the year ended December 31, 2018.

The cost of fully depreciated property and equipment that are still being used in the Group’s operations amounted to Php73,995 million and Php149,119 million as at December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, 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	3 – 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

*Impairment of Certain Wireless Network Equipment and Facilities*

In 2018, Digitel and DMPI recognized an impairment loss amounting to Php1,096 million and Php862 million, respectively, as a result of the full migration of fixed line subscribers to PLDT network for Digitel and continued network convergence strategy for DMPI.

See *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions – Impairment of non-financial assets and Estimating useful lives of Property and equipment*.

*Sale and Leaseback*

On January 28, 2020, PLDT was authorized by the Board of Directors to negotiate and enter into a contract for the sale of Smart Towers Property. The transaction is subject to the compulsory notification process of the Philippine Competition Commission, or PCC, pursuant to Sections 12(b) and 16 of the Philippine Competition Act.

After undertaking the compulsory notification process, PLDT on September 3, 2020 received the PCC Decision No. 16-M-013/2020 stating that the PCC resolves to take no further action on the transaction considering that it will not likely result in substantial lessening of competition due to the existence of sufficient competitive constraints.

On October 5, 2020, PLDT signed the sale agreement with the buyer and received in full the consideration of Php5,500 million plus 12% VAT. The sale does not include the telecommunication assets owned or used by PLDT and Smart that are located in the Smart Headquarters. Smart, the current lessee of the property, continues to occupy the property pursuant to a new contract of lease with the buyer executed on October 5, 2020. The sale and leaseback resulted to a gain of Php1,451 million. The new contract of lease is for a period of five years and stipulates that the lessee has the option to pre-terminate without penalty after the second-year subject to a 12-month notice.

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, 2020 and 2019 are as follows:

Sites	1 – 30 years
International leased circuits	3 – 7 years
Poles	1 – 10 years
Domestic leased circuits	4 – 10 years
Office buildings	1 – 25 years
Co-located sites	3 – 7 years

Our consolidated rollforward analysis of ROU assets as at December 31, 2020 and 2019 are as follows:

	Sites	International Leased Circuits	Poles	Domestic Leased Circuits	Office Buildings	Co-located Sites	Total
(in million pesos)							
<b>As at December 31, 2019</b>							
Costs:							
Balances at beginning of the year	8,980	3,779	607	551	298	11	14,226
Additions (Note 29)	3,506	562	100	489	413	2	5,072
Asset retirement obligation	1,679	—	—	—	124	—	1,803
Modifications	319	—	19	174	91	(2)	601
Termination	(72)	—	—	—	(20)	—	(92)
Balances at end of the year	14,412	4,341	726	1,214	906	11	21,610
Accumulated depreciation and amortization							
Balances at beginning of the year	—	—	—	—	—	—	—
Termination	44	—	—	—	14	—	58
Modifications	—	—	—	3	—	1	4
Charges from asset retirement obligation	(1,297)	—	—	—	(92)	—	(1,389)
Depreciation	(2,673)	(834)	(340)	(186)	(358)	(2)	(4,393)
Balances at end of the year	(3,926)	(834)	(340)	(183)	(436)	(1)	(5,720)
Net book value as at December 31, 2019	10,486	3,507	386	1,031	470	10	15,890
<b>As at December 31, 2020</b>							
Costs:							
Balances at beginning of the year	14,412	4,341	726	1,214	906	11	21,610
Additions (Note 29)	3,538	2,600	2,576	39	582	—	9,335
Asset retirement obligation	556	—	—	—	172	—	728
Termination	(158)	(1,181)	—	—	(24)	—	(1,363)
Modifications	(294)	(1,472)	79	41	(52)	(2)	(1,700)
Adjustments	(3)	—	(11)	—	—	—	(14)
Reclassification	(197)	—	—	—	197	—	—
Balances at end of the year	17,854	4,288	3,370	1,294	1,781	9	28,596
Accumulated depreciation and amortization							
Balances at beginning of the year	(3,926)	(834)	(340)	(183)	(436)	(1)	(5,720)
Termination	113	223	—	—	37	—	373
Adjustments	2	—	(1)	—	1	—	2
Modifications	3	—	(7)	—	(4)	—	(8)
Depreciation (Note 3)	(2,764)	(735)	(620)	(244)	(574)	(3)	(4,940)
Reclassification	17	—	—	—	(17)	—	—
Balances at end of the year	(6,556)	(1,346)	(967)	(427)	(993)	(4)	(10,293)
Net book value as at December 31, 2020	11,298	2,942	2,403	867	788	5	18,303

The following amounts are recognized in our consolidated income statements for the years ended December 31, 2020 and 2019:

	2020	2019
(in million pesos)		
Depreciation expense of ROU assets (Note 3)	4,940	4,393
Interest expense on lease liabilities (Note 5)	1,125	1,061
Variable lease payments		
(included in general and administrative expenses) (Note 5)	764	708
Expenses relating to short-term leases		
(included in general and administrative expenses) (Note 5)	618	378
Expenses relating to leases of low-value assets		
(included in general and administrative expenses) (Note 5)	2	204
Total amount recognized in consolidated income statements	7,449	6,744

Our consolidated rollforward analysis of lease liabilities as at December 31, 2020 and 2019 are as follows:

	2020	2019
(in million pesos)		
Balances at beginning of the year	16,315	15,233
Additions (Note 29)	11,122	5,065
Accretion on lease liabilities (Note 5)	1,125	1,061
Foreign exchange losses – net	(171)	(12)
Termination	(1,188)	(96)
Lease modifications	(1,397)	463
Settlement of obligations	(5,781)	(5,399)
Balances at end of the year (Notes 3 and 29)	20,025	16,315
Less current portion of lease liabilities (Note 28)	4,043	3,215
Noncurrent portion of lease liabilities (Note 28)	15,982	13,100

We had total cash outflows for leases of Php5,781 million and Php5,399 million for the years ended December 31, 2020 and 2019, respectively. We had non-cash additions to ROU assets of Php9,335 million and Php5,072 million as at December 31, 2020 and 2019, respectively. We had non-cash additions to lease liabilities of Php11,122 million and Php5,065 million as at December 31, 2020 and 2019, 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, Php49 million and Php67 million for the years ended December 31, 2020, 2019 and 2018, respectively.



Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Within one year	48	54
After one year but not more than five years	—	48
More than five years	—	—
	48	102

The future minimum rental receivable under non-cancellable operating leases that are due within one year, after one year but not more than five years and more than five years amounted to Php10 million, nil and nil, respectively, as at December 31, 2019.

## 11. Investments in Associates and Joint Ventures

As at December 31, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Carrying value of investments in associates:		
MediaQuest PDRs	9,914	9,747
VIH	6,702	8,219
Digitel Crossing, Inc., or DCI	241	674
Appcard, Inc.	102	102
Asia Outsourcing Beta Limited, or Beta	33	35
AF Payments, Inc., or AFPI	—	—
ACeS International Limited, or AIL	—	—
Asia Netcom Philippines Corp., or ANPC	—	—
	16,992	18,777
Carrying value of investments in joint ventures:		
VTI, Bow Arken and Brightshare	32,625	32,538
Multisys	2,466	2,538
Telecommunications Connectivity, Inc., or TCI	40	10
Beacon	—	—
	35,131	35,086
Total carrying value of investments in associates and joint ventures	52,123	53,863

Changes in the cost of investments for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Balances at beginning of the year	59,516	59,519
Additions during the year	609	80
Translation and other adjustments	(15)	(83)
Balances at end of the year	60,110	59,516

Changes in the accumulated impairment losses for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Balances at beginning of the year	2,543	2,509
Additional impairment (Note 4)	60	34
Balances at end of the year	2,603	2,543

Changes in the accumulated equity share in net earnings (losses) of associates and joint ventures for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Balances at beginning of the year	(3,110)	(1,583)
Share in the other comprehensive losses of associates and joint ventures accounted for using the equity method	(37)	—
Dividends	(316)	—
Equity share in net earnings (losses) of associates and joint ventures:	(2,328)	(1,535)
MediaQuest PDRs	166	485
VTI, Bow Arken and Brightshare	87	35
Multisys	(73)	150
DCI	(116)	83
VIH	(2,392)	(2,268)
Appcard, Inc.	—	(20)
AFPI	—	—
Translation and other adjustments	407	8
Balances at end of the year	(5,384)	(3,110)

### 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 investments in PDRs of MediaQuest:

- a 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; and
- a Php1.95 billion investment by ePLDT in PDRs to be issued by MediaQuest in relation to its interest in Hastings, a wholly-owned subsidiary of MediaQuest incorporated in the Philippines. The Hastings PDRs confer an economic interest in common shares of Hastings owned by MediaQuest. Hastings is a wholly-owned subsidiary of MediaQuest and 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. See *Note 26 – Pension and Other Employee Benefits – Unlisted Equity Investments – Investment in MediaQuest*.

The Php6 billion Cignal TV PDRs and Php3.6 billion Satventures PDRs were issued on September 27, 2013. These PDRs provided ePLDT an aggregate of 64% economic interest in Cignal TV.

On February 19, 2014, ePLDT’s Board of Directors approved an additional investment of up to Php500 million in Hastings PDRs to be issued by MediaQuest. On March 11, 2014, MediaQuest received from ePLDT an amount aggregating to Php300 million representing additional 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 June 1, 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. See *Note 26 – Pension and Other Employee Benefits – Unlisted Equity Investments – Investment in MediaQuest*.

In 2017, an impairment test was carried out for ePLDT’s investment in MediaQuest PDRs where it showed that an impairment provision must be recognized. In determining the provision, the recoverable amount of the Print business and Pay TV were determined based on VIU calculations. The VIU calculations were derived from cash flow projections over a period of three to five years based on the 2018 financial budgets approved by the Board of Directors and calculated terminal value.

Using the detailed projections of Print business for five years and applying a terminal value thereafter, ePLDT calculated a recoverable amount of Php1,664 million. Consequently, ePLDT recognized a provision for impairment of its investment in MediaQuest PDRs in relation to its Print business amounting to Php1,784 million for the year ended December 31, 2017, representing the difference between the recoverable amount and the carrying value of the Print business as at December 31, 2017. No impairment provision was recognized for the Pay TV business.

*Transfer of Hastings PDRs to PLDT Beneficial Trust Fund*

On January 22, 2018, ePLDT’s Board of Directors approved the assignment of the Hastings PDRs, representing a 70% economic interest in Hastings to the PLDT Beneficial Trust Fund for a total consideration of Php1,664 million. The assignment was completed on February 15, 2018 and subsequently ePLDT ceased to have any economic interest in Hastings. See *Note 26 – Pension and Other Employee Benefits – Unlisted Equity Investments – Investment in MediaQuest*.

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 Php9,914 million and Php9,747 million as at December 31, 2020 and 2019, 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 as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018:

	2020	2019
	(in million pesos)	
Statements of Financial Position:		
Noncurrent assets	22,287	21,396
Current assets	6,064	3,662
Noncurrent liabilities	2,567	1,969
Current liabilities	10,294	7,859
Equity	15,490	15,230
Carrying amount of interest in Satventures	9,914	9,747
Additional Information:		
Cash and cash equivalents	1,350	1,534
Current financial liabilities*	478	320
Noncurrent financial liabilities*	1,413	1,842

\* Excluding trade, other payables and provisions.

	2020	2019	2018
	(in million pesos)		
Income Statements:			
Revenues	9,127	7,367	7,339
Depreciation and amortization	1,049	920	936
Interest income	16	4	8
Interest expense	241	235	274
Provision for income tax	153	165	112
Net income	260	308	142
Other comprehensive income	—	—	—
Total comprehensive income	260	308	142
Equity share in net income of Satventures	166	485	90

*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 Voyager Innovations Holdings Pte. Ltd., or 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.

*Loss of Control of PCEV over VIH*

On October 4, 2018, PLDT, as the ultimate Parent Company of PCEV, VIH, Vision Investment Holdings Pte. Ltd., or Vision, an entity indirectly controlled by KKR and Cerulean Investment Limited, or Cerulean, an entity indirectly owned and controlled by Tencent, entered into subscription agreements under which Vision and Cerulean, or the Lead Investors, will separately subscribe to and VIH will allot and issue to the Lead Investors a total of up to US\$175 million Convertible Class A Preferred Shares of VIH, with an option for VIH to allot and issue up to US\$50 million Convertible Class A Preferred Shares to such follower investors as may be agreed among VIH, PLDT and the Lead Investors, or the upside option.

On November 26, 2018, PLDT, IFC and IFC EAF, a fund managed by IFC Asset Management Company, entered into subscription agreements under which IFC and IFC EAF, the follower investors, will separately subscribe to and VIH will allot and issue to the follower investors a total of up to US\$40 million Convertible Class A Preferred Shares of VIH pursuant to the upside option.

The foregoing investment in VIH is not subject to the compulsory merger notification regime under the Philippine Competition Act and its implementing Rules and Regulations. In addition, the Bangko Sentral ng Pilipinas has confirmed that it interposes no objection to the investment.



On November 28, 2018, VIH received the US\$175 million funding from KKR and Tencent. Subsequently, VIH received the US\$40 million funding from IFC and IFC EAF. As a result of the foregoing, PCEV's ownership was reduced to 48.74% and retained only two out of the five Board seats in VIH, which resulted in the loss of control over VIH. Consequently, VIH was deconsolidated and the fair market value of the investment amounting to Php10,748 million was recorded as an investment in associate and PCEV recognized gain on deconsolidation amounting to Php12,054 million, which was presented as part of "Other income (expenses) – net" account in our consolidated income statement.

On April 16, 2020, PLDT, through PCEV, KKR, Tencent, IFC and IFC EAF, or the Subscribers, entered into a new subscription agreement with VIH to commit up to US\$120 million of new funding. The Notes Subscription Agreement covers the issuance of VIH's Convertible Loan Notes, or the VIH Notes, with an aggregate principal amount of US\$65 million and issuance of Warrants with an aggregate subscription amount of US\$55 million.

On May 14, 2020, VIH issued the Convertible Loan Note Instruments and Warrant Certificates to the Subscribers. PCEV paid US\$10.8 million for the VIH Notes and received a Warrant Certificate amounting to US\$9.2 million. The investments in Convertible Note and Warrants are both measured at FVPL. PCEV recognized Php90 million and Php18 million gain on revaluation of Notes and Warrants, respectively, for the year ended December 31, 2020.

On March 12, 2021, PCEV exercised its right to subscribe for Class A2 shares of the Company in accordance with the warrant instrument and certificate at its exercise price of US\$26.6 million and US\$9.2 million to be transferred immediately.

VIH will use the funds to support PayMaya's rapid growth as it pursues its plan to accelerate the digital and financial inclusion in the Philippines which will enable the wider Filipino population to participate in the digital economy.

The summarized financial information of VIH as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 is shown below:

	2020	2019
	(in million pesos)	
Statements of Financial Position:		
Noncurrent assets	1,373	1,184
Current assets	8,940	8,038
Noncurrent liabilities	682	35
Current liabilities	5,980	4,205
Equity	3,651	4,982
Carrying amount of interest in VIH	6,702	8,219
Additional Information:		
Cash and cash equivalents	5,347	5,216
Current financial liabilities*	5,944	4,155
Noncurrent financial liabilities*	—	34

\* Excluding statutory payables and accrued taxes.

	2020	2019	2018
	(in million pesos)		
Income Statements: <sup>(1)</sup>			
Revenues	4,717	1,291	136
Depreciation and amortization	237	254	(19)
Interest income (expense)	(516)	146	14
Provision for (benefit from) income tax	5	(4)	(1)
Net loss	(4,880)	(4,576)	(535)
Other comprehensive losses	(58)	(124)	(2)
Total comprehensive losses	(4,938)	(4,700)	(537)
Equity share in net losses of VIH	(2,392)	(2,268)	(262)

<sup>(1)</sup> Income Statement figures in 2018 pertains to the month of December.

The carrying value of PCEV's investment in VIH amounted to Php6,702 million and Php8,219 million as at December 31, 2020 and 2019, respectively.

	2020	2019
	(in million pesos)	
VIH Equity <sup>(1)</sup>	3,224	4,848
PCEV's ownership interests	43.97%	48.74%
Share in net assets of VIH	1,418	2,363
Goodwill arising from acquisition	5,283	5,856
Carrying amount of interest in VIH	6,701	8,219
Minority interest's share in net losses	1	—
Carrying amount of interest in VIH	6,702	8,219

<sup>(1)</sup> 2020 VIH Equity is net of Php427 million Stock Options; 2019 was based on unaudited VIH equity of Php4,982 million, net of Php134 million Stock Options.

### 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 owns more than half of the voting interest in ANPC, management has assessed that Digitel only has significant influence, and not control, due to certain governance matters.

Digitel's investment in DCI does not qualify as investment in joint venture as there is 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. As at March 25, 2021, Digitel is ready to conclude the transfer of its investment in DCI and ANPC, subject to PNPI's ability to meet certain regulatory and valuation requirements. This investment is not classified as noncurrent asset held-for-sale at report date as the transfer is assessed as not highly probable because certain conditions have not yet been met by both Digitel and PNPI.

*Investment of PGIC 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. The remaining balance of US\$2.29 million is held in escrow subject to indemnity claims of the buyer.

The carrying value of investment in common shares in Beta amounted to Php33 million and Php35 million as at December 31, 2020 and 2019, respectively. The economic interests of PGIC in Beta remained at 18.32% as at December 31, 2020 and 2019.

PGIC is a wholly-owned subsidiary of PLDT Global, which was incorporated under the laws of British Virgin Islands.

*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.

In March 2019, Smart infused additional capital of Php70 million as additional subscription of preferred shares.

In June 2020, Smart infused additional capital of Php60 million as additional subscription of preferred shares and retained its 20% equity interest in AFPI as at December 31, 2020.

The summary of investments in AFPI made by Smart as at December 31, 2020 and 2019 is shown below:

	2020	2019
	(in million pesos)	
Common shares	625.7	625.7
Preferred shares	254.3	194.3

Smart’s investment in AFPI has been fully impaired as at December 31, 2020. 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.

*Investment of ACeS Philippines in AIL*

As at December 31, 2020, ACeS Philippines held a 36.99% equity interest in AIL, a company incorporated under the laws of Bermuda. AIL owns the Garuda I Satellite and the related system control equipment in Batam, Indonesia. In December 2014, AIL suffered a failure of the propulsion system on board the Garuda I Satellite, thus, AIL decided to decommission the operation of Garuda I Satellite in January 2015.

AIL has incurred significant operating losses, negative operating cash flows, and significant levels of debt. The financial condition of AIL was partly due to the National Service Providers’, or NSPs, inability to generate the amount of revenues originally expected as the growth in subscriber numbers has been significantly lower than budgeted. These factors raised substantial doubt about AIL’s ability to continue as a going concern. On this basis, we recognized a full impairment provision of Php1,896 million in respect of our investment in AIL in 2003.

Share in net cumulative losses were not recognized as we do not have any legal or constructive obligation to pay for such losses and have not made any payments on behalf of AIL.

*Summarized financial information of individually immaterial associates*

The following tables present the summarized financial information of our individually immaterial investments in associates for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
	(in million pesos)		
Income Statements:			
Revenues	66	107	87
Net income (loss)	(116)	90	(80)
Other comprehensive income	—	—	—
Total comprehensive income (loss)	(116)	90	(80)

We received Php316 million dividends from our associates for the year ended December 31, 2020 and nil for the years ended December 31, 2019 and 2018.

We have no outstanding contingent liabilities or capital commitments with our associates as at December 31, 2020 and 2019.



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. 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 to PLDT, to cover for the assumed liabilities and working capital requirements of the acquired companies, amounted to Php13 million each as at December 31, 2020 and 2019.

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, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018:

	2020	2019
	(in million pesos)	
Statements of Financial Position:		
Noncurrent assets	77,099	78,004
Current assets	5,974	3,610
Noncurrent liabilities	11,204	11,456
Current liabilities	2,090	2,831
Equity	69,779	67,327
Carrying amount of interest in VTI, Bow Arken and Brightshare	32,625	32,538
Additional Information:		
Cash and cash equivalents	3,074	2,590
Current financial liabilities*	66	587
Noncurrent financial liabilities*	—	—

\* Excluding trade, other payables and provisions.

	2020	2019	2018
	(in million pesos)		
Income Statements:			
Revenues	3,413	3,339	2,505
Depreciation and amortization	1,445	1,337	1,171
Interest income	25	64	43
Provision for income tax	196	216	113
Net income (loss)	175	70	(120)
Other comprehensive income	—	—	—
Total comprehensive income (loss)	175	70	(120)
Equity share in net income (loss) of VTI, Bow Arken and Brightshare	87	35	(60)

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 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: (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 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 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 in 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 Transaction 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, PCC's Motion to Expunge [Respondent PLDT's Comment on the Petition for Review on Certiorari] dated April 18, 2018 was received. 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 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. On February 1, 2019, the Philippine SEC approved the capital increase of Multisys. The balance of Php800 million stock subscription payable is outstanding as at March 25, 2021.

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.

The carrying value of the investment in Multisys amounted to Php2,466 million, including subscription payable of Php800 million as at December 31, 2020 and Php2,538 million, including subscription payable of Php800 million, and contingent consideration of Php230 million as at December 31, 2019.

#### *Investment of iCommerce in PHIH*

On January 20, 2015, PLDT and Rocket Internet entered into a JVA designed to foster the development of internet-based businesses in the Philippines. PLDT, through its subsidiary, Voyager, and Asia Internet Holding S.à r.l., or AIH, which is 50%-owned by Rocket Internet, were the initial shareholders of the joint venture company PHIH. iCommerce, former subsidiary of VIH, replaced Voyager in agreement as shareholder of PHIH on October 14, 2015 and held a 33.33% equity interest in PHIH.

The objective of PHIH was the creation and development of online businesses in the Philippines, the leveraging of local market and business model insights, the facilitation of commercial, strategic and investment partnerships, and the acceleration of the rollout of online startups in the Philippines. In accordance with the underlying agreements, iCommerce paid approximately €7.4 million to PHIH as contribution to capital. Payment of another contribution by iCommerce to the PHIH capital of approximately €2.6 million was requested in 2016 and remained outstanding.

On September 15, 2017, AIH initiated arbitral proceedings via the German Arbitration Institute (DIS), or DIS, against iCommerce for not settling the €2.6 million contribution. AIH required the payment of €2.6 million plus interest and all costs of the arbitral proceedings.

On December 14, 2017, VIH and PLDT Online entered into a Sale and Purchase Agreement whereby VIH sold all of its 10 thousand shares in iCommerce to PLDT Online for a total purchase price of SG\$1.00. On the same date, VIH assigned its loans receivables from iCommerce to PLDT Online amounting to US\$8.6 million. In consideration, a total of US\$8.9 million, inclusive of interest, was fully paid by PLDT Online to VIH on November 30, 2017.

On April 19, 2018, iCommerce, together with PLDT and Voyager, executed a Settlement Agreement with AIH to terminate the arbitral proceedings and to settle disputes over rights and obligations in connection with the PHIH agreements. On the same date, iCommerce executed a Share Transfer Agreement with AIH to transfer its PHIH shares to AIH. As a result, iCommerce gave up its 33.33% equity interest for zero value and its claims over the remaining cash of PHIH. iCommerce, AIH and PHIH waived all other claims in connection with PHIH, including any claims against iCommerce.

On separate letters dated April 26, 2018, iCommerce and AIH informed the DIS that both parties have concluded an out-of-court settlement with AIH requesting for the termination of the arbitral proceedings.

On May 7, 2018, iCommerce received the order of the DIS for the termination of the arbitral proceedings and the administrative fees to be paid in relation to the arbitral proceedings. With the foregoing, iCommerce has completed the exit from the joint venture.

As a result, iCommerce recognized a loss on investment written-off amounting to Php362 million for the difference between the book value of investment in PHIH and the subscription payable. Such loss is recorded as part of “Other income (expenses) – Others – net” in our 2018 consolidated income statement.

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:

Date	Number of Shares Sold	Selling Price (Php)	Deferred Gain Realized (Php)
	(in millions)		
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 will be paid in annual installments from June 2018 to June 2021.

Subsequent to its full divestment in June 2017, PCEV continued to hold its representation in the Board of Directors of Beacon and participate in the decision making. As set forth in the Share Purchase Agreement dated June 30, 2017: (i) PCEV shall be entitled to nominate one director to the Board of Directors of Beacon (“Seller’s Director”) and MPIC agrees to vote its shares in Beacon in favor of such Seller’s Director; and (ii) MPIC shall cede to PCEV the right to vote all of the shares. The parties agreed that with respect to decisions or policies affecting dividend payouts to be made by Beacon, PCEV shall exercise its voting rights, and shall vote, in accordance with the recommendation of MPIC on such matter. Based on the foregoing, the role of the representative of PCEV in the Board of Directors is not to jointly control the business but to ensure security of the payment of its outstanding receivables. Thus, PCEV will remain to hold significant influence over Beacon.

Beginning January 1, 2018, the unpaid balance from MPIC is measured at FVOCI using discounted cash flow valuation method in accordance with the new classification under PFRS 9 with interest income to be accreted over the term of the receivable.

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 are 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 will 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.

PCEV’s remaining receivables from MPIC amounted to Php168 million as at December 31, 2020 and Php2,919 million, net of Php2 million allowance for ECL as at December 31, 2019.

The following table explains the changes in the allowance for ECLs between the beginning and the end of the year.

	December 31, 2020				December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-Month	Lifetime	Lifetime		12-Month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL	
	(in million pesos)				(in million pesos)			
Balances as at beginning of the year	2	—	—	2	2	—	—	2
Provisions	1	—	—	1	1	—	—	1
Financial assets derecognized during the year	(3)	—	—	(3)	(1)	—	—	(1)
Balances at end of the year	—	—	—	—	2	—	—	2

Investment of Smart in TCI

On February 8, 2019, the RA 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.

Within six months from the promulgation of the rules and regulations, mobile service providers shall comply with the provisions of the act and set up a mechanism for the purpose of nationwide MNP. On June 17, 2019, the NTC released the implementing rules and regulations which took effect on July 2, 2019. The compliance period given to mobile service providers is within six months from effective date.

In 2019, Smart, along with Globe and Dito Telecommunity, Inc. 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 will 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 2020, Smart subscribed to an additional Php30 million representing its 33.33% equity interest equivalent to 30 million shares at a subscription price of Php1.00 per share payable upon next capital call of the joint venture.

*Summarized financial information of individually immaterial joint ventures*

The following tables present the summarized financial information of our individually immaterial joint investments in joint ventures for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
	(in million pesos)		
Income Statements:			
Revenues	362	367	35
Net income (loss)	(48)	200	15
Other comprehensive income	—	—	—
Total comprehensive income (loss)	(48)	200	15

Outstanding contingent liabilities or capital commitments with our joint ventures amounted to Php800 million and Php1,030 million as at December 31, 2020 and 2019, respectively.

12. Financial Assets at FVPL

As at December 31, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Club shares and others	319	328
Phunware, Inc., or Phunware	61	61
Rocket Internet	—	2,381
iflix Limited, or iflix	—	599
	380	3,369

*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.

The fair value amount of PLDT Capital’s investment amounted to Php61 million as at December 31, 2020 and 2019.

*Investment of PLDT Online in Rocket Internet*

On August 7, 2014, PLDT and Rocket Internet entered into a global strategic partnership to drive the development of online and mobile payment solutions in emerging markets. Rocket Internet provides a platform for the rapid creation and scaling of consumer internet businesses outside the U.S. and China. Rocket Internet’s prominent brands include the leading Southeast Asian e-Commerce businesses Zalora and Lazada, as well as fast growing brands with strong positions in their markets such as Dafiti, Linio, Jumia, Namshi, Lamoda, Jabong, Westwing, Home24 and HelloFresh in Latin America, Africa, Middle East, Russia, India and Europe. Financial technology and payments comprise Rocket Internet’s third sector where it anticipates numerous and significant growth opportunities.

Pursuant to the terms of the investment agreement, PLDT invested €333 million, or Php19,577 million, in cash, for new shares equivalent to a 10% stake in Rocket Internet as at August 2014. These new shares are of the same class and bear the same rights as the Rocket Internet shares held by the investors as at the date of the agreement namely, Investment AB Kinnevik and Access Industries, in addition to Global Founders GmbH (formerly European Founders Fund GmbH). PLDT made the €333 million investment in two payments (on September 8 and September 15, 2014), which it funded from available cash and new debt.

On August 21, 2014, PLDT assigned all its rights, title and interests as well as all of its obligations related to its investment in Rocket Internet, to PLDT Online, an indirectly wholly-owned subsidiary of PLDT.

On October 1, 2014, Rocket Internet announced the pricing of its initial public offering, or IPO, at €42.50 per share. On October 2, 2014, Rocket Internet listed its shares on Entry Standard of the Frankfurt Stock Exchange under the ticker symbol “RKET.” Our ownership stake in Rocket Internet after the IPO was reduced to 6.6%. In February 2015, due to additional issuances of shares by Rocket Internet, our ownership percentage in Rocket Internet was further reduced to 6.1% and remained as such as at December 31, 2017.

On September 26, 2016, Rocket Internet applied for admission to trading under the regulated market (Prime Standard) of the Frankfurt Stock Exchange. RKET has been admitted to the Prime Standard and is part of the Frankfurt Stock Exchange’s SDAX.

On April 16, 2018, Rocket Internet announced the buyback of up to 15 million shares through a public share purchase offer, or the Offer, against payment of an offer price in the amount of €24 per share. PLDT Online committed to accept the Offer of Rocket Internet for at least 7 million shares, or approximately 67.4% of the total number of shares directly held by PLDT Online.

On May 4, 2018, Rocket Internet accepted the tender of PLDT Online of 7 million shares and paid the total consideration of €163 million, or Php10,059 million, which was settled on May 9, 2018, reducing the equity ownership in Rocket Internet from 6.1% to 2.0%.

On May 23, 2018, Rocket Internet redeemed 10.8 million shares reducing its share capital to €154 million. As a result of the redemption of shares, PLDT Online’s equity ownership in Rocket Internet increased from 2.0% to 2.1%.

On various dates in the third quarter of 2018, PLDT Online sold 0.7 million Rocket Internet shares for an aggregate amount of €22 million, or Php1,346 million, reducing equity ownership in Rocket Internet from 2.1% to 1.7%.

On December 6, 2018, Rocket Internet redeemed 1.9 million shares reducing its share capital to €153 million. PLDT Online’s equity ownership in Rocket Internet remained at 1.7%

On various dates in 2019, PLDT Online sold 0.7 million Rocket internet shares for an aggregate amount of €18 million, or Php1,021 million, reducing equity ownership in Rocket Internet from 1.7% to 1.3%.

On October 9, 2019, Rocket Internet redeemed 1.7 million shares reducing its share capital to €151 million. PLDT Online’s equity ownership in Rocket Internet remained at 1.3%

On January 30, 2020, Rocket Internet redeemed 13.5 million shares reducing its share capital to €137 million. As a result of the redemption of shares, PLDT Online’s equity ownership in Rocket Internet increased from 1.3% to 1.4%.

On July 31, 2020, Rocket Internet redeemed 1.6 million shares reducing its share capital to €136 million. PLDT Online’s equity ownership in Rocket Internet remained at 1.4%

In September 2020, PLDT Online sold 1.4 million Rocket internet shares for an aggregate amount of €26 million, or Php1,508 million, reducing its equity ownership in Rocket Internet from 1.4% to 0.4%.

In October 2020, PLDT Online sold 0.5 million Rocket internet shares for an aggregate amount of €9 million, or Php508 million, resulting in the full divestment of the investment in Rocket Internet.

Further details on investment in Rocket Internet for the years ended December 31, 2020, 2019 and 2018, and as at December 31, 2020 and 2019 are as follows:

	2020	2019	2018
Total market value as at beginning of the year (in million pesos)	2,381	3,128	12,848
Closing price per share at end of the year (in Euros)	—	22.10	20.18
Total market value as at end of the year (in million Euros)	—	42	52
Total market value as at end of the year (in million pesos)	—	2,381	3,128
Net realized gains (losses) recognized during the year (in million pesos)	—	89	(157)

	2020	2019
	(in million pesos)	
Balances at beginning of the year	2,381	3,128
Fair value adjustment in profit or loss	—	89
Disposal of investments	(2,381)	(836)
Balances at end of the year	—	2,381

**Investment of PLDT Online in iflix**

On April 23, 2015, PLDT Online subscribed to a convertible note of iflix, an internet TV service provider in Southeast Asia, for US\$15 million, or Php686 million. The convertible note was issued and paid on August 11, 2015. iflix will use the funds to continue roll out of the iflix subscription video-on-demand services across the Southeast Asian region, acquire rights to new content, and produce original programming to market to potential customers.

This investment is in line with our strategy to develop new revenue streams and to complement our present business by participating in the digital world beyond providing access and connectivity.

On March 10, 2016, the US\$15 million convertible note held by PLDT Online was converted into 20.7 million ordinary shares of iflix in connection with a new funding round led by Sky Plc, Europe’s leading entertainment company, and the Indonesian company, Emtek Group. The conversion resulted on a valuation gain amounting to US\$19 million, or Php898 million, increasing the fair value of PLDT Online’s investment amounting to US\$34 million, or Php1,584 million.

On August 4, 2017, PLDT Online subscribed to a convertible note of iflix for US\$1.5 million, or Php75 million, in a new funding round led by Hearst Entertainment. The convertible note was paid on August 8, 2017. The note is zero coupon, senior and unsubordinated, non-redeemable, transferable and convertible into Series B Preferred Shares subject to occurrence of a conversion event. iflix will use the funds to invest in its local content strategy and for its regional and international expansion.

On December 15, 2018, the US\$1.5 million convertible note held by PLDT Online was converted into 1.0 million Series B Preferred Shares of iflix upon the occurrence of the cut-off date. After the conversion of all outstanding convertible notes, PLDT Online’s equity ownership in iflix was reduced from 7.3% to 5.3%.

In 2019, due to additional issuances of shares by iflix, PLDT Online’s equity ownership in iflix was reduced from 5.3% to 4.9%.

On June 19, 2020, iflix entered into an asset purchase agreement with Tencent group relating to the sale of its major assets including trademark, content, platform and resources for a total consideration of US\$22.5 million. Upon closing of the transaction on June 24, 2020, the remaining assets of iflix are its existing cash, receivables and the right to pursue certain ongoing arbitration proceedings against certain business counterparties which it intends to use for the settlement of its liabilities. As a result, PLDT Online derecognized its investment in iflix composed of ordinary and Series B Preferred Shares which rank last and second to the last, respectively, with respect to rights upon liquidation, dissolution and winding up of iflix. The derecognition was charged to “Other income (expenses) – net” in our consolidated income statements. See *Note 4 – Operating Segment Information*.

The fair value of PLDT Online’s investment amounted to nil and Php599 million as at December 31, 2020 and 2019, respectively.

**Investment of PLDT Capital in Matrixx**

On December 18, 2015, PLDT Capital entered into a Stock and Warrant Purchase Agreement with Matrixx, a Delaware corporation. Matrixx provides the IT foundation to move to an all-digital service environment with a new real-time technology platform designed to handle the surge in interactions without forcing the compromises of conventional technology. Under the terms of the agreement, PLDT Capital subscribed to convertible Series B Preferred Stock of Matrixx for a total consideration of US\$5 million, or Php237 million, and was entitled to purchase additional Series B Preferred Stock upon occurrence of certain conditions on or before March 15, 2016. PLDT Capital did not exercise its right to purchase additional Series B Preferred Stock of Matrixx.

On December 20, 2018, Matrixx entered into a Repurchase Agreement with PLDT Capital to repurchase all of its capital stock held by PLDT Capital including a warrant to purchase capital stock for US\$5 million. The transaction closed on the same day.



13. Debt Instruments at Amortized Cost

As at December 31, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Time deposit	1,153	—
GT Capital Bond	—	150
	1,153	150
Less: Current portion of debt instrument at amortized cost (Note 28)	—	150
Noncurrent portion of debt instrument at amortized cost (Note 28)	1,153	—

Time Deposit

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% (inclusive of Trust Fees). This long-term fixed rate time deposit pay interest on a monthly basis or an estimate of 30 days. The deposits may be terminated prior to maturity at the applicable pretermination rates.

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 pay interest on a monthly basis or an estimate of 30 days. The deposits may be terminated prior to maturity at the applicable pretermination rates.

In July 2020, PLDT and Smart invested US\$2.0 million each in a two-year time deposit with Landbank of the Philippines maturing on July 29, 2022 and August 1, 2022, respectively, at a gross coupon rate of 2.00%. This long-term fixed rate time deposit 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.

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 and was recognized as HTM investment. Starting January 1, 2018, the bond was classified as debt instrument at amortized cost under PFRS 9. Interest income, net of withholding tax, recognized on this investment amounted to Php1 million for the year ended December 31, 2020 and Php5.8 million for each of the years ended December 31, 2019 and 2018. The carrying value of this investment amounted to nil and Php150 million as at December 31, 2020 and 2019, respectively.

Retail Treasury Bond

In 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 under PFRS 9.

14. Investment Properties

Changes in investment properties account for the years ended December 31, 2020 and 2019 are as follows:

	Land	Land Improvements	Building	Total
	(in million pesos)			
December 31, 2020				
Balances at beginning of the year	607	5	166	778
Transfers from property and equipment	70	—	4	74
Net gains (losses) from fair value adjustments charged to profit or loss	51	(1)	(7)	43
Balances at end of the year	728	4	163	895
December 31, 2019				
Balances at beginning of the year	595	6	176	777
Net gains (losses) from fair value adjustments charged to profit or loss	23	(1)	(10)	12
Disposals during the year	(11)	—	—	(11)
Balances at end of the year	607	5	166	778

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 Php33 to Php33 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 Php70 million, Php65 million and Php38 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Rental income relating to investment properties that are being leased and included as part of revenues amounted to Php51 million, Php49 million and Php67 million for the years ended December 31, 2020, 2019 and 2018, 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, 2020 and 2019 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	Trademark	Franchise	Licenses	Customer List	Spectrum					Others
December 31, 2020												
Costs:												
Balances at beginning of the year	4,505	—	3,016	1,079	4,726	1,205	775	10,801	15,306	62,033	77,339	
Reclassification	(4,505)	4,505	—	—	—	—	—	4,505	—	—	—	
Translation and other adjustments	—	—	—	(944)	(23)	—	(4)	(971)	(971)	—	(971)	
Balances at end of the year	—	4,505	3,016	135	4,703	1,205	771	14,335	14,335	62,033	76,368	
Accumulated amortization and impairment:												
Balances at beginning of the year	—	—	1,520	1,059	4,301	1,205	775	8,860	8,860	654	9,514	
Amortization during the year (Notes 4 and 5)	—	1,877	186	8	425	—	—	2,496	2,496	—	2,496	
Translation and other adjustments	—	—	—	(944)	(23)	—	(4)	(971)	(971)	—	(971)	
Balances at end of the year	—	1,877	1,706	123	4,703	1,205	771	10,385	10,385	654	11,039	
Net balances at end of the year	—	2,628	1,310	12	—	—	—	3,950	3,950	61,379	65,329	
Estimated useful lives (in years)	—	10	16	18	—	—	—	—	—	—	—	
Remaining useful lives (in years)	—	1	7	2	—	—	—	—	—	—	—	
December 31, 2019												
Costs:												
Balances at beginning and end of the year	4,505	—	3,016	1,079	4,726	1,205	775	10,801	15,306	62,033	77,339	
Accumulated amortization and impairment:												
Balances at beginning of the year	—	—	1,334	1,051	3,790	1,152	775	8,102	8,102	654	8,756	
Amortization during the year (Notes 4 and 5)	—	—	186	8	511	53	—	758	758	—	758	
Balances at end of the year	—	—	1,520	1,059	4,301	1,205	775	8,860	8,860	654	9,514	
Net balances at end of the year	4,505	—	1,496	20	425	—	—	1,941	6,446	61,379	67,825	
Estimated useful lives (in years)	—	—	16	18	2 – 9	15	1 – 10	—	—	—	—	
Remaining useful lives (in years)	—	—	8	3	1	—	—	—	—	—	—	

The consolidated goodwill and intangible assets of our reportable segments as at December 31, 2020 and 2019 are as follows:

	2020			2019		
	Wireless	Fixed Line	Total	Wireless	Fixed Line	Total
	(in million pesos)					
Trademark	2,628	—	2,628	4,505	—	4,505
Franchise	1,310	—	1,310	1,496	—	1,496
Licenses	12	—	12	20	—	20
Customer list	—	—	—	425	—	425
Total intangible assets	3,950	—	3,950	6,446	—	6,446
Goodwill	56,571	4,808	61,379	56,571	4,808	61,379
Total goodwill and intangible assets	60,521	4,808	65,329	63,017	4,808	67,825

The consolidated future amortization of intangible assets as at December 31, 2020 is as follows:

Year	(in million pesos)
2021	2,822
2022	191
2023	186
2024	186
2025 and onwards	565
	3,950

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. We expected the continued use of the trademark on our services and we introduced services that displayed the 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, in 2020, we amortized Php1,877 million of the “Sun Cellular” trademark, and the remaining Php2,628 million will be amortized until July 2021. 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, 2020, the PLDT Group’s goodwill comprised of goodwill resulting from acquisition of PLDT’s additional investment in PG1 in 2014, 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. The same is true for Sun, wherein Smart 2G/3G network, cellular base stations and fiber optic backbone are shared for areas where Sun has limited connectivity and facilities. 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 8.08% 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, 2020 and 2019.

The accumulated impairment balance as at December 31, 2020 and 2019 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, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Cash on hand and in banks (Note 28)	<b>9,526</b>	6,706
Temporary cash investments (Note 28)	<b>30,711</b>	17,663
	<b>40,237</b>	24,369

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 Php560 million, Php1,022 million and Php957 million for the years ended December 31, 2020, 2019 and 2018, respectively. See *Note 5 – Income and Expenses*.

## 17. Trade and Other Receivables

As at December 31, 2020 and 2019, this account consists of receivables from:

	2020	2019
	(in million pesos)	
Retail subscribers (Note 28)	<b>17,142</b>	17,178
Corporate subscribers (Note 28)	<b>13,318</b>	13,005
Foreign administrations (Note 28)	<b>1,520</b>	1,896
Domestic carriers (Note 28)	<b>226</b>	889
Dealers, agents and others (Note 28)	<b>6,098</b>	6,372
	<b>38,304</b>	39,340
Less: Allowance for expected credit losses	<b>16,251</b>	16,904
	<b>22,053</b>	22,436

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, 2020 and 2019:

2020														
Retail Subscribers			Corporate Subscribers			Foreign Administrations		Domestic Carriers		Dealers, Agents and Others		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)														
Balances at beginning of the year	—	926	9,766	—	732	3,870	3	374	4	86	98	1,045	—	1,763
Provisions (Note 5)	—	2,387	2,550	—	1,020	438	6	(20)	(1)	(3)	52	17	—	3,464
Reclassifications and reversals	—	(840)	1,015	—	(358)	324	—	(111)	—	(4)	(15)	(6)	—	(1,213)
Write-offs	—	(40)	(5,774)	—	—	(1,151)	—	(16)	—	(21)	—	(85)	—	(40)
Translation adjustments	—	—	—	—	(14)	(3)	—	—	—	—	—	—	—	(14)
Balances at end of the year	—	2,433	7,557	—	1,380	3,478	9	227	3	58	135	971	—	3,960

2019														
Retail Subscribers			Corporate Subscribers			Foreign Administrations		Domestic Carriers		Dealers, Agents and Others		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)														
Balances at beginning of the year	—	893	8,931	—	603	3,906	5	914	3	74	91	1,083	—	1,595
Provisions (Note 5)	—	418	2,725	—	211	661	(2)	64	1	12	10	(29)	—	638
Reclassifications and reversals	—	(366)	793	—	(80)	201	—	(604)	—	—	(3)	4	—	(449)
Write-offs	—	(12)	(2,683)	—	(1)	(895)	—	—	—	—	—	(13)	—	(13)
Translation adjustments	—	(7)	—	—	(1)	(3)	—	—	—	—	—	—	—	(8)
Balances at end of the year	—	926	9,766	—	732	3,870	3	374	4	86	98	1,045	—	1,763

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, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Commercial:		
At net realizable value <sup>(1)</sup>	<b>1,406</b>	2,463
At cost	<b>1,755</b>	3,244
Network:		
At net realizable value <sup>(1)</sup>	<b>420</b>	592
At cost	<b>1,445</b>	1,752
Others:		
At net realizable value <sup>(1)</sup>	<b>2,259</b>	357
At cost	<b>3,248</b>	719
Total inventories and supplies at the lower of cost or net realizable value	<b>4,085</b>	3,412

<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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
		(in million pesos)	
Cost of sales	<b>8,882</b>	9,528	10,630
Provisions (Note 5)	<b>934</b>	471	1,528
Repairs and maintenance	<b>613</b>	823	688
Selling and promotions	<b>3</b>	138	43
	<b>10,432</b>	10,960	12,889

Changes in the allowance for inventory obsolescence and write-down for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Balances at beginning of the year	<b>2,303</b>	3,212
Provisions (Note 5)	<b>934</b>	471
Translation revaluation	<b>(1)</b>	—
Write-off	<b>(56)</b>	(136)
Reclassification	<b>(209)</b>	(220)
Cost of sales	<b>(262)</b>	(495)
Reversals	<b>(346)</b>	(529)
Balances at end of the year	<b>2,363</b>	2,303

## 19. Prepayments

As at December 31, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Advances to suppliers and contractors	<b>55,891</b>	41,798
Prepaid taxes	<b>15,241</b>	13,905
Prepaid fees and licenses	<b>1,182</b>	1,335
Prepaid benefit costs (Note 26)	<b>1,021</b>	342
Prepaid rent	<b>401</b>	417
Prepaid repairs and maintenance	<b>228</b>	458
Prepaid insurance (Note 25)	<b>130</b>	142
Prepaid selling and promotions	<b>12</b>	24
Other prepayments	<b>2,660</b>	1,810
	<b>76,766</b>	60,231
Less current portion of prepayments	<b>10,657</b>	11,298
Noncurrent portion of prepayments	<b>66,109</b>	48,933

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*.

## 20. Equity

PLDT's number of shares of subscribed and outstanding capital stock as at December 31, 2020 and 2019 are as follows:

	2020	2019
	(in million shares)	
<b>Authorized</b>		
Non-Voting Serial Preferred Stock	<b>388</b>	388
Voting Preferred Stock	<b>150</b>	150
Common Stock	<b>234</b>	234
<b>Subscribed</b>		
Non-Voting Serial Preferred Stock <sup>(1)</sup>	<b>300</b>	300
Voting Preferred Stock	<b>150</b>	150
Common Stock	<b>219</b>	219
<b>Outstanding</b>		
Non-Voting Serial Preferred Stock <sup>(1)</sup>	<b>300</b>	300
Voting Preferred Stock	<b>150</b>	150
Common Stock	<b>216</b>	216
<b>Treasury Stock</b>		
Common Stock	<b>3</b>	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.

The change in PLDT's capital account for the year ended December 31, 2020 is the redemption and retirement of 870 shares of Series JJ 10% Cumulative Convertible Preferred stock with a par value of Php10.00 per share effective May 12, 2020. There was no change in PLDT's capital account for the year ended December 31, 2019.

### 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 anytime 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, 2020. 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 has 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 has 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 for 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, for the purpose of funding the payment of the Redemption Price of Series GG Shares. 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 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 Series HH Shares issued in 2007, the holders of 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 has 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 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, for the purpose of funding the payment of the Redemption Price of Series HH Shares issued in 2007. 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 Series HH Shares issued in 2008, the holders of 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 has 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 price of 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, for the purpose of funding the payment of the Redemption Price of Series HH Shares issued in 2008. 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 on May 11, 2016. In accordance with the terms and conditions of Series II Shares, the holders of 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 has 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, for the purpose of funding the payment of the Redemption Price of Series II Shares. 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.

PLDT has withdrawn Php2 million, Php11 million and Php8 million from the Trust Account, representing total payments on redemption for the years ended December 31, 2020, 2019 and 2018, respectively. The balance of the Trust Account of Php7,849 million and Php7,851 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, 2020 and 2019, 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, 2020, 2019 and 2018 are detailed as follows:

December 31, 2020

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
(in million pesos, except per share amounts)					
10% Cumulative Convertible Redeemable Preferred Stock					
Series JJ	April 8, 2020	February 11, 2020	May 12, 2020	0.0027/day	—
Cumulative Non-Convertible Redeemable Preferred Stock					
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
Voting Preferred Stock	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
Common Stock					
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.



December 31, 2019

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
(in million pesos, except per share amounts)					
10% Cumulative Convertible Redeemable Preferred Stock Series JJ*	May 9, 2019	May 31, 2019	June 28, 2019	1.00	—
Cumulative Non-Convertible Redeemable Preferred Stock Series IV*	January 29, 2019	February 22, 2019	March 15, 2019	—	12
	May 9, 2019	May 24, 2019	June 15, 2019	—	12
	August 8, 2019	August 27, 2019	September 15, 2019	—	13
	November 7, 2019	November 22, 2019	December 15, 2019	—	12
					49
Voting Preferred Stock	March 7, 2019	March 27, 2019	April 15, 2019	—	3
	June 11, 2019	June 28, 2019	July 15, 2019	—	2
	September 24, 2019	October 8, 2019	October 15, 2019	—	2
	December 3, 2019	December 18, 2019	January 15, 2020	—	3
					10
Common Stock Regular Dividend	March 21, 2019	April 4, 2019	April 23, 2019	36.00	7,778
	August 8, 2019	August 27, 2019	September 10, 2019	36.00	7,778
					15,556
Charged to retained earnings					15,615

\* Dividends were declared based on total amount paid up.

December 31, 2018

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
(in million pesos, except per share amounts)					
10% Cumulative Convertible Redeemable Preferred Stock Series JJ	June 13, 2018	June 28, 2018	June 29, 2018	1.00	—
Cumulative Non-Convertible Redeemable Preferred Stock Series IV*	January 22, 2018	February 21, 2018	March 15, 2018	—	12
	May 10, 2018	May 25, 2018	June 15, 2018	—	12
	August 9, 2018	August 28, 2018	September 15, 2018	—	13
	November 8, 2018	November 23, 2018	December 15, 2018	—	12
					49
Voting Preferred Stock	March 8, 2018	March 28, 2018	April 15, 2018	—	3
	June 13, 2018	June 29, 2018	July 15, 2018	—	2
	September 25, 2018	October 9, 2018	October 15, 2018	—	2
	December 4, 2018	December 19, 2018	January 15, 2019	—	3
					10
Common Stock Regular Dividend	March 27, 2018	April 13, 2018	April 27, 2018	28.00	6,050
	August 9, 2018	August 28, 2018	September 11, 2018	36.00	7,778
					13,828
Charged to retained earnings					13,887

\* Dividends were declared based on total amount paid up.

Our dividends declared after December 31, 2020 are detailed as follows:

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
(in million pesos, except per share amounts)					
Cumulative Non-Convertible Redeemable Preferred Stock <sup>(1)</sup> Series IV	January 26, 2021	February 22, 2021	March 15, 2021	—	12
Voting Preferred Stock	March 4, 2021	March 24, 2021	April 15, 2021	—	3
					15
Common Stock Regular Dividend	March 4, 2021	March 18, 2021	April 6, 2021	40.00	8,642
Charged to retained earnings					8,657

\* Dividends were declared based on total amount paid up.

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, 2020 and 2019.

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 Php57 million each as at December 31, 2020 and 2019. 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 Php281 million and Php70 million as at December 31, 2020 and 2019, respectively. This transaction was eliminated in our consolidated financial statements.

Proceeds from the issuance of these notes are intended to finance capital expenditures. The notes have no fixed redemption dates. However, Smart may, at its sole option, redeem the notes. In accordance with PAS 32, *Financial Instruments: Presentation*, the notes are classified as part of equity in the financial statements. The notes are subordinated to and rank junior to all senior loans of Smart.

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, 2020:

	(in million pesos)
Consolidated unappropriated retained earnings as at December 31, 2019	18,063
Effect of PAS 27, <i>Consolidated and Separate Financial Statements</i> , adjustments	17,120
Parent Company’s unappropriated retained earnings at beginning of the year	35,183
Less: Cumulative unrealized income – net of tax:	
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	(996)
Fair value adjustments of investment property resulting to gain	(1,117)
Fair value adjustments (mark-to-market gains)	(3,440)
Parent Company’s unappropriated retained earnings available for dividends as at January 1, 2020	29,630
Parent Company’s net income for the year	13,593
Less: Fair value adjustment of investment property resulting to gain	(29)
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	(1,365)
	12,199
Less: Cash dividends declared during the year	
Preferred stock	(59)
Common stock	(16,636)
	(16,695)
Parent Company’s unappropriated retained earnings available for dividends as at December 31, 2020	25,134

As at December 31, 2020, our consolidated unappropriated retained earnings amounted to Php25,652 million while the Parent Company’s unappropriated retained earnings amounted to Php32,081 million. The difference of Php6,429 million pertains to the effect of PAS 27 in our investments in subsidiaries, associates and joint ventures accounted for under equity method.

As at December 31, 2019, our consolidated unappropriated retained earnings amounted to Php18,063 million while the Parent Company’s unappropriated retained earnings amounted to Php35,183 million. The difference of Php17,120 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, 2020 and 2019, this account consists of the following:

	2020	2019
	(in million pesos)	
<b>Long-term portion of interest-bearing financial liabilities:</b>		
Long-term debt (Notes 28 and 29)	205,195	172,834
<b>Current portion of interest-bearing financial liabilities:</b>		
Long-term debt maturing within one year (Notes 28 and 29)	17,570	19,722
	222,765	192,556

Unamortized debt discount, representing 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 Php1,262 million and Php491 million as at December 31, 2020 and 2019, respectively. See *Note 28 – Financial Assets and Liabilities*.

The following table describes all changes to unamortized debt discount for the years ended December 31, 2020 and 2019:

	2020	2019
	(in million pesos)	
Unamortized debt discount at beginning of the year	491	418
Additions during the year	927	195
Revaluations during the year	(10)	—
Accretion during the year included as part of financing costs – net (Note 5)	(146)	(122)
Unamortized debt discount at end of the year	1,262	491

Long-term Debt

As at December 31, 2020 and 2019, long-term debt consists of:

Description	Interest Rates	2020		2019	
		U.S. Dollar	Php	U.S. Dollar	Php
		(in millions)			
U.S. Dollar Debts:					
Fixed Rate Notes	2.5000% to 3.4500% in 2020	587	28,179	—	—
Export Credit Agencies-Supported Loans:					
Exportkreditnamnden, or EKN	1.4100% in 2019	—	—	—	—
Term Loans:					
Others	2.8850% and US\$ LIBOR + 0.7900% to 1.4500% in 2020 and 2019	264	12,693	335	17,029
		851	40,872	335	17,029
Philippine Peso Debts:					
Fixed Rate Corporate Notes	5.6423% to 5.9058% in 2020 and 5.3938% to 5.9058% in 2019		3,854		6,152
Fixed Rate Retail Bonds	5.2250% to 5.2813% in 2020 and 2019		14,989		14,965
Term Loans:					
Unsecured Term Loans	3.9000% to 6.7339%; PHP BVAL + 0.5000% to 1.0000% (floor rate 4.5000%); PDST-R2 + 0.5000% to 0.6000% and TDF + 0.2500% in 2020 and 3.9000% to 6.7339%; PHP BVAL + 0.6000% to 1.0000% and PDST-R2 + 0.5000% to 0.6000% in 2019		163,050		154,410
		181,893		175,527	
Total long-term debt (Notes 28 and 29)		222,765		192,556	
Less portion maturing within one year (Note 28)		17,570		19,722	
Noncurrent portion of long-term debt (Note 28)		205,195		172,834	

The scheduled maturities of our consolidated outstanding long-term debt at nominal values as at December 31, 2020 are as follows:

Year	U.S. Dollar Debt		Php Debt	Total
	U.S. Dollar	Php	Php	Php
	(in millions)			
2021	60	2,852	14,859	17,711
2022	44	2,131	13,000	15,131
2023	39	1,873	25,438	27,311
2024	39	1,873	13,775	15,648
2025	14	672	21,465	22,137
2026 and onwards	670	32,174	93,915	126,089
Total long-term debt (Note 28)	866	41,575	182,452	224,027

Loan Amount	Issuance Date	Trustee	Terms	Repurchase Amount		Paid in full on	Outstanding Amounts			
				Php	Dates		2020		2019	
							U.S. Dollar	Php	U.S. Dollar	Php
							(in millions)			
Fixed Rate Notes <sup>(1)</sup>										
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	—	—	—	294 <sup>(*)</sup>	14,110 <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	—	—	—	293 <sup>(*)</sup>	14,069 <sup>(*)</sup>	—	—
							587	28,179	—	—

<sup>(1)</sup> The purpose of this loan is to refinance debt maturing in 2020 and 2021, prepay outstanding loans and partially finance capital expenditures.

<sup>(\*)</sup> Amounts are net of unamortized debt discount and/or debt issuance cost.

Loan Amount	Date of Loan Agreement	Lender	Terms		Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts			
			Installments	Final Installment					2020		2019	
									U.S. Dollar	Php	U.S. Dollar	Php
(in millions)												
<i>U.S. Dollar Debts</i>												
<i>Exportkreditnamnden, or EKN, the Export-Credit Agency of Sweden</i>												
Smart												
US\$45.6M <sup>(1)</sup>	February 22, 2013	Nordea Bank, subsequently assigned to SEK on July 3, 2013	10 equal semi-annual, commencing 6 months after the applicable mean delivery date	Tranche A1 and B1: July 16, 2018; Tranche A2 and B2: April 15, 2019	Various dates in 2013-2014	45.6	—	July 16, 2018 and April 15, 2019	—	—	—	—
Tranche A1: US\$25M;												
Tranche A2: US\$19M;												
Tranche B1: US\$0.9M;												
Tranche B2: US\$0.7M												
									—	—	—	—

<sup>(1)</sup> The purpose of this loan is to finance the supply and services contracts for the modernization and expansion project.



Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts			
					U.S. Dollar	Php		2019			
								U.S. Dollar	Php		
					(in millions)		(in millions)				
U.S. Dollar Debts											
Other Term Loans <sup>(1)</sup>											
Smart US\$100M	March 7, 2014	MUFG Bank, Ltd.	9 equal semi-annual installment, commencing 12 months after drawdown date, with final installment on March 7, 2019	Various dates in 2014	90	—	March 7, 2019	—	—	—	—
				March 2, 2015	10						
Smart US\$50M	May 14, 2014	Mizuho Bank Ltd.	9 equal semi-annual installment, commencing 11 months after drawdown date, with final installment on May 14, 2019	July 1, 2014	50	—	May 14, 2019	—	—	—	—
PLDT US\$100M	August 5, 2014	Philippine National Bank, or PNB	Annual amortization rate of 1% of the issue price on the first-year up to the fifth-year from the initial drawdown date, with final installment on August 11, 2020	Various dates in 2014	100	—	August 11, 2020	—	—	95	4,826
PLDT US\$50M	August 29, 2014	Metrobank	Annual amortization rate of 1% of the issue price payable semi-annually starting on the first-year up to the fifth-year anniversary of from the initial drawdown date and the balance payable upon maturity on September 2, 2020	September 2, 2014	50	—	September 2, 2020	—	—	48	2,426
								—	—	143	7,252

<sup>(1)</sup> The purpose of this loan is to finance capital expenditures and/or to 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 Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts			
					U.S. Dollar	Php		2020		2019	
								U.S. Dollar	Php	U.S. Dollar	Php
					(in millions)			(in millions)			
PLDT US\$200M Tranche A: US\$150M; Tranche B: US\$50M	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	—	—	45 <sup>(*)</sup>	2,157 <sup>(*)</sup>	74 <sup>(*)</sup>	3,797 <sup>(*)</sup>
Smart US\$200M	March 4, 2015	Mizuho Bank Ltd.	9 equal semi-annual installments commencing on the date which falls 12 months after the loan date, with final installment on March 4, 2020	Various dates in 2015	200	—	March 4, 2020	—	—	22 <sup>(*)</sup>	1,128 <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	—	—	30 <sup>(*)</sup>	1,469 <sup>(*)</sup>	46 <sup>(*)</sup>	2,324 <sup>(*)</sup>
PLDT US\$25M	March 22, 2016	NTT TC Leasing Co., Ltd., or NTT TC Leasing <sup>(1)</sup>	Non-amortizing, payable upon maturity on March 30, 2023	March 30, 2016	25	—	—	25 <sup>(*)</sup>	1,197 <sup>(*)</sup>	25 <sup>(*)</sup>	1,265 <sup>(*)</sup>
PLDT US\$25M	January 31, 2017	NTT TC Leasing <sup>(1)</sup>	Non-amortizing, payable upon maturity on March 27, 2024	March 30, 2017	25	—	—	25 <sup>(*)</sup>	1,195 <sup>(*)</sup>	25 <sup>(*)</sup>	1,263 <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	—	—	139 <sup>(*)</sup>	6,675 <sup>(*)</sup>	—	—
								264	12,693	192	9,777
								264	12,693	335	17,029

<sup>(\*)</sup> Amounts are net of unamortized debt discount and/or debt issuance cost.

<sup>(1)</sup> Effective July 1, 2020, these loans were transferred from NTT Finance Corporation to NTT TC Leasing. See Note 25 – Related Party Transactions.

Loan Amount	Date of Loan Agreement	Facility Agent	Installments	Date of Issuance/ Drawdown	Payments		Outstanding Amounts	
					Amount	Date	2020	2019
					Php		Php	Php
					(in millions)		(in millions)	
Philippine Peso Debts								
Fixed Rate Corporate Notes <sup>(1)</sup>								
PLDT								
Php1,500M	July 25, 2012	Metrobank	Annual amortization rate of 1% of the issue price on the first-year up to the sixth-year from issue date and the balance payable upon maturity on July 27, 2019	July 27, 2012	1,188 282	July 29, 2013 April 29, 2019	—	—
PLDT								
Php8,800M Series A: Php4,610M;	September 19, 2012	Metrobank	Series A: 1% annual amortization on the first up to sixth-year, with the balance payable on September 21, 2019; Series B: 1% annual amortization on the first up to ninth-year, with the balance payable on September 21, 2022	September 21, 2012	2,055 2,741	June 21, 2013 September 23, 2019	3,560	3,599
Series B: Php4,190M								
PLDT								
Php6,200M Series A: 7-year notes Php3,775M;	November 20, 2012	BDO	Series A: Annual amortization rate of 1% of the issue price on the first-year up to the sixth-year from issue date and the balance payable upon maturity on November 22, 2019; Series B: Annual amortization rate of 1% of the issue price on the first-year up to the ninth-year from issue date and the balance payable upon maturity on November 22, 2022	November 22, 2012	3,549	February 22, 2019	—	2,255
Series B: 10-year notes Php2,425M								
PLDT								
Php2,055M Series A: Php1,735M;	June 14, 2013	Metrobank	Series A: Annual amortization rate of 1% of the issue price up to the fifth-year and the balance payable upon maturity on September 21, 2019; Series B: Annual amortization rate of 1% of the issue price up to the eighth-year and the balance payable upon maturity on September 21, 2022	June 21, 2013	1,644	September 23, 2019	294	298
Series B: Php320M								
PLDT								
Php1,188M	July 19, 2013	Metrobank	Annual amortization rate of 1% of the issue on the first-year up to the fifth-year from the issue date and the balance payable upon maturity on July 27, 2019	July 29, 2013	1,129	April 29, 2019	—	—
							3,854	6,152

<sup>(1)</sup> The purpose of this loan is to finance capital expenditures and/or refinance existing loan obligations which were utilized for network expansion and improvement programs.

Loan Amount	Date of Loan Agreement	Paying Agent	Terms	Date of Issuance/ Drawdown	Payments		Outstanding Amounts	
					Amount	Date	2020	2019
					Php		Php	Php
					(in millions)		(in millions)	
Fixed Rate Retail Bonds <sup>(1)</sup>								
PLDT								
Php15,000M	January 22, 2014	Philippine Depositary 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	14,989 <sup>(*)</sup>	14,965 <sup>(*)</sup>

<sup>(\*)</sup> Amounts are net of unamortized debt discount and/or debt issuance cost.

<sup>(1)</sup> The purpose of this loan is to finance 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 Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts	
					Php	Php		2020	2019
					(in millions)				Php
Term Loans									
Unsecured Term Loans <sup>(1)</sup>									
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	—	—	1,920	1,940
PLDT									
Php200M	August 31, 2012	Manufacturers Life Insurance Co. (Phils.), Inc.	Payable in full upon maturity on October 9, 2019	October 9, 2012	200	—	April 10, 2019	—	—
PLDT									
Php1,000M	September 3, 2012	Union Bank of the Philippines, or Union Bank	Annual amortization rate of 1% on the first-year up to the sixth-year from the initial drawdown date and the balance payable upon maturity on January 13, 2020	January 11, 2013	1,000	—	January 13, 2020	—	940
PLDT									
Php1,000M	October 11, 2012	Philippine American Life and General Insurance Company, or Philam Life	Payable in full upon maturity on December 5, 2022	December 3, 2012	1,000	—	December 3, 2020	—	1,000
Smart									
Php3,000M	December 17, 2012	LBP	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 and the balance payable upon maturity on December 20, 2019	Various dates in 2012-2013	3,000	—	December 20, 2019	—	—
PLDT									
Php2,000M	November 13, 2013	Bank of the Philippine Islands, or BPI	Annual amortization rate of 1% on the first-year up to the sixth-year from the initial drawdown and the balance payable upon maturity on November 22, 2020	Various dates in 2013-2014	2,000	—	August 24, 2020	—	1,880
Smart									
Php3,000M	November 25, 2013	Metrobank	Annual amortization rate of 10% of the total amount drawn for six-years and the final installment is payable upon maturity on November 27, 2020	November 29, 2013	3,000	—	September 29, 2020	—	1,199 <sup>(*)</sup>
								1,920	6,959

<sup>(\*)</sup> Amounts are net of unamortized debt discount and/or debt issuance cost.

<sup>(1)</sup> 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		2020	2019
					Php	Amount		Php	Php
					(in millions)		(in millions)		
Smart Php3,000M	December 3, 2013	BPI	Annual amortization rate of 1% of the total amount drawn for the first six-years and the final installment is payable upon maturity on December 10, 2020	December 10, 2013	3,000	—	October 9, 2020	—	2,818 <sup>(*)</sup>
Smart Php3,000M	January 29, 2014	LBP	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 and the balance payable upon maturity on February 5, 2021	February 5, 2014	3,000	—	November 18, 2020	—	2,847 <sup>(*)</sup>
Smart Php500M	February 3, 2014	LBP	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 and the balance payable upon maturity on February 5, 2021	February 7, 2014	500	—	November 18, 2020	—	475
Smart Php2,000M	March 26, 2014	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 and the balance payable upon maturity on March 29, 2021	March 28, 2014	2,000	—	October 30, 2020	—	1,900
PLDT Php1,500M	April 2, 2014	Philam Life	Payable in full upon maturity on April 4, 2024	April 4, 2014	1,500	—	—	1,500	1,500
Smart Php500M	April 2, 2014	BDO	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 and the balance payable upon maturity on April 2, 2021	April 4, 2014	500	—	October 30, 2020	—	475
PLDT Php1,000M	May 23, 2014	Philam Life	Payable in full upon maturity on May 28, 2024	May 28, 2014	1,000	—	—	1,000	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	—	—	940	950
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	—	—	1,410	1,425
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	—	—	1,900	1,920
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	—	—	2,850	2,880
								9,600	18,190

<sup>(\*)</sup> Amounts are net of unamortized debt discount and/or debt issuance cost.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts	
					Php	Php		2020	2019
					(in millions)				Php
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	—	—	4,750	4,800
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	—	—	4,737 <sup>(*)</sup>	4,785 <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	—	—	4,736 <sup>(*)</sup>	4,784 <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	—	—	4,736 <sup>(*)</sup>	4,784 <sup>(*)</sup>
Smart Php7,000M	December 18, 2015	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	—	—	4,897 <sup>(*)</sup>	5,593 <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	—	—	2,900 <sup>(*)</sup>	2,929 <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	—	—	5,748 <sup>(*)</sup>	5,804 <sup>(*)</sup>
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	—	—	7,495 <sup>(*)</sup>	7,651 <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	—	—	6,225 <sup>(*)</sup>	6,286 <sup>(*)</sup>
								46,224	47,416

<sup>(\*)</sup> Amounts are net of unamortized debt discount and/or debt issuance cost.

[illegible]

(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 Amount Php (in millions)	Cancelled Undrawn Amount Php	Paid in full on	Outstanding Amounts	
								2020	2019
								Php	Php
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	—	—	1,951 <sup>(*)</sup>	1,969 <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	—	—	1,500	1,500
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	—	—	2,922 <sup>(*)</sup>	2,950 <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	—	—	4,980 <sup>(*)</sup>	4,978 <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	—	—	7,900 <sup>(*)</sup>	7,978 <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	—	—	3,936 <sup>(*)</sup>	3,972 <sup>(*)</sup>
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	—	—	1,968 <sup>(*)</sup>	1,985 <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	—	—	1,967 <sup>(*)</sup>	1,985 <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	—	—	7,949 <sup>(*)</sup>	7,942 <sup>(*)</sup>
								35,073	35,259

<sup>(\*)</sup> Amounts are net of unamortized debt discount 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	
								2020	2019
								Php	Php
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	—	—	3,973 <sup>(*)</sup>	3,970 <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	—	—	4,424 <sup>(*)</sup>	4,500
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	—	—	2,979 <sup>(*)</sup>	—
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	—	—	4,965 <sup>(*)</sup>	—
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	—	—	3,972 <sup>(*)</sup>	—
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	—	—	2,484 <sup>(*)</sup>	—
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	—	—	2,979 <sup>(*)</sup>	—
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	—	—	3,970	—
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	—	—	2,978 <sup>(*)</sup>	—
								32,724	8,470

<sup>(\*)</sup> Amounts are net of unamortized debt discount and/or debt issuance cost.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts	
					Php	Php		2020	2019
					(in millions)			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	—	—	—	—
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 7, 2031	March 9, 2021	3,000	—	—	—	—
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.	—	—	—	—	—	—
Smart Php3,000M	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.	—	—	—	—	—	—
								—	—
								163,050	154,410

(\*) Amounts are net of unamortized debt discount 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 interest 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. There was no outstanding balance of short-term debt as at December 31, 2020.

U.S. Dollar Global 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, approximately 18% and 9% were denominated in U.S. Dollars as at December 31, 2020 and 2019, respectively. 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, 2020 and 2019, we were in compliance with all of our debt covenants. See *Note 28 – Financial Assets and Liabilities – Derivative Financial Instruments*.



Consent Solicitation Exercise of PLDT

On October 11, 2019, PLDT announced its undertaking of a consent solicitation exercise relating to the 5.2250% 7-Year Fixed Rate Bonds due 2021 and 5.2813% 10-Year Fixed Rate Bonds due 2024, to amend PLDT’s maximum stand-alone Total Debt to EBITDA Ratio stipulated in the Trust Indenture from 3.0:1 to 4.0:1. The proposed amendment seeks to provide PLDT with greater flexibility to support, if necessary, higher levels of capital expenditures and general corporate requirements. Moreover, it will align the covenant ratio of PLDT’s outstanding debt capital market issuances with that of the existing bilateral facilities of both PLDT and Smart.

On October 30, 2019, PLDT announced the early closing of the consent solicitation exercise from its original schedule of November 15, 2019 when the Company received the required consents to effect the proposed amendment. The new debt covenants became effective on November 8, 2019.

22. Deferred Credits and Other Noncurrent Liabilities

As at December 31, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Provision for asset retirement obligations	2,000	1,767
Accrual of capital expenditures under long-term financing	1,542	2,118
Contract liabilities and unearned revenues (Note 5)	976	604
Others	150	68
	4,668	4,557

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*.

The following table summarizes the changes to provision for asset retirement obligations for the years ended December 31, 2020 and 2019:

	2020	2019
	(in million pesos)	
Provision for asset retirement obligations at beginning of the year	1,767	1,656
Additional liability	205	154
Accretion expenses	61	82
Revaluation due to change in IBR	39	—
Change in assumptions	(22)	—
Gain on settlement of asset retirement obligation	(50)	—
Settlement of obligations and others	—	(125)
Provision for asset retirement obligations at end of the year	2,000	1,767

23. Accounts Payable

As at December 31, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Suppliers and contractors (Note 28)	75,322	68,051
Taxes (Note 27)	2,330	1,457
Carriers and other customers (Note 28)	1,336	1,387
Related parties (Notes 25 and 28)	300	602
Others	3,125	6,348
	82,413	77,845

Accounts payable are noninterest-bearing and are normally settled within 180 days.

In 2019, one of our major suppliers entered into Trade Financing Arrangements, or TFA, to sell a portion of its Philippine Peso receivables from the Parent Company amounting to Php1,799 million and from Smart amounting to Php3,200 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. The amount reclassified from “Accounts Payable – Suppliers and contractors” to “Accounts Payable – Others” amounted to Php4,999 million as at December 31, 2019.

In 2020, the same supplier entered into another TFA to sell a portion of its Philippine Peso receivables from the Parent Company amounting to Php400 million and from Smart amounting to Php1,155 million. The amount reclassified from “Accounts Payable – Suppliers and contractors” to “Accounts Payable – Others” amounted to Php1,555 million as at December 31, 2020.

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, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Accrued utilities and related expenses (Notes 25 and 28)	64,624	60,966
Accrued taxes and related expenses (Note 27)	11,918	11,380
Accrued employee benefits and other provisions (Note 28)	10,397	8,700
Contract liabilities and unearned revenues (Note 5)	8,595	7,879
Liability from redemption of preferred shares (Notes 20 and 28)	7,849	7,851
Accrued interests and other related costs (Note 29)	1,872	1,531
Others	2,504	2,508
	107,759	100,815

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 f 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, 2020 and 2019 transactions that have been entered into with related parties:

Classifications		Terms	Conditions	2020	2019
(in million pesos)					
<i>Indirect investment in joint ventures through PCEV:</i>					
Meralco	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	Electricity charges – immediately upon receipt of invoice	Unsecured	418	415
	ROU assets (Note 10)	Upon expiration or depreciation of lease	Unsecured	1,916	—
	Lease liabilities - net of current portion (Note 10)	Due after December 2021 for 2020 and due after December 2020 for 2019	Unsecured	1,589	—
	Current portion of lease liabilities (Note 10)	Due on or before December 2021 for 2020 and due on or before December 2020 for 2019	Unsecured	437	—
Meralco Industrial Engineering Services Corporation, or MIESCOR	Accrued expenses and other current liabilities (Note 24)	30 days upon receipt of invoice	Unsecured	3	3
MPIC	Financial assets at FVOCI – net of current portion (Note 11)	Due after December 2021 for 2020 and due after December 2020 for 2019; noninterest-bearing	Unsecured	—	162
	Current portion of financial assets at FVOCI (Note 11)	Due on or before December 2021 for 2020 and due on or before December 2020 for 2019; noninterest-bearing	Unsecured	168	2,757
<i>Transactions with major stockholders, directors and officers:</i>					
NTT TC Leasing <sup>(1)</sup>	Interest-bearing financial liabilities (Note 21)	Non-amortizing, payable upon maturity on March 30, 2023 and March 27, 2024	Unsecured	2,401	2,540
NTT World Engineering Marine Corporation	Accrued expenses and other current liabilities (Note 24)	1st month of each quarter; noninterest-bearing	Unsecured	183	147
NTT Communications	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	30 days upon receipt of invoice; noninterest-bearing	Unsecured	11	10
NTT Worldwide Telecommunications Corporation	Accrued expenses and other current liabilities (Note 24)	30 days upon receipt of invoice; noninterest-bearing	Unsecured	1	3
NTT DOCOMO	Accrued expenses and other current liabilities (Note 24)	30 days upon receipt of invoice; noninterest-bearing	Unsecured	8	6
JGSHI and Subsidiaries	ROU assets (Note 10)	Upon expiration or depreciation of lease	Unsecured	134	168
	Lease liabilities - net of current portion (Note 10)	Due after December 2021 for 2020 and due after December 2020 for 2019	Unsecured	114	154
	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	1st month of each quarter; 30 days upon receipt of invoice; noninterest-bearing	Unsecured	62	33
	Current portion of lease liabilities (Note 10)	Due on or before December 2021 for 2020 and due on or before December 2020 for 2019	Unsecured	29	20

Classifications		Terms	Conditions	2020	2019
				(in million pesos)	
Malayan Insurance Co., Inc. or Malayan	Prepayments (Note 19)	Immediately upon receipt of invoice	Unsecured	18	19
	Accrued expenses and other current liabilities (Note 24)	Immediately upon receipt of invoice	Unsecured	10	5
Gotuaco del Rosario and Associates, or Gotuaco	Prepayments (Note 19)	Immediately upon receipt of invoice	Unsecured	5	6
	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	Immediately upon receipt of invoice	Unsecured	10	1
Others:					
Cignal Cable Corporation, or Cignal Cable	Accrued expenses and other current liabilities (Note 24)	Immediately upon receipt of invoice	Unsecured	102	—
Various	ROU assets (Note 10)	Upon expiration or depreciation of lease	Unsecured	598	232
	Trade and other receivables (Note 17)	30 days upon receipt of invoice	Unsecured	2,036	2,082
	Lease liabilities - net of current portion (Note 10)	Due after December 2021 for 2020 and due after December 2020 for 2019	Unsecured	413	218
	Accounts payable (Note 23)	30 days noninterest-bearing; Immediately upon receipt of billing	Unsecured	1,049	1,173
	Accrued expenses and other current liabilities (Note 24)	Immediately upon receipt of billing	Unsecured	63	65
	Current portion of lease liabilities (Note 10)	Due on or before December 2021 for 2020 and due on or before December 2020 for 2019	Unsecured	156	92

<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.

The following table provides the summary of transactions that have been entered into with related parties for the years ended December 31, 2020, 2019 and 2018 in relation with the table above.

Classifications		2020	2019	2018
		(in million pesos)		
Indirect investment in joint ventures through PCEV:				
Meralco	Repairs and maintenance	2,231	2,689	2,771
	Depreciation and amortization	473	218	—
	Rent	38	29	583
MIESCOR	Repairs and maintenance	—	—	33
	Construction-in-progress	—	—	33
Transactions with major stockholders, directors and officers:				
NTT TC Leasing <sup>(1)</sup>	Financing costs – net	59	103	100
NTT World Engineering Marine Corporation	Repairs and maintenance	139	169	17
NTT Communications	Professional and other contracted services	81	95	95
	Rent	—	—	5
NTT Worldwide Telecommunications Corporation	Selling and promotions	3	5	5
NTT DOCOMO	Professional and other contracted services	58	70	96
	Rent	314	198	236
JGSHI and Subsidiaries	Professional and other contracted services	2	—	—
	Repairs and maintenance	6	38	111
	Communication, training and travel	1	10	20
	Depreciation and amortization	34	—	—
	Financing costs – net	13	—	—
	Miscellaneous expenses	—	98	7
Malayan	Insurance and security services	194	295	182
Gotuaco	Insurance and security services	149	165	163
Asia Link B.V., or ALBV	Professional and other contracted services	—	—	34
	Professional and other contracted services	72	156	135
Others:				
TV5	Selling and promotions	112	33	409
Cignal Cable	Cost of services (iflix service agreement 2015)	—	224	372
	Cost of services (iflix service agreement 2019)	22	82	—
	Selling and promotions	23	82	—
	Other income – net	51	166	—
Various	Revenues	2,145	2,401	2,355
	Expenses	1,582	1,908	1,935

<sup>(1)</sup> Transferred to NTT TC Leasing from NTT Finance Corp. effective July 1, 2020. See Note 21 – Interest-bearing Financial Liabilities.



*a. Agreements between PLDT and certain subsidiaries with Meralco*

In the ordinary course of business, Meralco provides electricity to PLDT and certain subsidiaries' offices within its franchise area. Total electricity costs, which were presented as part of repairs and maintenance in our consolidated income statements, amounted to Php2,231 million, Php2,689 million and Php2,771 million for the years ended December 31, 2020, 2019 and 2018, respectively. Under these agreements, the outstanding obligations, which were presented as part of accounts payable and accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php418 million and Php415 million as at December 31, 2020 and 2019, respectively.

PLDT and Smart have Pole Attachment Contracts with Meralco, wherein Meralco leases its pole spaces to accommodate PLDT's and Smart's cable network facilities. Total fees under these contracts, which were presented as part of rent in our consolidated income statements, amounted to Php38 million, Php29 million and Php583 million for the years ended December 31, 2020, 2019 and 2018, respectively. Total fees under these contracts, which were presented as part of depreciation and amortization in our consolidated income statements, amounted to Php473 million, Php218 million and nil for the years ended December 31, 2020, 2019 and 2018, respectively. The carrying value of the ROU assets in our consolidated statements of financial position amounted to Php1,916 million and nil as at December 31, 2020 and 2019, respectively. Under these agreements, the outstanding obligations, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to nil and Php66 thousand as at December 31, 2020 and 2019, respectively. Under these agreements, the outstanding obligations, which were presented as part of lease liabilities in our consolidated statements of financial position, amounted to Php2,026 million and nil as at December 31, 2020 and 2019, respectively.

*b. Agreements between PLDT and MIESCOR*

PLDT has an existing Outside and Inside Plant Contracted Services Agreement with MIESCOR, a subsidiary of Meralco, which expired on December 31, 2018. Under the agreement, MIESCOR assumes full and overall responsibility for the implementation and completion of any assigned project such as cable and civil works that are required for the provisioning and restoration of lines and recovery of existing plant.

Total fees under this agreement, which were presented as part of repairs and maintenance in our consolidated income statements, amounted to nil for the years ended December 31, 2020 and 2019, and Php96 thousand for the year ended December 31, 2018. Total amounts capitalized to property and equipment amounted to nil for the years ended December 31, 2020 and 2019, and Php14 million for the year ended December 31, 2018. Under these agreements, the outstanding obligations, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to nil and Php185 thousand as at December 31, 2020 and 2019, respectively.

PLDT also has an existing Customer Line Installation, Repair, Rehabilitation and Maintenance Activities agreement with MIESCOR, which expired on December 31, 2018. Under the agreement, MIESCOR is responsible for the subscriber main station installation, repairs and maintenance of outside and inside plant network facilities in the areas awarded to them.

Total fees under this agreement, which were presented as part of repairs and maintenance in our consolidated income statements, amounted to nil for the years ended December 31, 2020 and 2019, and Php33 million for the year ended December 31, 2018. Total amounts capitalized to property and equipment amounted to nil for the years ended December 31, 2020 and 2019, and Php19 million for the year ended December 31, 2018. Under these agreements, the outstanding obligations, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php3 million each as at December 31, 2020 and 2019.

*c. Transactions with Major Stockholders, Directors and Officers*

Material transactions to which PLDT or any of its subsidiaries is a party, in which a director, key officer or owner of more than 10% of the outstanding common stock of PLDT, or any member of the immediate family of a director, key officer or owner of more than 10% of the outstanding common stock of PLDT, had a direct or indirect material interest as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 are as follows:

*1. Term Loan Facility Agreements with NTT TC Leasing*

On March 22, 2016, PLDT signed a US\$25 million term loan facility agreement with NTT Finance Corporation to finance its capital expenditure requirements for network expansion and service improvement and/or refinancing existing indebtedness. The loan is payable upon maturity on March 30, 2023. The loan was fully drawn on March 30, 2016. Total interest under this agreement, which were presented as part of financing costs – net in our consolidated income statements, amounted to Php29.5 million, Php51.5 million and Php50 million for the years ended December 31, 2020, 2019 and 2018, respectively. On July 1, 2020, the loan was transferred to NTT TC Leasing Co., Ltd. The amounts of US\$25 million, or Php1,201 million, and US\$25 million, or Php1,270 million, remained outstanding as at December 31, 2020 and 2019, respectively.

Another US\$25 million term loan facility was signed with NTT Finance Corporation on January 31, 2017 to finance its capital expenditure requirements for network expansion and service improvement and/or refinancing existing indebtedness. The loan is payable upon maturity on March 27, 2024. The loan was fully drawn on March 30, 2017. Total interest under this agreement, which were presented as part of financing costs – net in our consolidated income statements, amounted to Php29.5 million, Php51.5 million and Php50 million for the years ended December 31, 2020, 2019 and 2018, respectively. On July 1, 2020, the loan was transferred to NTT TC Leasing Co., Ltd. The amount of US\$25 million, or Php1,201 million, and US\$25 million, or Php1,270 million, remained outstanding as at December 31, 2020 and 2019, respectively.

*2. Various Agreements with NTT Communications and/or its Affiliates*

PLDT is a party to the following agreements with NTT Communications and/or its affiliates:

- *Service Agreement.* On February 1, 2008, PLDT entered into an agreement with NTT World Engineering Marine Corporation wherein the latter provides offshore submarine cable repair and other allied services for the maintenance of PLDT's domestic fiber optic network submerged plant. The fees under this agreement, which were presented as part of repairs and maintenance in our consolidated income statements, amounted to Php139 million, Php169 million and Php17 million for the years ended December 31, 2020, 2019 and 2018, respectively. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php183 million and Php147 million as at December 31, 2020 and 2019, respectively;
- *Advisory Services Agreement.* On March 24, 2000, PLDT entered into an agreement with NTT Communications, 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. The fees under this agreement, which were presented as part of professional and other contracted services in our consolidated income statements, amounted to Php81 million for the year ended December 31, 2020 and Php95 million for each of the years ended December 31, 2019 and 2018. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accounts payable and accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php8 million each as at December 31, 2020 and 2019;

- *Conventional International Telecommunications Services Agreement.* 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. The fees under this agreement, which were presented as part of rent in our consolidated income statements, amounted to nil for the years ended December 31, 2020 and 2019, and Php5 million for the year ended December 31, 2018. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accounts payable and accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php3 million and Php2 million as at December 31, 2020 and 2019, respectively;
- *Backhaul Capacity Agreement.* On November 20, 2017, PLDT entered into an agreement with NTT Communications wherein each of PLDT and NTT agreed to make available its backhaul capacity (“Capacity”) to the other party in (i) the Philippines; and (ii) Japan and HongKong, SAR, respectively, on an “Indefeasible Right of Use” basis. Pursuant to the terms of the agreement, NTT and PLDT each agreed that it will equally provide its Capacity to the other party and that no payables shall be recognized by any party against the other party during the term of the agreement, except for the applicable cross-connect and interconnection charges; and
- *Arcstar Licensing Agreement and Arcstar Service Provider Agreement.* On March 24, 2000, PLDT entered into an agreement with NTT Worldwide Telecommunications Corporation 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. The fees under this agreement, which were presented as part of selling and promotions in our consolidated income statements, amounted to Php3 million for the year ended December 31, 2020 and Php5 million for each of the years ended December 31, 2019 and 2018. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php1 million and Php3 million as at December 31, 2020 and 2019, respectively.

### 3. *Advisory Services Agreement between NTT DOCOMO and PLDT*

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. Total fees under this agreement, which were presented as part of professional and other contracted services in our consolidated income statements, amounted to Php58 million, Php70 million and Php96 million for the years ended December 31, 2020, 2019 and 2018, respectively. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php8 million and Php6 million as at December 31, 2020 and 2019, respectively.

### 4. *Transactions with 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. Total fees under these contracts, which were presented as part of rent in our consolidated income statements, amounted to Php314 million, Php198 million and Php236 million for the years ended December 31, 2020, 2019 and 2018, respectively. Total fees under these contracts, which were presented as part of depreciation and amortization in our consolidated income statements, amounted to Php34 million for the year ended December 31, 2020 and nil for the years ended December 31, 2019 and 2018. The carrying value of the ROU assets in our consolidated statements of financial position amounted to Php134 million and Php168 million as at December 31, 2020 and 2019, respectively. Under these agreements, the outstanding obligations, which were presented as part of lease liabilities in our consolidated statements of financial position, amounted to Php143 million and Php174 million as at December 31, 2020 and 2019, respectively. Under these agreements, the outstanding obligations, which were presented as part of accounts payable and accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php59 million and Php31 million as at December 31, 2020 and 2019, respectively.

Total fees under these contracts, which were presented as part of financing costs – net in our consolidated income statements, amounted to Php13 million for the year ended December 31, 2020 and nil for the years ended December 31, 2019 and 2018. There were also other transactions such as professional and other contracted services, communication, training and travel, repairs and maintenance and miscellaneous expenses in our consolidated income statements, amounting to Php9 million, Php146 million and Php138 million for the years ended December 31, 2020, 2019 and 2018, respectively. Under these agreements, the outstanding obligations for these transactions, which were presented as part of accounts payable and accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php3 million and Php2 million as at December 31, 2020 and 2019, respectively.

### 5. *Transactions with 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. Total fees under these contracts, which were presented as part of insurance and security services in our consolidated income statements, amounted to Php194 million, Php295 million and Php182 million for the years ended December 31, 2020, 2019 and 2018, respectively. Under this agreement, outstanding prepayments, which were presented as part of prepayments in our consolidated statements of financial position, amounted to Php18 million and Php19 million as at December 31, 2020 and 2019 respectively, while the outstanding obligations, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php10 million and Php5 million as at December 31, 2020 and 2019, respectively.

### 6. *Transactions with 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. Total fees under these contracts, which were presented as part of insurance and security services in our consolidated income statement, amounted to Php149 million, Php165 million and Php163 million for the years ended December 31, 2020, 2019 and 2018, respectively. Under this agreement, the outstanding prepayments, which were presented as part of prepayments in our consolidated statements of financial position, amounted to Php5 million and Php6 million as at December 31, 2020 and 2019, respectively, while the outstanding obligations, which were presented as part of accounts payable and accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php10 million and Php1 million as at December 31, 2020 and 2019, respectively.



## 7. *Agreement between Smart and ALBV*

Smart had a Technical Assistance Agreement with ALBV, a subsidiary of the First Pacific Group and its Philippine affiliates. ALBV provides technical support services and assistance in the operations and maintenance of Smart's cellular business which provides for payment of technical service fees equivalent to a rate of 0.5% of the consolidated net revenues of Smart. Effective February 1, 2014, the parties agreed to reduce the technical service fee rate from 0.5% to 0.4% of the consolidated net revenues of Smart. The agreement expired on February 23, 2018. Total service fees charged to operations under this agreement, which were presented as part of professional and other contracted services in our consolidated income statements, amounted to nil and Php34 million for the years ended December 31, 2019 and 2018, respectively. There were no outstanding obligations under this agreement as at December 31, 2019.

## 8. *Agreement between Smart and FPIML*

On March 1, 2018, Smart entered into an Advisory Services Agreement with FPIML, a subsidiary of the First Pacific Group and its Philippine affiliates. The agreement shall be 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. Total professional fees under this agreement, which were presented as part of professional and other contracted services in our consolidated income statements, amounted to Php72 million, Php156 million and Php135 million for the years ended December 31, 2020, 2019 and 2018, respectively. There were no outstanding payable under this agreement as at December 31, 2020 and 2019.

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.

## 9. *Cooperation Agreement with First Pacific and certain affiliates, or the FP Parties, NTT Communications and NTT DOCOMO*

In connection with the transfer by NTT Communications of approximately 12.6 million shares of PLDT's common stock to NTT DOCOMO pursuant to the SPA dated January 31, 2006 between NTT Communications and NTT DOCOMO, the FP Parties, NTT Communications and NTT DOCOMO entered into a Cooperation Agreement, dated January 31, 2006. Under the Cooperation Agreement, the relevant parties extended certain rights of NTT Communications under the Stock Purchase and Strategic Investment Agreement dated September 28, 1999, as amended, and the Shareholders Agreement dated March 24, 2000, to NTT DOCOMO, including:

- certain contractual veto rights over a number of major decisions or transactions; and
- rights relating to the representation on the Board of Directors of PLDT and Smart, respectively, and any committees thereof.

Moreover, key provisions of the Cooperation Agreement pertain to, among other things:

- *Restriction on Ownership of Shares of PLDT by NTT Communications and NTT DOCOMO.* Each of NTT Communications and NTT DOCOMO has agreed not to beneficially own, directly or indirectly, in the aggregate with their respective subsidiaries and affiliates, more than 21% of the issued and outstanding shares of PLDT's common stock. If such event does occur, the FP Parties, as long as they own in the aggregate not less than 21% of the issued and outstanding shares of PLDT's common stock, have the right to terminate their respective rights and obligations under the Cooperation Agreement, the Shareholders Agreement and the Stock Purchase and Strategic Investment Agreement.

- *Limitation on Competition.* NTT Communications, NTT DOCOMO and their respective subsidiaries are prohibited from investing in excess of certain thresholds in businesses competing with PLDT in respect of customers principally located in the Philippines and from using their assets in the Philippines in such businesses. Moreover, if PLDT, Smart or any of Smart's subsidiaries intend to enter into any contractual arrangement relating to certain competing businesses, PLDT is required to provide, or to use reasonable efforts to procure that Smart or any of Smart's subsidiaries provide, NTT Communications and NTT DOCOMO with the same opportunity to enter into such agreement with PLDT or Smart or any of Smart's subsidiaries, as the case may be.

- *Business Cooperation.* PLDT and NTT DOCOMO agreed in principle to collaborate with each other on the business development, roll-out and use of a Wireless-Code Division Multiple Access mobile communication network. In addition, PLDT agreed, to the extent of the power conferred by its direct or indirect shareholding in Smart, to procure that Smart will: (i) become a member of a strategic alliance group for international roaming and corporate sales and services; and (ii) enter into a business relationship concerning preferred roaming and inter-operator tariff discounts with NTT DOCOMO.

- *Additional Rights of NTT DOCOMO.* 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:

1. NTT DOCOMO is entitled to nominate one additional NTT DOCOMO nominee to the Board of Directors of each PLDT and Smart;
2. 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;
3. 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
4. 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 by any member of the PLDT Group of Smart common capital stock to any person who is not a member of the PLDT Group.

NTT Communications and NTT DOCOMO together beneficially owned approximately 20% of PLDT's outstanding common stock as at December 31, 2020 and 2019.

- *Change in Control.* Each of NTT Communications, NTT DOCOMO and the FP Parties agreed that to the extent permissible under applicable laws and regulations of the Philippines and other jurisdictions, subject to certain conditions, to cast its vote as a shareholder in support of any resolution proposed by the Board of Directors of PLDT for the purpose of safeguarding PLDT from any Hostile Transferee. A “*Hostile Transferee*” is defined under the Cooperation Agreement to mean any person (other than NTT Communications, NTT DOCOMO, First Pacific or any of their respective affiliates) determined to be so by the PLDT Board of Directors and includes, without limitation, a person who announces an intention to acquire, seeking to acquire or acquires 30% or more of PLDT common shares then issued and outstanding from time to time or having (by itself or together with itself) acquired 30% or more of the PLDT common shares who announces an intention to acquire, seeking to acquire or acquires a further 2% of such PLDT common shares: (a) at a price per share which is less than the fair market value as determined by the Board of Directors of PLDT, as advised by a professional financial advisor; (b) which is subject to conditions which are subjective or which could not be reasonably satisfied; (c) without making an offer for all PLDT common shares not held by it and/or its affiliates and/or persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain or consolidate control over PLDT; (d) whose offer for the PLDT common shares is unlikely to succeed; or (e) whose intention is otherwise not *bona fide*; provided that, no person will be deemed a Hostile Transferee unless prior to making such determination, the Board of Directors of PLDT has used reasonable efforts to discuss with NTT Communications and NTT DOCOMO in good faith whether such person should be considered a Hostile Transferee.
- *Termination.* If NTT Communications, NTT DOCOMO or their respective subsidiaries cease to own, in the aggregate, full legal and beneficial title to at least 10% of the shares of PLDT's common stock then issued and outstanding, their respective rights and obligations under the Cooperation Agreement and the Shareholders Agreement will terminate and the Strategic Arrangements (as defined in the Stock Purchase and Strategic Investment Agreement) will terminate. If the FP Parties and their respective subsidiaries cease to have, directly or indirectly, effective voting power in respect of shares of PLDT's common stock representing at least 18.5% of the shares of PLDT's common stock then issued and outstanding, their respective rights and obligations under the Cooperation Agreement, the Stock Purchase and Strategic Investment Agreement, and the Shareholders Agreement will terminate.

d. *Others*

1. *Agreement of PLDT and Smart with TV5*

In 2010, PLDT and Smart entered into advertising placement agreements with TV5, a subsidiary of MediaQuest, which is a wholly-owned investee company of PLDT Beneficial Trust Fund for the airing and telecast of advertisements and commercials of PLDT and Smart on TV5's television network for a period of five years. The costs of telecast of each advertisement shall be applied and deducted from the placement amount only after the relevant advertisement or commercial is actually aired on TV5's television network. In June 2014, Smart and TV5 agreed to amend the liquidation schedule under the original advertising placement agreement by extending the term of expiry from 2015 to 2018. Total selling and promotions under the advertising placement agreements amounted to Php112 million, Php33 million and Php409 million for the years ended December 31, 2020, 2019 and 2018, respectively. There were no prepayments under this advertising placement agreements as at December 31, 2020 and 2019.

2. *Agreement of PLDT, Smart and DMPI with Cignal Cable*

In May 2015, PLDT, Smart and DMPI entered into a four-year agreement with Cignal Cable commencing with the launch of the OTT video-on-demand service, or *iflix* service, in the Philippines on June 18, 2015. *iflix* service is provided by iFlix Sdn Bhd and Cignal Cable is the authorized reseller of the *iflix* service in the Philippines. Under the agreement, PLDT, Smart and DMPI were appointed by Cignal Cable to act as its internet service providers with an authority to resell and distribute the *iflix* service to their respective subscribers on a monthly and annual basis. The cost of services recognized amounted to nil, Php224 million and Php372 million for the years ended December 31, 2020, 2019 and 2018 respectively. Under this agreement, outstanding prepayments, which were presented as part of prepayments in our consolidated statements of financial position, amounted to nil as at December 31, 2020 and 2019. There were no outstanding obligations under this agreement as at December 31, 2020 and 2019.

PLDT and Smart entered into a new 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. The cost of services, selling and promotions, and other income – net recognized in our consolidated income statement under this agreement amounted to Php22 million, Php23 million and Php51 million, respectively, for the year ended December 31, 2020. The cost of services, selling and promotions, and other income – net recognized in our consolidated income statements under this agreement amounted to Php82 million, Php82 million and Php166 million, respectively, for the year ended December 31, 2019. Under these agreements, the outstanding obligations, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php102 million and nil as at December 31, 2020 and 2019, respectively.

3. *Telecommunications services provided by PLDT and certain of its subsidiaries and other transactions with various related parties*

PLDT and certain of its subsidiaries provide telephone, data communication and other services to various related parties. The revenues under these services amounted to Php2,145 million, Php2,401 million and Php2,355 million for the years ended December 31, 2020, 2019 and 2018, respectively. The expenses under these services amounted to Php1,582 million, Php1,908 million and Php1,935 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Under these agreements, the ROU assets in our consolidated statement of financial position amounted to Php598 million and Php232 million as at December 31, 2020 and 2019, respectively, and the trade and other receivables in our consolidated statements of financial position amounted to Php2,036 million and Php2,082 million as at December 31, 2020 and 2019, respectively. Under these agreements, the outstanding obligations, which were presented as part of lease liabilities amounted to Php569 million and Php310 million as at December 31, 2020 and 2019, respectively, accounts payable in our consolidated statements of financial position amounted to Php1,049 million and Php1,173 million as at December 31, 2020 and 2019, respectively, and accrued expenses and other current liabilities amounted to Php63 million and Php65 million as at December 31, 2020 and 2019, respectively.

See *Note 11 – Investments in Associates and Joint Ventures – Investment of ePLDT in MediaQuest PDRs and Sale of PCEV's Receivables from MPIC* for other related party transactions.



e. *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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
		(in million pesos)	
Short-term employee benefits	327	311	401
Share-based payments (Note 26)	297	138	83
Post-employment benefits (Note 26)	22	58	30
Total compensation paid to key officers of the PLDT Group	646	507	514

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 Php72 million, Php68 million and Php63 million for the years ended December 31, 2020, 2019 and 2018, 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, 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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
		(in million pesos)	
Changes in the present value of defined benefit obligations:			
Present value of defined benefit obligations at beginning of the year	22,638	20,683	21,503
Actuarial losses (gains) on obligations – economic assumptions	3,507	3,829	(2,611)
Service costs	1,313	1,043	1,063
Interest costs on benefit obligation	1,056	1,338	1,227
Actuarial losses on obligations – experience	265	570	419
Actual benefits paid/settlements	(369)	(4,558)	(887)
Actuarial losses on obligations – demographic assumptions	—	4	—
Curtailments and others	(213)	(271)	(31)
Present value of defined benefit obligations at end of the year	28,197	22,638	20,683
Changes in fair value of plan assets:			
Fair value of plan assets at beginning of the year	13,724	13,539	12,534
Actual contributions	3,227	7,598	5,110
Interest income on plan assets	322	1,360	770
Actual benefits paid/settlements	(369)	(4,558)	(887)
Return on plan assets (excluding amount included in net interest)	(1,904)	(4,215)	(3,988)
Fair value of plan assets at end of the year	15,000	13,724	13,539
Unfunded status – net	(13,197)	(8,914)	(7,144)
Accrued benefit costs	13,342	8,985	7,159
Prepaid benefit costs (Note 19)	145	71	15
Components of net periodic benefit costs:			
Service costs	1,313	1,043	1,063
Interest costs – net	734	(22)	457
Curtailment/settlement losses (gains) and other adjustments	(99)	(181)	21
Net periodic benefit costs (Note 5)	1,948	840	1,541

Actual net losses on plan assets amounted to Php1,582 million, Php2,855 million and Php3,218 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Based on the latest actuarial valuation, our expected contribution to the defined benefit plan in 2021 will amount to Php1,880 million.

The following table sets forth the expected future settlements by the Plan of maturing defined benefit obligation as at December 31, 2020:

	(in million pesos)
2021	3,570
2022	295
2023	433
2024	695
2025	882
2026 to 2065	125,132

The average duration of the defined benefit obligation at the end of the reporting period is 8 to 19 years.

The weighted average assumptions used to determine pension benefits for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Rate of increase in compensation	6.0%	6.0%	6.0%
Discount rate	3.5%	4.8%	7.3%

In 2019, we have changed the source of the mortality rates from the 1994 Group Annuity Mortality Table developed by the U.S. Society of Actuaries to the 2017 Philippine Intercompany Mortality Table developed by the Actuarial Society of the Philippines Life Insurance Committee. Both sources provide separate rates for males and females. The disability rates were based on the 1952 Disability Study of the U.S. Society of Actuaries for Period 2, Benefit 5 adjusted to suit local experience.

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, 2020, assuming if all other assumptions were held constant:

	Increase (Decrease)	
	(in million pesos)	
Discount rate	1%	(2,869)
	(1%)	3,448
Future salary increases	1%	3,328
	(1%)	(2,835)

#### *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, 2020 and 2019:

	2020	2019
	(in million pesos)	
<b>Noncurrent Financial Assets</b>		
Investments in:		
Unquoted equity investments	10,728	10,815
Shares of stock	1,903	2,077
Corporate bonds	255	145
Government securities	76	22
Mutual funds	21	9
Total noncurrent financial assets	12,983	13,068
<b>Current Financial Assets</b>		
Cash and cash equivalents	1,771	441
Receivables	8	8
Total current financial assets	1,779	449
Total PLDT's Plan Assets	14,762	13,517
Subsidiaries Plan Assets	238	207
Total Plan Assets of Defined Benefit Pension Plans	15,000	13,724

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 market values at reporting date.

#### *Unquoted Equity Investments*

As at December 31, 2020 and 2019, this account consists of:

	2020	2019	2020	2019
	% of Ownership		(in million pesos)	
MediaQuest	100%	100%	9,955	10,050
Tahanan Mutual Building and Loan Association, Inc., or TMBLA, (net of subscriptions payable of Php32 million)	100%	100%	542	544
BTFHI	100%	100%	231	221
			10,728	10,815



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 11.6% to 11.7%. Cash flows beyond the five-year period are determined using 0.0% to 5.0% 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. See *Note 11 – Investments in Associates and Joint Ventures – Investment of ePLDT in MediaQuest PDRs.*

In 2018 and 2019, the Board of Trustees of the PLDT Beneficial Trust Fund approved additional investment in MediaQuest amounting to Php2,700 million and Php3,100 million, respectively, to fund MediaQuest’s investment requirements. The full amount was fully drawn by MediaQuest during 2018 and 2019.

In 2020, the Board of Trustees of the PLDT Beneficial Trust Fund approved the additional investment in MediaQuest amounting to Php1,400 million to fund MediaQuest’s investment requirements. As at December 31, 2020, MediaQuest has fully drawn the total amount of Php1,400 million. Loss on changes in fair value of the investment for the year ended December 31, 2020 amounting to Php1,495 million was recognized in the statement of changes in net assets available for plan benefits under “Net fair value gain (loss) on investments.”

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 in the amount of Php20 million (net of unpaid subscription amounting to Php32 million) and subsequent subscription via a Deed of Pledge amounting to Php99 million. The cumulative change in the fair market values of this investment amounted to Php423 million and Php425 million as at December 31, 2020 and 2019, 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, 2020, 2019 and 2018. Dividend receivables amounted to Php2 million each as at December 31, 2020 and 2019.

Shares of Stocks

As at December 31, 2020 and 2019, this account consists of:

	2020	2019
	(in million pesos)	
Common shares		
PSE	1,026	1,161
PLDT	35	26
Others	482	530
Preferred shares	360	360
	1,903	2,077

Dividends earned on PLDT common shares amounted to Php2 million for each of the years ended December 31, 2020, 2019 and 2018.

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, 2020 and 2019. 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 for each of the years ended December 31, 2020, 2019 and 2018.

### Corporate Bonds

Investment in corporate bonds includes various long-term peso and dollar denominated bonds with maturities ranging from January 2021 to September 2027 and fixed interest rates from 3.25% to 6.94% per annum. Total investment in corporate bonds amounted to Php255 million and Php145 million as at December 31, 2020 and 2019, respectively.

### Government Securities

Investment in government securities includes Fixed Rate Treasury Notes and Premyo Bonds bearing interest rate of 5.88% and 1.25% per annum, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines. Total investment in government securities amounted Php76 million and Php22 million as at December 31, 2020 and 2019, respectively.

### Mutual Funds

Investment in mutual funds includes local equity and offshore funds, which aims to out-perform benchmarks in various indices as part of its investment strategy. Total investment in mutual funds amounted to Php21 million and Php9 million as at December 31, 2020 and 2019, respectively.

The allocation of the fair value of the assets for the PLDT pension plan as at December 31, 2020 and 2019 are as follows:

	2020	2019
Investments in listed and unlisted equity securities	86%	96%
Temporary cash investments	12%	3%
Debt and fixed income securities	2%	1%
	100%	100%

### 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, 2020 and 2019, 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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
	(in million pesos)		
Changes in the present value of defined benefit obligations:			
Present value of defined benefit obligations at beginning of the year	2,813	2,804	2,490
Service costs	294	239	314
Interest costs on benefit obligation	118	174	—
Actuarial losses – experience	69	100	—
Actuarial losses – economic assumptions	28	13	—
Actual benefits paid/settlements	(567)	(37)	—
Curtailment and others	20	(480)	—
Present value of defined benefit obligations at end of the year	2,775	2,813	2,804
Changes in fair value of plan assets:			
Fair value of plan assets at beginning of the year	3,084	3,159	2,862
Actual contributions	282	281	297
Interest income on plan assets	142	190	—
Return on plan assets (excluding amount included in net interest)	143	100	—
Actual benefits paid/settlements	—	(37)	—
Others	—	(609)	—
Fair value of plan assets at end of the year	3,651	3,084	3,159
Funded status – net	876	271	355
Accrued benefit costs	—	—	23
Prepaid benefit costs (Note 19)	876	271	378
Components of net periodic benefit costs:			
Service costs	294	239	314
Interest income – net	(24)	(16)	—
Curtailment/settlement gain	—	(6)	—
Others	—	(39)	—
Net periodic benefit costs (Note 5)	270	178	314

Smart's net consolidated pension benefit costs amounted to Php270 million, Php178 million and Php314 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Actual net gains on plan assets amounted to Php285 million, Php290 million and nil for the years ended December 31, 2020, 2019 and 2018, respectively.

Based on the latest actuarial valuation, Smart and certain of its subsidiaries expect to contribute the amount of approximately Php299 million to the plan in 2021.

The following table sets forth the expected future settlements by the Plan of maturing defined benefit obligation as at December 31, 2020:

	(in million pesos)
2021	75
2022	146
2023	105
2024	153
2025	215
2026 to 2060	1,395

The average duration of the defined benefit obligation at the end of the reporting period is 13 years.



The weighted average assumptions used to determine pension benefits for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019
Rate of increase in compensation	5.0 %	5.0 %
Discount rate	3.5 %	7.3 %

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, 2020, assuming if all other assumptions were held constant:

	Increase (Decrease) (in million pesos)	
Discount rate	(0.9%)	(25)
	3.5%	96
Future salary increases	3.3%	(92)
	(0.9%)	(25)

#### *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 50%, 30% and 20% for fixed income securities, temporary placements 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, 2020 and 2019:

	2020	2019
	(in million pesos)	
<b>Noncurrent Financial Assets</b>		
Investments in:		
Domestic fixed income	2,416	1,993
International equities	902	1,114
Domestic equities	832	649
Philippine foreign currency bonds	240	516
International fixed income	74	142
Total noncurrent financial assets	4,464	4,414
<b>Current Financial Assets</b>		
Cash and cash equivalents	388	32
Receivables	—	2
Total current financial assets	388	34
Total plan assets	4,852	4,448
Less: Employee's share, forfeitures and mandatory reserve account	1,201	1,364
Total Plan Assets of Defined Contribution Plans	3,651	3,084

#### *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 2.8% to 12.0% per annum. Total investments in domestic fixed income amounted to Php2,416 million and Php1,993 million as at December 31, 2020 and 2019, respectively.

#### *International Equities*

Investments in international equities include exchange traded funds, mutual funds and unit investment trust funds managed by BlackRock, Wellington Management and BPI Asset Management and Trust Corporation. Total investments in international equities amounted to Php902 million and Php1,114 million as at December 31, 2020 and 2019, respectively.

#### *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. Total investment in domestic equities amounted to Php832 million and Php649 million as at December 31, 2020 and 2019, respectively. This includes investment in PLDT shares with fair value of Php44 million and Php13 million as at December 31, 2020 and 2019, respectively.

#### *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. Total investment in Philippine foreign currency bonds amounted to Php240 million and Php516 million as at December 31, 2020 and 2019, respectively.

#### *International Fixed Income*

Investments in international fixed income include exchange traded funds, mutual funds and unit investment trust funds managed by Pacific Investment Management. Total investments in international fixed income amounted to Php74 million and Php142 million as at December 31, 2020 and 2019, respectively.

#### *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, 2020 and 2019 is as follows:

	2020	2019
Investments in debt and fixed income securities and others	64%	60%
Investments in listed and unlisted equity securities	36%	40%
	100%	100%

Other Long-term Employee Benefits

Cycle 1 TIP

On September 26, 2017, the Board of Directors of PLDT approved the TIP which intends 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. The incentive compensation will be in the form of Performance Shares, PLDT common shares of stock, which will be released in three annual grants on the condition, among others, that pre-determined consolidated core net income targets are successfully achieved over three annual performance periods from January 1, 2017 to December 31, 2019. On September 26, 2017, the Board of Directors approved the acquisition of 860 thousand Performance Shares to be awarded under the TIP. On March 7, 2018, the ECC of the Board approved the acquisition of additional 54 thousand shares, increasing the total Performance Shares to 914 thousand. Metrobank, through its Trust Banking Group, is the appointed Trustee of the trust established for purposes of the TIP. The Trustee is designated to acquire the PLDT common shares in the open market through the facilities of the PSE and administer their distribution to the eligible participants subject to the terms and conditions of the TIP. On December 11, 2018, the ECC of the Board approved Management’s recommended modifications to the Plan, and partial equity and cash settled set-up was implemented for the 2019 TIP Grant. The revised set-up includes a fixed number of shares that will be granted (“equity award”) and the estimated fair value of the difference between the number of shares granted in the original equity grant and the equity award will be paid in cash (“cash award”). The fair value of the cash award is determined at each reporting date using the estimated fair value of the corresponding shares.

As at March 25, 2021, a total of 757 thousand PLDT common shares have been acquired by the Trustee, of which 238 thousand PLDT common shares have been released on March 12, 2020, April 7, 2020 and January 19, 2021 for the 2019 annual grant, and 302 thousand PLDT common shares have been released on March 28, 2019 for the 2018 annual grant, and 204 thousand shares on April 15, 2018 for the 2017 annual grant. The cash award for the 2019 annual grant that was paid on March 12, 2020 amounted to Php654 million. The TIP is administered by the ECC of the Board.

Cycle 2 TIP

On August 7, 2020, the ECC approved the adjusted TIP that covers the years 2020 and 2021, and will be settled in cash. The cash grant will be for the two years covered and payment will be in 2022. The Cycle 2 TIP will be based on the achievement of the CCNI for the years 2020 and 2021.

This other long-term employee benefit liability is recognized and measured using the projected unit credit method and to be amortized on a straight-line basis over the vesting period.

The expense accrued for the TIP amounted to Php1,134 million, Php638 million and Php208 million for the years ended December 31, 2020, 2019 and 2018, respectively. The accrued incentive payable, representing the cash settled set-up amounted to Php1,134 million and Php795 million as at December 31, 2020 and 2019, 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

Pursuant to a decision of the Supreme Court on March 25, 2003 in the case of *PLDT vs. City of Davao* declaring PLDT not exempt from the local franchise tax, PLDT started paying local franchise tax to various local government units, or LGUs. As at December 31, 2020, 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 and the case is now submitted for resolution.

Digitel’s Franchise Tax Assessment and Real Property Tax Assessment

Digitel is discussing with various local government units as to settlement of its franchise tax and real property tax liabilities.

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. Hence, on October 19, 2016, ACeS Philippines filed a petition before the Supreme Court assailing the decision of the CTA. ACeS Philippines intends to file a formal request for compromise of tax liabilities before the BIR while the case is pending before the Supreme Court. On February 23, 2017 and March 15, 2017, respectively, the Company paid and filed a formal request for compromise of tax liabilities amounting to Php27 million before the BIR while the case is pending before the Supreme Court. No outstanding Letter of Authority for other years.

### *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.

### *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 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 of PLDT lines; 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." 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 Petition is pending resolution by the Supreme Court.

### *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.

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 assignment. 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 Court in charge of G.R. No. 230798, the case with the lowest docket number.

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, 2020 and 2019:

	Financial instruments at amortized cost	Financial instruments at FVPL	Financial instruments at FVOCI	Total financial instruments
(in million pesos)				
<b>Assets as at December 31, 2020</b>				
<b>Noncurrent:</b>				
Financial assets at fair value through profit or loss	—	380	—	380
Debt instruments at amortized cost – net of current portion	1,153	—	—	1,153
Other financial assets – net of current portion	2,915 <sup>(1)</sup>	—	—	2,915
<b>Current:</b>				
Cash and cash equivalents	40,237	—	—	40,237
Short-term investments	508	481 <sup>(2)</sup>	—	989
Trade and other receivables	22,053	—	—	22,053
Current portion of derivative financial assets	—	22	—	22
Current portion of financial assets at fair value through other comprehensive income	—	—	168	168
Current portion of other financial assets	200 <sup>(1)</sup>	6,972 <sup>(3)</sup>	—	7,172
Total assets	67,066	7,855	168	75,089
<b>Liabilities as at December 31, 2020</b>				
<b>Noncurrent:</b>				
Interest-bearing financial liabilities – net of current portion	205,195	—	—	205,195
Lease liabilities – net of current portion	15,982	—	—	15,982
Derivative financial liabilities – net of current portion	—	360	—	360
Customers’ deposits	2,371	—	—	2,371
Deferred credits and other noncurrent liabilities	1,683	—	—	1,683
<b>Current:</b>				
Accounts payable	80,051	—	—	80,051
Accrued expenses and other current liabilities	79,000	7,849	—	86,849
Current portion of interest-bearing financial liabilities	17,570	—	—	17,570
Current portion of lease liabilities	4,043	—	—	4,043
Dividends payable	1,194	—	—	1,194
Current portion of derivative financial liabilities	—	176	—	176
Total liabilities	407,089	8,385	—	415,474
Net assets (liabilities)	(340,023)	(530)	168	(340,385)

<sup>(1)</sup> Includes refundable deposits and notes receivables.

<sup>(2)</sup> In December 2020, PLDT invested US\$10.0 million in the Supply Chain Finance of Cedit Suisse equivalent to 9,114.59 shares. The fund is invested in Notes backed by buyer-confirmed trade receivables/buyer payment undertakings, supplier payment undertakings and account receivables. Underlying credit risk of the Notes is insured by an insurance company with ratings of at least A by S&P and A2 by Moodys. As at December 31, 2020, the fund’s value is US\$10.01 million.

<sup>(3)</sup> Includes RCBC Redemption Trust Account. See Note 20 – Redemption of Preferred Stock.



	Financial instruments at amortized cost	Financial instruments at FVPL	Financial instruments at FVOCI	Total financial instruments
(in million pesos)				
<b>Assets as at December 31, 2019</b>				
<i><b>Noncurrent:</b></i>				
Financial assets at fair value through profit or loss	—	3,369	—	3,369
Derivative financial assets – net of current portion	—	1	—	1
Financial assets at fair value through other comprehensive income – net of current portion	—	—	162	162
Other financial assets – net of current portion	1,986	—	—	1,986
<i><b>Current:</b></i>				
Cash and cash equivalents	24,369	—	—	24,369
Short-term investments	314	—	—	314
Trade and other receivables	22,436	—	—	22,436
Current portion of derivative financial assets	—	41	—	41
Current portion of debt instruments at amortized cost	150	—	—	150
Current portion of financial assets at fair value through other comprehensive income	—	—	2,757	2,757
Current portion of other financial assets	1,220	6,866	—	8,086
Total assets	50,475	10,277	2,919	63,671
<b>Liabilities as at December 31, 2019</b>				
<i><b>Noncurrent:</b></i>				
Interest-bearing financial liabilities – net of current portion	172,834	—	—	172,834
Lease liabilities – net of current portion	13,100	—	—	13,100
Derivative financial liabilities – net of current portion	—	25	—	25
Customers' deposits	2,205	—	—	2,205
Deferred credits and other noncurrent liabilities	2,179	—	—	2,179
<i><b>Current:</b></i>				
Accounts payable	76,384	—	—	76,384
Accrued expenses and other current liabilities	73,303	7,851	—	81,154
Current portion of interest-bearing financial liabilities	19,722	—	—	19,722
Current portion of lease liabilities	3,215	—	—	3,215
Dividends payable	1,584	—	—	1,584
Current portion of derivative financial liabilities	—	88	—	88
Total liabilities	364,526	7,964	—	372,490
Net assets (liabilities)	(314,051)	2,313	2,919	(308,819)

The following table sets forth our consolidated offsetting of financial assets and liabilities recognized as at December 31, 2020 and 2019:

	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	Net amount presented in the consolidated statements of financial position
(in million pesos)			
<b>December 31, 2020</b>			
<b>Current Financial Assets</b>			
Trade and other receivables			
Foreign administrations	7,161	5,877	1,284
Domestic carriers	717	552	165
Total	7,878	6,429	1,449
<b>Current Financial Liabilities</b>			
Accounts payable			
Suppliers and contractors	75,394	72	75,322
Carriers and other customers	7,128	2,699	4,429
Total	82,522	2,771	79,751
<b>December 31, 2019</b>			
<b>Current Financial Assets</b>			
Trade and other receivables			
Foreign administrations	5,857	4,338	1,519
Domestic carriers	1,018	219	799
Total	6,875	4,557	2,318
<b>Current Financial Liabilities</b>			
Accounts payable			
Suppliers and contractors	68,121	70	68,051
Carriers and other customers	11,437	3,706	7,731
Total	79,558	3,776	75,782

There are no financial instruments subject to an enforceable master netting arrangement as at December 31, 2020 and 2019.

The following table sets forth our consolidated carrying values and estimated fair values of our financial assets and liabilities recognized as at December 31, 2020 and 2019 other than those whose carrying amounts are reasonable approximations of fair values:

	Carrying Value		Fair Value	
	2020	2019	2020	2019
(in million pesos)				
<b>Noncurrent Financial Assets</b>				
Debt instruments at amortized cost	1,153	—	1,163	—
Other financial assets – net of current portion	2,915	1,986	2,561	1,657
Total	4,068	1,986	3,724	1,657
<b>Noncurrent Financial Liabilities</b>				
Interest-bearing financial liabilities:				
Long-term debt – net of current portion	205,195	172,834	213,908	169,965
Customers' deposits	2,371	2,205	1,821	1,539
Deferred credits and other noncurrent liabilities	1,683	2,179	1,562	1,953
Total	209,249	177,218	217,291	173,457

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, 2020 and 2019. This classification provides a reasonable basis to illustrate the nature and extent of risks associated with those financial statements.

	2020				2019			
	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	61	294	25	380	2,442	304	623	3,369
Derivative financial assets – net of current portion	—	—	—	—	—	1	—	1
Financial assets at FVOCI – net of current portion	—	—	—	—	—	162	—	162
<b>Current Financial Assets</b>								
Short-term investments	—	481	—	481	—	—	—	—
Current portion of derivative financial assets	—	22	—	22	—	41	—	41
Current portion of FVOCI	—	168	—	168	—	2,757	—	2,757
Current portion of other financial assets	—	6,972	—	6,972	—	6,866	—	6,866
Total	61	7,937	25	8,023	2,442	10,131	623	13,196
<b>Noncurrent Financial Liabilities</b>								
Derivative financial liabilities – net of current portion	—	360	—	360	—	25	—	25
<b>Current Financial Liabilities</b>								
Accrued expenses and other current liabilities	—	7,849	—	7,849	—	7,851	—	7,851
Current portion of derivative financial liabilities	—	176	—	176	—	88	—	88
Total	—	8,385	—	8,385	—	7,964	—	7,964

<sup>(1)</sup> Fair values determined using observable market inputs that reflect quoted prices in active markets for identical assets or liabilities.

<sup>(2)</sup> Fair values determined using inputs other than quoted market prices that are either directly or indirectly observable for the assets or liabilities.

<sup>(3)</sup> Fair values determined using discounted values of future cash flows for the assets or liabilities.

As at December 31, 2020 and 2019, there were no transfers into and out of Level 3 fair value measurements.

As at December 31, 2020 and 2019, 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 Level 3
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 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, 2020 and 2019, 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, 2020 and 2019:

							2020		2019	
	Original Notional Amount	Trade Date	Underlying Transaction in U.S. Dollar	Termination Date	Weighted Average Hedge Cost	Weighted Average Foreign Exchange Rate	Notional Amount	Net Mark- to- market Losses in Php	Notional Amount	Net Mark- to- market Gains (Losses) in Php
	(in millions)		(in millions)						(in millions)	
Transactions not designated as hedges:										
PLDT										
Forward foreign exchange contracts	US\$16	Various dates in October 2020 to January 2021	U.S. Dollar Liabilities	Various dates in January to April 2021	—	Php48.40	US\$13	(5)	US\$22	(12)
	US\$45	January to February 2021	U.S. Dollar Liabilities	Various dates in March to June 2021	—	Php48.26	—	—	—	—
	EUR5	Various dates in July and August 2019	EUR Assets	January 2020	—	Php58.65	—	—	EUR5	8
Smart										
Forward foreign exchange contracts	US\$144	Various dates in 2018 and 2019	U.S. Dollar Liabilities	Various dates in 2019	—	Php52.73	—	—	—	—
	US\$260	Various dates in 2019 and 2020	U.S. Dollar Liabilities	Various dates in 2020	—	Php50.77	—	—	US\$41	(22)
	US\$26	Various dates in 2020	U.S. Dollar Liabilities	Various dates in 2021	—	Php48.44	US\$26	(9)	—	—
	US\$69	January to March 2021	U.S. Dollar Liabilities	February to June 2021	—	Php48.42	—	—	—	—
PCEV										
Forward foreign exchange contracts	US\$22	Various dates in 2019	U.S. Dollar Cash Conversion	Various dates in 2019	—	Php52.24	—	—	—	—
								(14)	(26)	
Transactions designated as hedges:										
PLDT										
Interest rate swaps <sup>(a)</sup>	US\$100	August 2014	100 PNB	August 11, 2020	3.46%	—	—	—	US\$95	(6)
	US\$50	September 2014	50 Metrobank	September 2, 2020	3.47%	—	—	—	US\$48	(5)
	US\$150	April and June 2015	200 Term Loan	February 25, 2022	2.70%	—	US\$34	(25)	US\$56	2
Long-term currency swaps <sup>(b)</sup>	US\$4	January 2017	100 PNB	August 11, 2020	1.01%	Php49.79	—	—	US\$1	1
	US\$6	April and June 2017	200 MUFG Bank, Ltd.	August 26, 2019	1.63%	Php49.51	—	—	—	—
	US\$2	January 2018	200 MUFG Bank, Ltd.	August 26, 2019	1.59%	Php49.86	—	—	—	—
	US\$6	February 2018	200 MUFG Bank, Ltd.	February 26, 2020	1.82%	Php51.27	—	—	US\$1	(2)
	US\$27	November 2018 to August 2020	200 MUFG Bank, Ltd.	February 25, 2022	2.15%	Php50.78	US\$16	(52)	US\$17	(30)
Long-term foreign currency options <sup>(c)</sup>	US\$200	Various dates in July 2020	300M Notes 2031	January 23, 2031	1.26%	Php50.00	US\$200	(406)	—	—
	US\$80	February to March 2021	300M Notes 2031	January 23, 2031	1.07%	Php48.75	—	—	—	—
								(483)	(40)	
Smart										
Interest rate swaps <sup>(d)</sup>	US\$85	Various dates in 2014 and 2015	100 Bank of Tokyo	March 7, 2019	2.23%	—	—	—	—	—
	US\$50	October 2, 2014	50 Mizuho	May 14, 2019	2.58%	—	—	—	—	—
	US\$200	Various dates in 2015	200 Mizuho	March 4, 2020	2.10%	—	—	—	US\$22	4
	US\$30	February 2016	100 Mizuho	December 7, 2021	2.03%	—	US\$6	(2)	US\$12	5
Long-term currency swaps <sup>(e)</sup>	US\$18	Various dates in 2017, 2018 and 2019	100 Mizuho	December 7, 2020	1.76%	Php50.98	—	—	US\$9	(3)
	US\$13	Various dates in 2018 and 2019	200 Mizuho	March 4, 2020	2.06%	Php51.93	—	—	US\$4	(6)
	US\$6	February 2019	100 Mizuho	December 7, 2021	2.22%	Php51.83	US\$2	(8)	US\$4	(5)
	US\$6	August 2020	100 Mizuho	December 7, 2022	1.99%	Php48.64	US\$6	(7)	—	—
Long-term foreign currency options <sup>(f)</sup>	US\$80	February to March 2021	140 PNB	December 13, 2030	1.64%	Php48.00	—	—	—	—
								(17)	(5)	
								(514)	(71)	

- (a) PLDT's interest rate swap agreements outstanding as at December 31, 2020 and 2019 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 Php16 million and Php11 million were recognized in our consolidated statements of other comprehensive income as at December 31, 2020 and 2019, respectively. Interest accrual on the interest rate swaps amounting to Php9 million and Php2 million were recorded as at December 31, 2020 and 2019, respectively. There were no ineffective portion in the fair value recognized in our consolidated income statements for the years ended December 31, 2020 and 2019.
- (b) PLDT's long-term principal only-currency swap agreements outstanding as at December 31, 2020 and 2019 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 losses amounting to Php46 million and Php23 million were recognized in our consolidated statements of other comprehensive income as at December 31, 2020 and 2019, respectively. Hedge cost accrual on the long-term principal only-currency swaps amounting to Php6 million and Php7 million were recognized as at December 31, 2020 and 2019, 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 Php2 million were recognized in our consolidated income statements for each of the years ended December 31, 2020 and 2019.
- (c) PLDT's long-term foreign currency option agreements outstanding as at December 31, 2020 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 Php50.00 and Php56.00, PLDT will purchase the U.S. dollar at Php50.00. However, if on fixing date, the exchange rate is beyond Php56.00, PLDT will purchase the U.S. dollar at the prevailing Philippine peso to U.S. dollar spot exchange rate minus a subsidy of Php6.00, and if the exchange rate is lower than Php50.00, 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 Php342 million were recognized in our consolidated statement of other comprehensive income as at December 31, 2020. Hedge cost accrual on the long-term foreign currency option agreements amounting to Php64 million were recognized as at December 31, 2020. 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 Php26 million were recognized in our consolidated income statement for the year ended December 31, 2020.
- (d) Smart's interest rate swap agreements outstanding as at December 31, 2020 and, 2019 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 loss amounting to Php2 million and mark-to-market gain amounting to Php6 million were recognized in our consolidated statements of other comprehensive income as at December 31, 2020 and 2019, respectively. Interest accrual amounting to Php197 thousand and interest reduction amounting to Php3 million were recognized as at December 31, 2020 and 2019, respectively. There were no ineffective portion in the fair value recognized in our consolidated income statements for the years ended December 31, 2020 and 2019.

- (e) Smart's long-term principal only-currency swap agreements outstanding as at December 31, 2020 and 2019 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 Php13 million and Php12 million were recognized in our consolidated statements of other comprehensive income as at December 31, 2020 and 2019, respectively. Hedge cost accrual on the long-term principal only-currency swaps amounting to Php2 million each was recognized as at December 31, 2020 and 2019. 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 Php1 million each was recognized in our consolidated income statements for the years ended December 31, 2020 and 2019.
- (f) Smart's long-term foreign currency option agreements entered on various dates in February 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 Php54.00, Smart will purchase the U.S. Dollar at Php48.00. However, if on fixing date the exchange rate is beyond Php54.00, Smart will purchase the U.S. Dollar at the prevailing Philippine Peso to U.S. Dollar spot exchange rate minus a subsidy of Php6.00, 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.

Our derivative financial instruments as at December 31, 2020 and 2019 are presented in the statements of financial position as follows:

	2020	2019
	(in million pesos)	
Noncurrent assets	—	1
Current assets	22	41
Noncurrent liabilities (Note 29)	(360)	(25)
Current liabilities (Note 29)	(176)	(88)
Net liabilities	(514)	(71)

Movements of our consolidated mark-to-market gains (losses) for the years ended December 31, 2020 and 2019 are summarized as follows:

	2020	2019
	(in million pesos)	
Net mark-to-market gains (losses) at beginning of the year	(71)	243
Settlements, interest expense and others	429	235
Effective portion recognized in the profit or loss for the cash flow hedges	(156)	14
Losses on derivative financial instruments (Note 4)	(284)	(233)
Net fair value losses on cash flow hedges charged to other comprehensive income	(432)	(330)
Net mark-to-market losses at end of the year	(514)	(71)

Our consolidated analysis of gains (losses) on derivative financial instruments for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
	(in million pesos)		
Hedge costs	(94)	(51)	(49)
Gains (losses) on derivative financial instruments (Note 4)	(284)	(233)	1,135
Net gains (losses) on derivative financial instruments (Notes 4 and 5)	(378)	(284)	1,086

## 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 Php40,237 million and Php989 million, respectively, as at December 31, 2020, 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, 2020 and 2019:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in million pesos)				
<b>December 31, 2020</b>					
<i>Financial instruments at amortized cost:</i>	<i>74,365</i>	<i>70,876</i>	<i>2,286</i>	<i>732</i>	<i>471</i>
Other financial assets	3,689	200	2,286	732	471
Debt instruments at amortized cost	1,153	1,153	—	—	—
Temporary cash investments	30,711	30,711	—	—	—
Short-term investments	508	508	—	—	—
Retail subscribers	17,142	17,142	—	—	—
Corporate subscribers	13,318	13,318	—	—	—
Foreign administrations	1,520	1,520	—	—	—
Domestic carriers	226	226	—	—	—
Dealers, agents and others	6,098	6,098	—	—	—
<i>Financial instruments at FVPL:</i>	<i>7,833</i>	<i>7,453</i>	<i>—</i>	<i>—</i>	<i>380</i>
Financial assets at fair value through profit or loss	380	—	—	—	380
Short-term investments	481	481	—	—	—
Other financial assets	6,972	6,972	—	—	—
<i>Financial instruments at FVOCI:</i>	<i>168</i>	<i>168</i>	<i>—</i>	<i>—</i>	<i>—</i>
Financial assets at fair value through other comprehensive income	168	168	—	—	—
<b>Total</b>	<b>82,366</b>	<b>78,497</b>	<b>2,286</b>	<b>732</b>	<b>851</b>
<b>December 31, 2019</b>					
<i>Financial instruments at amortized cost:</i>	<i>60,971</i>	<i>58,687</i>	<i>1,768</i>	<i>338</i>	<i>178</i>
Other financial assets	3,504	1,220	1,768	338	178
Debt instruments at amortized cost	150	150	—	—	—
Temporary cash investments	17,663	17,663	—	—	—
Short-term investments	314	314	—	—	—
Retail subscribers	17,178	17,178	—	—	—
Corporate subscribers	13,005	13,005	—	—	—
Foreign administrations	1,896	1,896	—	—	—
Domestic carriers	889	889	—	—	—
Dealers, agents and others	6,372	6,372	—	—	—
<i>Financial instruments at FVPL:</i>	<i>10,235</i>	<i>6,866</i>	<i>—</i>	<i>—</i>	<i>3,369</i>
Financial assets at fair value through profit or loss	3,369	—	—	—	3,369
Other financial assets	6,866	6,866	—	—	—
<i>Financial instruments at FVOCI:</i>	<i>2,919</i>	<i>2,757</i>	<i>162</i>	<i>—</i>	<i>—</i>
Financial assets at fair value through other comprehensive income	2,919	2,757	162	—	—
<b>Total</b>	<b>74,125</b>	<b>68,310</b>	<b>1,930</b>	<b>338</b>	<b>3,547</b>

The following table summarizes the maturity profile of our financial liabilities based on our consolidated contractual undiscounted obligations outstanding as at December 31, 2020 and 2019:

	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, 2020</b>					
<i>Debt<sup>(1)</sup>:</i>	<i>292,639</i>	<i>12,562</i>	<i>74,960</i>	<i>51,659</i>	<i>153,458</i>
Principal	224,027	12,400	47,753	37,785	126,089
Interest	68,612	162	27,207	13,874	27,369
<i>Lease obligations</i>	<i>29,312</i>	<i>10,995</i>	<i>8,897</i>	<i>5,068</i>	<i>4,352</i>
<i>Various trade and other obligations:</i>	<i>169,808</i>	<i>165,750</i>	<i>2,010</i>	<i>36</i>	<i>2,012</i>
Suppliers and contractors	76,864	75,322	1,535	7	—
Utilities and related expenses	64,580	64,577	3	—	—
Employee benefits	10,404	10,404	—	—	—
Liability from redemption of preferred shares	7,849	7,849	—	—	—
Customers' deposits	2,371	—	330	29	2,012
Carriers and other customers	1,336	1,336	—	—	—
Dividends	1,194	1,194	—	—	—
Others	5,210	5,068	142	—	—
<b>Total contractual obligations</b>	<b>491,759</b>	<b>189,307</b>	<b>85,867</b>	<b>56,763</b>	<b>159,822</b>
<b>December 31, 2019</b>					
<i>Debt<sup>(1)</sup>:</i>	<i>243,226</i>	<i>19,014</i>	<i>66,052</i>	<i>54,146</i>	<i>104,014</i>
Principal	193,047	15,221	44,253	40,288	93,285
Interest	50,179	3,793	21,799	13,858	10,729
<i>Lease obligations</i>	<i>25,465</i>	<i>10,458</i>	<i>6,879</i>	<i>4,401</i>	<i>3,727</i>
<i>Various trade and other obligations:</i>	<i>153,255</i>	<i>148,839</i>	<i>2,405</i>	<i>38</i>	<i>1,973</i>
Suppliers and contractors	70,169	68,051	2,118	—	—
Utilities and related expenses	51,875	51,843	32	—	—
Employee benefits	8,673	8,673	—	—	—
Liability from redemption of preferred shares	7,851	7,851	—	—	—
Customers' deposits	2,205	—	194	38	1,973
Dividends	1,584	1,584	—	—	—
Carriers and other customers	1,387	1,387	—	—	—
Others	9,511	9,450	61	—	—
<b>Total contractual obligations</b>	<b>421,946</b>	<b>178,311</b>	<b>75,336</b>	<b>58,585</b>	<b>109,714</b>

<sup>(1)</sup> Consists of long-term debt, including current portion; gross of unamortized debt discount 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, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Within one year	11,061	10,480
After one year but not more than five years	13,899	11,258
More than five years	4,352	3,727
<b>Total</b>	<b>29,312</b>	<b>25,465</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 Php169,808 million and Php153,255 million as at December 31, 2020 and 2019, respectively. See *Note 23 – Accounts Payable* and *Note 24 – Accrued Expenses and Other Current Liabilities*.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to nil as at December 31, 2020 and 2019. See *Note 11 – Investments in Associates and Joint Ventures – Investments of PLDT in VTI, Bow Arken and Brightshare*.

Collateral

There are no pledges as collaterals with respect to its financial liabilities as at December 31, 2020 and 2019.

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, 2020 and 2019 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, 2020</b>			
Long-term currency swaps	24	—	Derivative financial assets – net of current portion
	—	(14)	Derivative financial liabilities – net of current portion
	—	(48)	Current portion of derivative financial liabilities
Long-term foreign currency options	200	(342)	Derivative financial liabilities – net of current portion
	224	(404)	
<b>December 31, 2019</b>			
Long-term currency swaps	36	1	Derivative financial assets – net of current portion
	—	3	Current portion of derivative financial assets
	—	(25)	Derivative financial liabilities – net of current portion
	—	(24)	Current portion of derivative financial liabilities
	36	(45)	

The impact of the hedged items on our consolidated statements of financial position as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	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)	—	(273)	—
US\$100M PNB	(11)	—	(11)	—
US\$200M MUFG Bank, Ltd.	(47)	6	(48)	8
US\$300M Notes 2031	(414)	64		
	(745)	70	(332)	8
<b>Smart:</b>				
US\$200M Mizuho	(1)	—	(12)	5
US\$100M Mizuho	(18)	15	(22)	12
	(19)	15	(34)	17

The effect of the cash flow hedge on our consolidated income statements and statements of other comprehensive income as at December 31, 2020 and 2019 are as follows:

	Total hedging loss recognized in OCI (in million pesos)	Line item in our Consolidated Income Statements
<b>December 31, 2020</b>		
Long-term currency swaps	(350)	Other comprehensive loss
Long-term foreign currency options	(414)	Other comprehensive loss
	(764)	
<b>December 31, 2019</b>		
Long-term currency swaps	(366)	Other comprehensive loss



The following table shows our consolidated foreign currency-denominated monetary financial assets and liabilities and their Philippine Peso equivalents as at December 31, 2020 and 2019:

	2020		2019	
	U.S. Dollar	Php <sup>(1)</sup>	U.S. Dollar	Php <sup>(2)</sup>
		(in millions)		
<b>Noncurrent Financial Assets</b>				
Debt instruments at amortized cost	24	1,153	—	—
Derivative financial assets – net of current portion	—	—	—	1
Other financial assets – net of current portion	—	7	—	13
Total noncurrent financial assets	24	1,160	—	14
<b>Current Financial Assets</b>				
Cash and cash equivalents	338	16,251	122	6,181
Short-term investments	10	480	6	285
Trade and other receivables – net	131	6,290	777	39,472
Current portion of derivative financial assets	1	22	1	41
Current portion of other financial assets	—	12	—	11
Total current financial assets	480	23,055	906	45,990
Total Financial Assets	504	24,215	906	46,004
<b>Noncurrent Financial Liabilities</b>				
Interest-bearing financial liabilities – net of current portion	802	38,530	126	6,389
Derivative financial liabilities – net of current portion	7	360	—	25
Other noncurrent liabilities	1	22	—	15
Total noncurrent financial liabilities	810	38,912	126	6,429
<b>Current Financial Liabilities</b>				
Accounts payable	670	32,201	676	34,325
Accrued expenses and other current liabilities	253	12,135	208	10,555
Current portion of interest-bearing financial liabilities	59	2,842	210	10,687
Current portion of derivative financial liabilities	4	176	2	88
Total current financial liabilities	986	47,354	1,096	55,655
Total Financial Liabilities	1,796	86,266	1,222	62,084

<sup>(1)</sup> The exchange rate used to convert the U.S. Dollar amounts into Philippine Peso was Php48.02 to US\$1.00, the Philippine Peso-U.S. Dollar exchange rate as quoted through the Bankers Association of the Philippines as at December 31, 2020.

<sup>(2)</sup> The exchange rate used to convert the U.S. Dollar amounts into Philippine Peso was Php50.80 to US\$1.00, the Philippine Peso-U.S. Dollar exchange rate as quoted through the Bankers Association of the Philippines as at December 31, 2019.

As at March 24, 2021, the Philippine Peso-U.S. Dollar exchange rate was Php48.68 to US\$1.00. Using this exchange rate, our consolidated net foreign currency-denominated financial liabilities would have increased in Philippine Peso terms by Php853 million as at December 31, 2020.

Approximately 18% and 9% of our total consolidated debts (net of consolidated debt discount) were denominated in U.S. Dollars as at December 31, 2020 and 2019, respectively. Our consolidated foreign currency-denominated debt increased to Php40,872 million as at December 31, 2020 from Php17,029 million as at December 31, 2019, respectively. See *Note 21 – Interest-bearing Financial Liabilities*. The aggregate notional amount of our consolidated outstanding long-term principal only-currency swap contracts and long-term foreign currency options were US\$224 million and US\$36 million as at December 31, 2020 and 2019, respectively. Consequently, the unhedged portion of our consolidated debt amounts was approximately 13% (or 5%, net of our consolidated U.S. Dollar cash balances allocated for debt) and 8% (or 8%, net of our consolidated U.S. Dollar cash balances allocated for debt) as at December 31, 2020 and 2019, respectively.

Approximately 16% and 15% of our consolidated revenues were denominated in U.S. Dollars and/or were linked to U.S. Dollars for the years ended December 31, 2020 and 2019, respectively. Approximately 12% and 11% of our consolidated expenses were denominated in U.S. Dollars and/or linked to the U.S. Dollar for the years ended December 31, 2020 and 2019, 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 Peso.

The Philippine Peso appreciated by 5.47% against the U.S. Dollar to Php48.02 to US\$1.00 as at December 31, 2020 from Php50.80 to US\$1.00 as at December 31, 2019. 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 gains of Php1,488 million and Php424 million for the years ended December 31, 2020 and 2019, respectively, while we recognized net consolidated foreign exchange loss of Php771 million for the year ended December 31, 2018.

Management conducted a survey among our banks to determine the outlook of the Philippine Peso-U.S. Dollar exchange rate until March 31, 2021. Our outlook is that the Philippine Peso-U.S. Dollar exchange rate may weaken/strengthen by 1% as compared to the exchange rate of Php48.02 to US\$1.00 as at December 31, 2020. If the Philippine Peso-U.S. Dollar exchange rate had weakened/strengthened by 1% as at December 31, 2020, with all other variables held constant, consolidated profit after tax for the year 2020 and stockholders' equity as at year end 2020 would have been approximately Php870 million and Php909 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, 2020 and 2019 are as follows:

	Notional Amount	Carrying Amount	Line item in our Consolidated Statements of Financial Position
	(U.S. Dollar)	(Php)	
	(in million pesos)		
<b>December 31, 2020</b>			
Interest rate swaps	40	—	Derivative financial assets – net of current portion
	—	22	Current portion of derivative financial assets
	—	(4)	Derivative financial liabilities – net of current portion
	—	(44)	Current portion of derivative financial liabilities
	40	(26)	
<b>December 31, 2019</b>			
Interest rate swaps	233	1	Derivative financial assets – net of current portion
	—	31	Current portion of derivative financial assets
	—	(1)	Derivative financial liabilities – net of current portion
	—	(31)	Current portion of derivative financial liabilities
	233	—	

The impact of the hedged items on our consolidated statements of financial position as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	Cash flow hedge reserve	Cost of hedging reserve	Cash flow hedge reserve	Cost of hedging reserve
	(in million pesos)			
<b>PLDT:</b>				
US\$100M PNB	—	—	(6)	—
US\$50M MBTC	—	—	(4)	—
US\$200M MUFG Bank, Ltd.	(16)	—	(1)	—
	(16)	—	(11)	—
<b>Smart:</b>				
2014 BTMU US\$100M	—	—	(1)	—
2014 Mizuho US\$50M	—	—	(1)	—
2015 Mizuho US\$200M	(2)	—	(36)	—
2015 Mizuho US\$100M	(6)	—	(19)	—
	(8)	—	(57)	—

The effect of the cash flow hedge on our consolidated income statements and statements of other comprehensive income as at December 31, 2020 and 2019 are as follows:

	Total hedging loss recognized in OCI	Line item in our Consolidated Income Statements
	(in million pesos)	
<b>December 31, 2020</b>		
Interest rate swaps	(24)	Other comprehensive loss
<b>December 31, 2019</b>		
Interest rate swaps	(68)	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, 2020 and 2019. Financial instruments that are not subject to interest rate risk were not included in the table.

As at December 31, 2020

	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
	(in millions)										
<b>Assets:</b>											
<i>Debt Instruments at Amortized Cost</i>											
U.S. Dollar	—	24	—	—	—	24	1,153	—	1,153	24	1,163
Interest rate		0.8962% to 2.0000%									
	—	24	—	—	—	—	—	—	—	—	—
<i>Cash in Bank</i>											
U.S. Dollar	49	—	—	—	—	49	2,337	—	2,337	49	2,337
Interest rate	0.0100% to 0.5000%	—	—	—	—	—	—	—	—	—	—
Philippine Peso	103	—	—	—	—	103	4,940	—	4,940	103	4,940
Interest rate	0.0500% to 2.5000%	—	—	—	—	—	—	—	—	—	—
<i>Temporary Cash Investments</i>											
U.S. Dollar	254	—	—	—	—	254	12,222	—	12,222	254	12,222
Interest rate	0.0200% to 2.5000%	—	—	—	—	—	—	—	—	—	—
Philippine Peso	385	—	—	—	—	385	18,490	—	18,490	385	18,490
Interest rate	0.3200% to 1.6000%	—	—	—	—	—	—	—	—	—	—
<i>Short-term Investments</i>											
U.S. Dollar	10	—	—	—	—	10	480	—	480	10	480
Interest rate	—	—	—	—	—	—	—	—	—	—	—
Philippine Peso	11	—	—	—	—	11	509	—	509	11	509
Interest rate	2.0000%	—	—	—	—	—	—	—	—	—	—
	812	24	—	—	—	836	40,131	—	40,131	836	40,141
<b>Liabilities:</b>											
<i>Long-term Debt</i>											
<i>Fixed Rate</i>											
U.S. Dollar Notes	—	—	—	—	600	600	28,813	634	28,179	632	30,336
Interest rate					2.5000% to 3.4500%						
	—	—	—	—	600	—	—	—	—	—	—
U.S. Dollar Fixed Loans	—	11	—	—	—	11	540	—	540	11	545
Interest rate	—	2.8850%	—	—	—	—	—	—	—	—	—
Philippine Peso	258	313	525	657	1,612	3,365	161,597	532	161,065	3,489	167,520
Interest rate		3.9000% to 5.2250%	3.9000% to 6.7339%	3.9500% to 6.7339%	4.2500% to 6.7339%						
	5.2250%	6.7339%	6.7339%	6.7339%	6.7339%	—	—	—	—	—	—
<i>Variable Rate</i>											
U.S. Dollar Loans	—	93	39	53	70	255	12,222	69	12,153	255	12,222
Interest rate		0.7900% to 1.0500% over LIBOR									
	—	11	—	—	—	11	540	—	540	11	545
Philippine Peso	—	9	4	77	344	434	20,855	27	20,828	434	20,855
Interest rate		0.5000% to 0.7500% over PHP BVAL (floor rate 4.5000%)	0.5000% to 0.7500% over PHP BVAL (floor rate 4.5000%)	0.5000% to 0.7500% over PHP BVAL (floor rate 4.5000%)	0.6000% to 0.7500% over PHP BVAL (floor rate 4.5000%)						
	—	426	568	787	2,626	4,665	224,027	1,262	222,765	4,821	231,478



As at December 31, 2019

	In U.S. Dollars						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
(in millions)										
Assets:										
Debt Instruments at Amortized Cost										
Philippine Peso	3	—	—	—	—	3	150	—	150	150
Interest rate	4.8371%	—	—	—	—	—	—	—	—	—
Cash in Bank										
U.S. Dollar	31	—	—	—	—	31	1,586	—	1,586	1,586
Interest rate	0.0100% to 1.0000%	—	—	—	—	—	—	—	—	—
Philippine Peso	83	—	—	—	—	83	4,228	—	4,228	4,228
Interest rate	0.0500% to 1.2500%	—	—	—	—	—	—	—	—	—
Other Currencies	2	—	—	—	—	2	92	—	92	92
Interest rate	0.1000% to 0.5000%	—	—	—	—	—	—	—	—	—
Temporary Cash Investments										
U.S. Dollar	72	—	—	—	—	72	3,645	—	3,645	3,645
Interest rate	0.7000% to 4.7500%	—	—	—	—	—	—	—	—	—
Philippine Peso	276	—	—	—	—	276	14,018	—	14,018	14,018
Interest rate	0.1250% to 5.0000%	—	—	—	—	—	—	—	—	—
Short-term Investments										
Philippine Peso	1	—	—	—	—	1	29	—	29	29
Interest rate	1.5000% to 3.0000%	—	—	—	—	—	—	—	—	—
Other Currencies	6	—	—	—	—	6	285	—	285	285
Interest rate	0.0000%	—	—	—	—	—	—	—	—	—
	474	—	—	—	—	474	24,033	—	24,033	24,033
Liabilities:										
Long-term Debt										
Fixed Rate										
U.S. Dollar Fixed										
Loans	—	15	4	—	—	19	952	—	952	945
Interest rate	—	2.8850%	2.8850%	—	—	—	—	—	—	—
Philippine Peso	42	376	302	673	1,697	3,090	156,996	408	156,588	3,024
Interest rate	4.4850% to 5.5000%	3.9000% to 6.7339%	3.9000% to 6.7339%	3.9000% to 6.7339%	4.2500% to 6.7339%	—	—	—	—	—
Variable Rate										
U.S. Dollar Loans	165	76	26	50	—	317	16,124	47	16,077	317
Interest rate	0.7900% to 1.4500% over LIBOR	0.7900% to 0.9500% over LIBOR	0.7900% to 0.9500% over LIBOR	1.0500% over LIBOR	—	—	—	—	—	—
Philippine Peso	93	69	3	70	139	374	18,975	36	18,939	374
Interest rate	—	0.5000% to 1.0000% over PHP BVAL	0.5000% to 0.6000% over PHP BVAL	0.5000% to 0.6000% over PHP BVAL	0.6000% over PHP BVAL	—	—	—	—	—
	300	536	335	793	1,836	3,800	193,047	491	192,556	3,734
										189,687

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 15% and 18% of our consolidated debts were variable rate debts as at December 31, 2020 and 2019, respectively. Our consolidated variable rate debt decreased to Php33,077 million as at December 31, 2020 from Php35,098 million as at December 31, 2019. Considering the aggregate notional amount of our consolidated outstanding long-term interest rate swap contracts of US\$40 million and US\$233 million as at December 31, 2020 and 2019, respectively, approximately 86% and 88% of our consolidated debts were fixed as at December 31, 2020 and 2019, 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, 2021. Our outlook is that the U.S. Dollar and Philippine Peso interest rates may move 5 basis points, or bps, and 15 bps higher/lower, respectively, as compared to levels as at December 31, 2020. If the U.S. Dollar interest rates had been 5 bps higher/lower as compared to market levels as at December 31, 2020, with all other variables held constant, consolidated profit after tax for the year 2020 and stockholders’ equity as at year end 2020 would have been approximately Php1 million and Php6 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 15 bps higher/lower as compared to market levels as at December 31, 2020, with all other variables held constant, consolidated profit after tax for the year 2020 and stockholders’ equity as at year end 2020 would have been approximately Php1.9 thousand and Php34 million, 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, 2020 and 2019 are as follows:

	2020	2019
	(in million pesos)	
Financial assets at fair value through profit or loss (Note 12)	380	3,369
Derivative financial assets – net of current portion	—	1
Current portion of derivative financial assets	22	41
Total	402	3,411

### 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, 2020 and 2019. 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, 2020 and 2019, 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, 2020			
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(in million pesos)			
High grade	44,618	8,239	—	52,857
Standard grade	563	4,443	—	5,006
Substandard grade	—	9,371	—	9,371
Default	574	3,960	12,291	16,825
Gross carrying amount	45,755	26,013	12,291	84,059
Less allowance	574	3,960	12,291	16,825
Carrying amount	45,181	22,053	—	67,234

	December 31, 2019			
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(in million pesos)			
High grade	29,241	9,228	—	38,469
Standard grade	1,710	6,224	—	7,934
Substandard grade	7	6,984	—	6,991
Default	298	1,763	15,141	17,202
Gross carrying amount	31,256	24,199	15,141	70,596
Less allowance	298	1,763	15,141	17,202
Carrying amount	30,958	22,436	—	53,394

### 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, 2020 and 2019.

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, 2020 and 2019:

	December 31, 2020		
	Gross Maximum Exposure	Collateral and Other Credit Enhancements*	Net Maximum Exposure
	(in million pesos)		
<i>Financial instruments at amortized cost:</i>	67,066	528	66,538
Other financial assets	3,115	—	3,115
Debt instruments at amortized cost	1,153	—	1,153
Cash and cash equivalents	40,237	173	40,064
Short-term investments	508	—	508
Retail subscribers	7,152	18	7,134
Corporate subscribers	8,460	337	8,123
Foreign administrations	1,284	—	1,284
Domestic carriers	165	—	165
Dealers, agents and others	4,992	—	4,992
<i>Financial instruments at FVPL:</i>	7,855	—	7,855
Financial assets at FVPL	380	—	380
Short-term investments	481	—	481
Other financial assets	6,972	—	6,972
Interest rate swap	22	—	22
<i>Financial instruments at FVOCI:</i>	168	—	168
Financial assets at FVOCI	168	—	168
Total	75,089	528	74,561

\* Includes bank insurance, security deposits and customer deposits. We have no collateral held as at December 31, 2020.

	December 31, 2019		
	Gross Maximum Exposure	Collateral and Other Credit Enhancements*	Net Maximum Exposure
	(in million pesos)		
<i>Financial instruments at amortized cost:</i>	<i>50,475</i>	<i>561</i>	<i>49,914</i>
Other financial assets	3,206	—	3,206
Debt instruments at amortized cost	150	—	150
Cash and cash equivalents	24,369	184	24,185
Short-term investments	314	—	314
Retail subscribers	6,486	46	6,440
Corporate subscribers	8,403	331	8,072
Foreign administrations	1,519	—	1,519
Domestic carriers	799	—	799
Dealers, agents and others	5,229	—	5,229
<i>Financial instruments at FVPL:</i>	<i>10,277</i>	<i>—</i>	<i>10,277</i>
Financial assets at FVPL	3,369	—	3,369
Other financial assets	6,866	—	6,866
Interest rate swap	31	—	31
Forward foreign exchange contracts	8	—	8
Currency swap	2	—	2
Long-term currency swap	1	—	1
<i>Financial instruments at FVOCI:</i>	<i>2,919</i>	<i>—</i>	<i>2,919</i>
Financial assets at FVOCI	2,919	—	2,919
Total	63,671	561	63,110

\* Includes bank insurance, security deposits and customer deposits. We have no collateral held as at December 31, 2019.

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, 2020 and 2019:

		Neither past due nor credit impaired		Past due but not credit impaired	Impaired
	Total	Class A <sup>(1)</sup>	Class B <sup>(2)</sup>		
	(in million pesos)				
<b>December 31, 2020</b>					
<i>Financial instruments at amortized cost:</i>	<i>83,891</i>	<i>52,689</i>	<i>5,006</i>	<i>9,371</i>	<i>16,825</i>
Other financial assets	3,689	2,833	282	—	574
Debt instruments at amortized cost	1,153	1,153	—	—	—
Cash and cash equivalents	40,237	39,956	281	—	—
Short-term investments	508	508	—	—	—
Retail subscribers	17,142	3,263	2,348	1,541	9,990
Corporate subscribers	13,318	3,358	228	4,874	4,858
Foreign administrations	1,520	246	567	471	236
Domestic carriers	226	14	38	113	61
Dealers, agents and others	6,098	1,358	1,262	2,372	1,106
<i>Financial instruments at FVPL:</i>	<i>7,855</i>	<i>7,741</i>	<i>114</i>	<i>—</i>	<i>—</i>
Financial assets at FVPL	380	266	114	—	—
Short-term investments	481	481	—	—	—
Other financial assets	6,972	6,972	—	—	—
Interest rate swap	22	22	—	—	—
<i>Financial instruments at FVOCI:</i>	<i>168</i>	<i>168</i>	<i>—</i>	<i>—</i>	<i>—</i>
Financial assets at FVOCI	168	168	—	—	—
Total	91,914	60,598	5,120	9,371	16,825

<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.

		<u>Neither past due nor credit impaired</u>		<b>Past due but not credit impaired</b>	<b>Impaired</b>
	<b>Total</b>	<b>Class A<sup>(1)</sup></b>	<b>Class B<sup>(2)</sup></b>		
	(in million pesos)				
<b>December 31, 2019</b>					
<i>Financial instruments at amortized cost:</i>	67,677	35,550	7,934	6,991	17,202
Other financial assets	3,504	1,747	1,452	7	298
Debt instruments at amortized cost	150	150	—	—	—
Cash and cash equivalents	24,369	24,111	258	—	—
Short-term investments	314	314	—	—	—
Retail subscribers	17,178	3,280	1,634	1,572	10,692
Corporate subscribers	13,005	3,652	2,041	2,710	4,602
Foreign administrations	1,896	460	414	645	377
Domestic carriers	889	374	40	385	90
Dealers, agents and others	6,372	1,462	2,095	1,672	1,143
<i>Financial instruments at FVPL:</i>	10,277	10,160	117	—	—
Financial assets at FVPL	3,369	3,252	117	—	—
Other financial assets	6,866	6,866	—	—	—
Interest rate swap	31	31	—	—	—
Forward foreign exchange contracts	8	8	—	—	—
Currency swap	2	2	—	—	—
Long-term currency swap	1	1	—	—	—
<i>Financial instruments at FVOCI:</i>	2,919	2,919	—	—	—
Financial assets at FVOCI	2,919	2,919	—	—	—
Total	80,873	48,629	8,051	6,991	17,202

<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 our past due but not impaired class of financial assets as at December 31, 2020 and 2019 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, 2020</b>						
<i>Financial instruments at amortized cost:</i>	<i>83,891</i>	<i>57,695</i>	<i>3,090</i>	<i>1,139</i>	<i>5,142</i>	<i>16,825</i>
Other financial assets	3,689	3,115	—	—	—	574
Debt instruments at amortized cost	1,153	1,153	—	—	—	—
Cash and cash equivalents	40,237	40,237	—	—	—	—
Short-term investments	508	508	—	—	—	—
Retail subscribers	17,142	5,611	884	348	309	9,990
Corporate subscribers	13,318	3,586	1,606	559	2,709	4,858
Foreign administrations	1,520	813	144	70	257	236
Domestic carriers	226	52	31	10	72	61
Dealers, agents and others	6,098	2,620	425	152	1,795	1,106
<i>Financial instruments at FVPL:</i>	<i>7,855</i>	<i>7,855</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
Financial assets at FVPL	380	380	—	—	—	—
Short-term investments	481	481	—	—	—	—
Other financial assets	6,972	6,972	—	—	—	—
Interest rate swap	22	22	—	—	—	—
<i>Financial instruments at FVOCI:</i>	<i>168</i>	<i>168</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
Financial assets at FVOCI	168	168	—	—	—	—
Total	91,914	65,718	3,090	1,139	5,142	16,825



	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, 2019</b>						
<i>Financial instruments at amortized cost:</i>	67,677	43,484	2,006	1,247	3,738	17,202
Other financial assets	3,504	3,199	—	—	7	298
Debt instruments at amortized cost	150	150	—	—	—	—
Cash and cash equivalents	24,369	24,369	—	—	—	—
Short-term investments	314	314	—	—	—	—
Retail subscribers	17,178	4,914	994	150	428	10,692
Corporate subscribers	13,005	5,693	705	770	1,220	4,617
Foreign administrations	1,896	874	41	26	578	377
Domestic carriers	889	414	103	240	43	89
Dealers, agents and others	6,372	3,557	163	61	1,462	1,129
<i>Financial instruments at FVPL:</i>	10,277	10,277	—	—	—	—
Financial assets at FVPL	3,369	3,369	—	—	—	—
Other financial assets	6,866	6,866	—	—	—	—
Interest rate swap	31	31	—	—	—	—
Forward foreign exchange contracts	8	8	—	—	—	—
Currency swap	2	2	—	—	—	—
Long-term currency swap	1	1	—	—	—	—
<i>Financial instruments at FVOCI:</i>	2,919	2,919	—	—	—	—
Financial assets at FVOCI	2,919	2,919	—	—	—	—
Total	80,873	56,680	2,006	1,247	3,738	17,202

### 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, 2020, 2019 and 2018.

## 29. Notes to the Statements of Cash Flows

The following table shows the changes in liabilities arising from financing activities for the years ended December 31, 2020, 2019 and 2018:

	January 1, 2020	Cash flows	Foreign exchange movement	Others	December 31, 2020
(in million pesos)					
Interest-bearing financial liabilities (Note 21)	192,556	31,979	(1,917)	147	222,765
Lease liabilities (Notes 3 and 10)	16,315	(5,781)	—	9,491	20,025
Derivative financial liabilities	113	(430)	—	853	536
Accrued interests and other related costs (Note 24)	1,531	(8,348)	—	8,689	1,872
Dividends (Note 20)	1,584	(16,721)	—	16,331	1,194
	212,099	699	(1,917)	35,511	246,392

	January 1, 2019	Cash flows	Foreign exchange movement	Others	December 31, 2019
(in million pesos)					
Interest-bearing financial liabilities (Note 21)	176,276	16,811	(653)	122	192,556
Lease liabilities (Notes 3 and 10)	15,233	(5,399)	—	6,481	16,315
Derivative financial liabilities	80	(50)	—	83	113
Accrued interests and other related costs (Note 24)	1,347	(7,143)	—	7,327	1,531
Dividends (Note 20)	1,533	(15,592)	—	15,643	1,584
	194,469	(11,373)	(653)	29,656	212,099

	January 1, 2018	Cash flows	Foreign exchange movement	Others	December 31, 2018
(in million pesos)					
Interest-bearing financial liabilities	172,611	1,722	1,723	220	176,276
Derivative financial liabilities	149	886	—	(955)	80
Accrued interests and other related costs (Note 24)	1,176	(6,614)	—	6,785	1,347
Dividends (Note 20)	1,575	(13,928)	—	13,886	1,533
	175,511	(17,934)	1,723	19,936	179,236

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, 2020 and 2019:

	2020	2019
(in million pesos)		
Additions to ROU assets (Note 10)	9,335	5,072

### Non-cash Financing Activities

The following table shows our significant non-cash financing activities and corresponding transaction amounts as at December 31, 2020 and 2019:

	2020	2019
(in million pesos)		
Additions to lease liabilities (Note 10)	11,122	5,065



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BOA/PRC Reg. No. 0001,  
October 4, 2018, valid until August 24, 2021  
SEC Accreditation No. 0012-FR-5 (Group A),  
November 6, 2018, valid until November 5, 2021

## 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 its subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 included in this Form 17-A and have issued our report thereon dated March 25, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and 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 financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel  
Partner  
CPA Certificate No. 65556  
SEC Accreditation No. 0087-AR-5 (Group A),  
January 10, 2019, valid until January 9, 2022  
Tax Identification No. 102-092-270  
BIR Accreditation No. 08-001998-55-2018,  
December 3, 2020, valid until December 2, 2023  
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March 25, 2021



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## 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 its subsidiaries (the Company) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated March 25, 2021. Our audits were made for the purpose of forming an opinion on the basic 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 financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company’s financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel  
Partner  
CPA Certificate No. 65556  
SEC Accreditation No. 0087-AR-5 (Group A),  
January 10, 2019, valid until January 9, 2022  
Tax Identification No. 102-092-270  
BIR Accreditation No. 08-001998-55-2018,  
December 3, 2020, valid until December 2, 2023  
PTR No.8534334, January 4, 2021, Makati City

March 25, 2021



PLDT INC. AND SUBSIDIARIES

Schedule A. Financial Assets  
December 31, 2020

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	Income Received and Accrued
(in millions)				
Financial assets at fair value through profit or loss				
Listed equity securities	various	Php355	Php–	Php–
Others	various	25	N/A	–
		<b>Php380</b>	<b>N/A</b>	<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, 2020

	December 31, 2019	Additions	Collections	December 31, 2020
(in millions)				
ACeS Philippines Cellular Corporation	Php –	Php –	Php –	Php –
BayanTrade	2	3	(2)	3
Bonifacio Communications Corporation	2	284	(282)	4
Chikka Phils. Inc.,	–	–	–	–
Connectivity Unlimited Resource Enterprise, Inc.	–	–	–	–
CruzTelco (SBI-CC3)	–	–	–	–
Curo Teknika, Inc.	1	6	(5)	2
Datelco Global Communications, Inc.	–	1	–	1
Digitel Information Technology Services, Inc.	–	–	–	–
Digital Telecommunications Phils., Inc.	24,800	2,588	(2,993)	24,395
Digitel Mobile Philippines, Inc.	14	66	(64)	16
eInnovations Holdings	–	–	–	–
ePay Investments Pte. Ltd.	–	–	–	–
ePDS, Inc.	6	4	(4)	6
ePLDT, Inc.	415	297	(67)	645
iCommerce Pte. Ltd.	–	1	–	1
I-Contacts Corporation	2	–	–	2
IP Converge Data Services, Inc.	13	60	(42)	31
Mabuhay Satellite Corporation	–	–	–	–
PLDT-Maratel, Inc.	110	372	(249)	233
Metro Kidapawan Telephone Corporation	–	5	–	5
Netgames, Inc.	–	–	–	–
Pacific Global One Aviation Co., Inc.	728	34	(101)	661
PayMaya Philippines, Inc.	–	–	–	–
PGNL Canada	–	–	–	–
PGNL (ROHQ) Phils.	113	318	–	431
PGNL US	–	–	–	–
Philcom Corporation	58	11	–	69
PLDT Inc.	2,121	4,019	(2,912)	3,228
Pilipinas Global Network Limited	–	–	–	–
PLDT (HK) Limited	5	20	–	25
PLDT (SG) Pte Ltd	–	7	(1)	6
PLDT SG Retail Service Pte Ltd.	–	–	–	–
PLDT (UK) Limited	–	–	–	–
PLDT (US) Limited	44	107	(90)	61
PLDT 1528 Unlimited	1	–	–	1
PLDT Capital Pte Ltd	–	–	–	–
PLDT-ClarkTel	28	29	(38)	19
PLDT Communication and Energy Ventures, Inc.	–	–	–	–
PLDT Digital Investments Pte. Ltd.	94	8	(102)	–
PLDT Global (Phils.) Corporation	688	409	(115)	982
PLDT Global Corporation	1,188	429	(1,434)	183
PLDT Global Investments Holdings Inc	–	–	–	–
PLDT Malaysia Sdn Bhd	–	–	–	–
PLDT Online Investments Pte. Ltd	–	–	–	–
Primeworld Digital Systems, Inc.	–	–	–	–
Rack I.T. Data Center, Inc.	–	–	–	–
SmartBroadband, Inc.	1	3	(4)	–
Smart Communications, Inc.	11,553	16,835	(20,947)	7,441
PLDT Subic Telecom, Inc.	15	334	(159)	190
Talas Data Intelligence, Inc.	–	–	–	–
Voyager Innovations, Inc.	–	–	–	–
Wifun, Inc.	–	–	–	–
Wolfpac Mobile Inc.	–	–	–	–
	<b>Php42,002</b>	<b>Php26,250</b>	<b>(Php29,611)</b>	<b>Php38,641</b>

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, 2020

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	Gross Amount	Debt Discount/ Debt Issuance
(In Millions)					
U.S. Dollar Debts:					
Fixed Rate Notes					
The Bank of New York Mellon, London Branch US\$300M Global Bonds Due 2031	Php14,110	Php –	(Php26)	Php14,406	Php(270)
The Bank of New York Mellon, London Branch US\$300M Global Bonds Due 2050	14,069	–	(7)	14,407	(331)
Others:					
MUFG Bank, Ltd. US\$200M	2,157	1,441	(4)	720	–
Philippine National Bank (PNB) US\$140M	6,675	672	(7)	6,051	(41)
Mizuho US\$100M	1,469	739	(6)	739	(3)
NTT TC Leasing Co. Ltd. US\$25M	1,197	–	(2)	1,201	(2)
NTT TC Leasing Co. Ltd.US\$25M (2017)	1,195	–	(2)	1,200	(3)
	<b>40,872</b>	<b>2,852</b>	<b>(54)</b>	<b>38,724</b>	<b>(650)</b>
Philippine Peso Debts:					
Corporate Notes:					
PLDT Fixed Rate Corporate Notes (2012) Php8.8B	3,560	39	–	3,521	–
PLDT Fixed Rate Corporate Notes (2013)	294	3	–	291	–
	<b>3,854</b>	<b>42</b>	<b>–</b>	<b>3,812</b>	<b>–</b>
Fixed Rate Retail Bonds:					
Php15B Fixed Rate Retail Bonds	14,989	12,400	(5)	2,600	(6)
	<b>14,989</b>	<b>12,400</b>	<b>(5)</b>	<b>2,600</b>	<b>(6)</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	Gross Amount	Debt Discount/ Debt Issuance
(In Millions)					
Term Loans:					
Unsecured Term Loans:					
Rizal Commercial Banking Corporation Php2B	Php1,920	Php20	Php–	Php1,900	Php–
Bank of the Philippine Islands (BPI) Php2B	1,900	20	–	1,880	–
BPI Php3B	2,850	30	–	2,820	–
Philam Life Php1.5B	1,500	–	–	1,500	–
Philam Life Php1B	1,000	–	–	1,000	–
Landbank Php1B	940	10	–	930	–
Unionbank Php1.5B	1,410	15	–	1,395	–
Metrobank Php5B	4,750	50	–	4,700	–
Metrobank Php5B	4,736	50	(2)	4,700	(12)
BPI Php5B	4,736	50	(3)	4,700	(11)
Metrobank Php5B	4,737	50	(3)	4,700	(10)
Chinabank Php7B	4,897	700	(2)	4,200	(1)
Metrobank Php6B	5,748	60	(4)	5,700	(8)
BPI Php6.5B	6,225	65	(5)	6,175	(10)
BDO Php3B	2,880	30	–	2,850	–
BPI Php5.3B	5,076	53	(4)	5,035	(8)
Chinabank Php2.5B	2,000	250	–	1,750	–
Metrobank Php3B	2,900	30	(1)	2,880	(9)
Security Bank Corporation (Security Bank) Php8B	7,495	160	(4)	7,360	(21)
Landbank Php3.5B	3,383	35	(2)	3,360	(10)
Security Bank Php2B	1,930	20	–	1,910	–
Landbank Php3.5B	3,395	35	–	3,360	–
Security Bank Php4B	1,917	20	(2)	1,910	(11)
PNB Php1B	970	10	–	960	–
PNB Php1.5B	1,470	15	–	1,455	–
Landbank Php2B	1,960	20	–	1,940	–
Unionbank Php1B	980	10	–	970	–
BPI Php2B	1,951	20	(3)	1,940	(6)
Development Bank of the Philippines Php1.5B	1,500	15	–	1,485	–
BPI Php3B	2,922	30	(2)	2,910	(16)
Landbank Php1.5B	1,470	15	–	1,455	–
Landbank Php2B	1,960	20	–	1,940	–
Landbank Php1B	980	10	–	970	–
BPI Php2B	1,960	20	–	1,940	–
PNB Php4B	3,936	40	(3)	3,920	(21)
DBP Php5B	4,980	–	(2)	5,000	(18)
Chinabank Php8B	7,949	–	(8)	8,000	(43)
DBP Php4B	3,973	–	(2)	4,000	(25)
UBP Php8B	7,900	80	(2)	7,840	(18)
Bank of China (BOC) Php2B	1,968	20	(2)	1,960	(10)
PNB Php2B	1,967	20	(2)	1,960	(11)
BPI Php4.5B	4,424	45	(3)	4,410	(28)
UBP Php5.4B	5,178	54	(2)	5,130	(4)
BDO P5.0B	4,965	50	(3)	4,950	(32)
RCBC P4.0B	3,972	40	(3)	3,960	(25)
MUFG Bank, Ltd. P2.5B	2,484	–	(4)	2,500	(12)
LBP P3.0B	2,979	30	(2)	2,970	(19)
LBP P3.0B	2,978	30	(2)	2,970	(20)
BDO P3.0B	2,979	30	(2)	2,970	(19)
LBP P4.0B	3,970	40	(3)	3,960	(27)
	<b>163,050</b>	<b>2,417</b>	<b>(82)</b>	<b>161,180</b>	<b>(465)</b>
Total Debt	Php222,765	Php17,711	(Php141)	Php206,316	(Php1,121)

PLDT INC.

Schedule E. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)  
December 31, 2020

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)			
NTT TC Leasing Co. Ltd. US\$25M (2016)	Php1,197	Php–	(Php2)	Php1,201	(Php2)
NTT TC Leasing Co. Ltd. US\$25M (2017)	1,195	–	(2)	1,200	(3)

PLDT INC.

Schedule G. Capital Stock  
December 31, 2020

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>	<b>538</b>	<b>450</b>	–	<b>450</b>	–	–
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>	<b>234</b>	<b>216</b>	–	<b>124<sup>(4)</sup></b>	<b>1</b>	<b>91</b>

<sup>(1)</sup> Consists of 1,494,513 common shares directly and indirectly owned by directors and executive officers as at March 31, 2021.

<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.

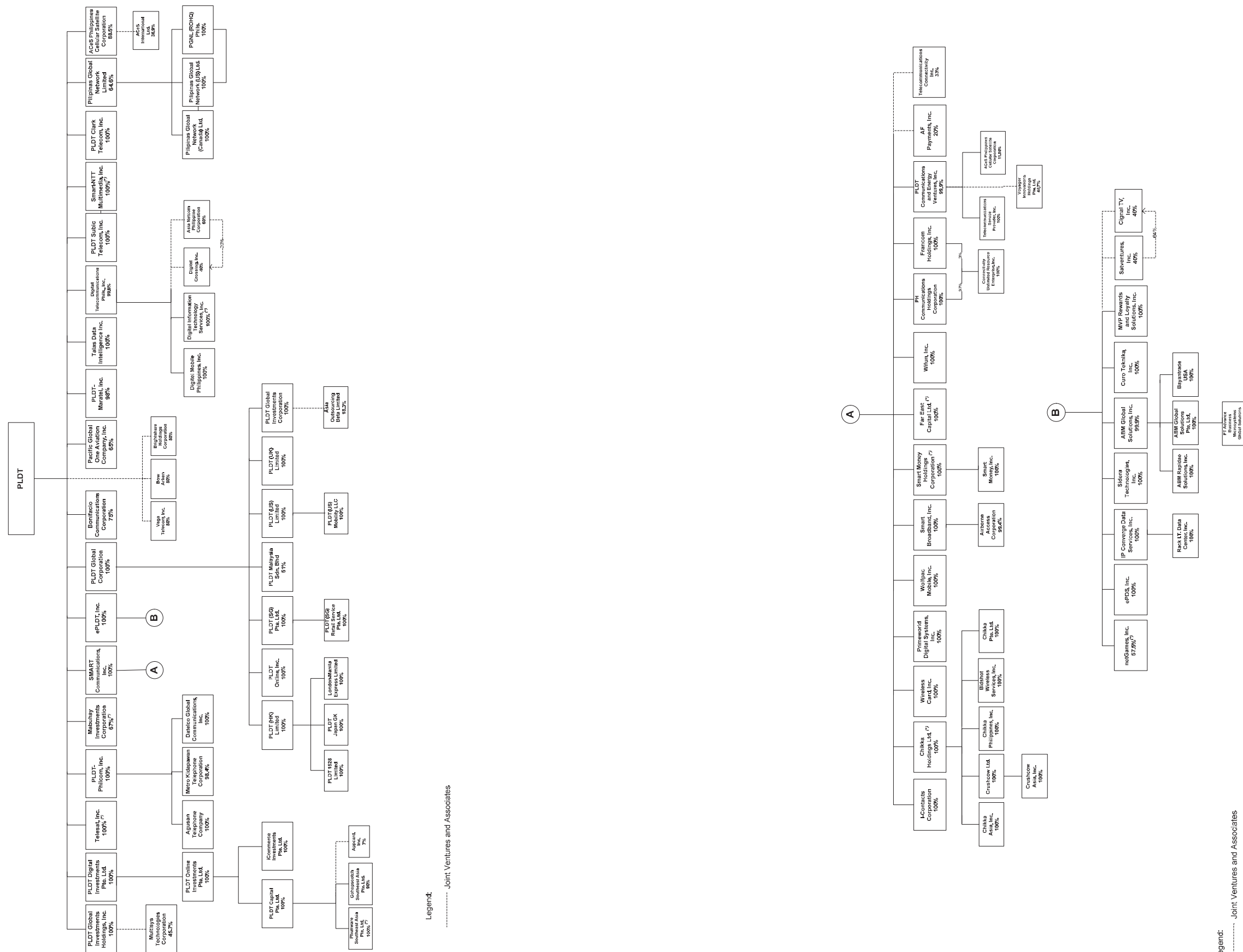
PLDT INC.

Schedule H. Reconciliation of Retained Earnings Available for Dividend Declaration  
December 31, 2020

	(in million pesos)
Consolidated unappropriated retained earnings as at December 31, 2019	18,063
Effect of PAS 27, Consolidated and Separate Financial Statements, adjustments	17,120
Parent Company's unappropriated retained earnings at beginning of the year	35,183
Less: Cumulative unrealized income – net of tax:	
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	(996)
Fair value adjustments of investment property resulting to gain	(1,117)
Fair value adjustments (market-to-market gains)	(3,440)
Parent Company's unappropriated retained earnings available for dividends as at January 1, 2020	29,630
Parent Company's net income for the year	13,593
Less: Fair value adjustment of investment property resulting to gain	(29)
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	(1,365)
	12,199
Less: Cash dividends declared during the year	
Preferred stock	(59)
Common stock	(16,636)
	(16,695)
<b>Parent Company's unappropriated retained earnings available for dividends as at December 31, 2020</b>	<b>25,134</b>

As at December 31, 2020, our consolidated unappropriated retained earnings amounted to Php25,652 million while the Parent Company's unappropriated retained earnings amounted to Php32,081 million. The difference of Php6,429 million pertains to the effect of PAS 27 in our investments in subsidiaries, associates and joint ventures accounted for under equity method.

**PLDT INC.**





PLDT INC.  
Schedule J. Financial Soundness Indicators  
December 31, 2020 and 2019

	December 31,	
	2020	2019
Current Ratio <sup>(1)</sup>	0.41:1.0	0.37:1.0
Acid Test Ratio <sup>(2)</sup>	0.30:1.0	0.23:1.0
Solvency Ratio <sup>(3)</sup>	0.37:1.0	0.35:1.0
Net Debt to Equity Ratio <sup>(4)</sup>	1.56:1.0	1.50:1.0
Net Debt to EBITDA Ratio <sup>(5)</sup>	2.09:1.0	2.10:1.0
Total Debt to EBITDA Ratio <sup>(6)</sup>	2.59:1.0	2.41:1.0
Asset to Equity Ratio <sup>(7)</sup>	4.99:1.0	4.69:1.0
Interest Coverage Ratio <sup>(8)</sup>	4.14:1.0	4.63:1.0
Profit Margin <sup>(9)</sup>	14%	13%
Return on Assets <sup>(10)</sup>	5%	5%
Return on Equity <sup>(11)</sup>	22%	20%
EBITDA Margin <sup>(12)</sup>	50%	49%

- (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 and short-term investments 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 and short-term investments 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.

CONTACT  
INFORMATION

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE OFFICE  
Email address: [corpgov@pldt.com.ph](mailto:corpgov@pldt.com.ph)

PLDT’s Corporate Governance Manual, Code of Business Conduct and Ethics and NYSE Section 303A.11 Disclosure, which summarizes the difference between PLDT’s corporate governance practices and those required of U.S. companies listed on the NYSE, and its reports on Form 17-A (Philippines) and 20-F (US) may be downloaded from

Corporate Governance Manual -  
<http://pldt.com/docs/default-source/corporate-governance-files/CG-Manual-/pldt-manual-on-corporate-governance.pdf>

Code of Business Conduct and Ethics –  
<http://pldt.com/docs/default-source/policies/pldt-code-of-business-conduct-and-ethics.pdf>

NYSE 303A.11 Disclosure –  
<http://www.pldt.com/docs/default-source/NYSE/nyse-section-303a-11-disclosure.pdf>

Form 20-F -  
<http://www.pldt.com/investor-relations/annual-and-sustainability-reports#USSEC>

Form 17-A -  
<http://www.pldt.com/investor-relations/annual-and-sustainability-reports#PhilSEC>

SHAREHOLDER SERVICES

(for inquiries on dividends, stock certificates and related matters)

PLDT Shareholder Services  
Telephone: (632) 8843-1285  
Email address: [pldtshareholderservices@pldt.com.ph](mailto:pldtshareholderservices@pldt.com.ph)

COMMON STOCK<sup>1</sup> AND VOTING PREFERRED STOCK

Philippine Registrars and Transfer Agents

BDO Unibank, Inc.,  
Stock Transfer Unit  
15th Floor BDO Corporate Center, South Tower  
7899 Makati Ave., Makati City 0726  
Trunkline: (632) 8840-7000  
Direct Line:(632) 8878-4961; (632) 8878-4963;  
(632) 8878-4740; (632) 8840-7000 local 31345  
Fax: (632) 8878-4056  
Email address: [bdo-stocktransferteam2@bdo.com.ph](mailto:bdo-stocktransferteam2@bdo.com.ph)

NON-VOTING SERIAL PREFERRED STOCK

10% CUMULATIVE CONVERTIBLE PREFERRED STOCK<sup>2</sup>

SERIES IV CUMULATIVE NON-CONVERTIBLE REDEEMABLE PREFERRED STOCK

RIZAL COMMERCIAL BANKING CORPORATION  
3/F West Wing, 221 GPL (Grepalife) Building,  
Sen. Gil Puyat Avenue, Makati City, Philippines  
Telephone: (632) 8553-6937  
Fax: (632) 8892-3139  
Email address: [abmadrid@rcbc.com](mailto:abmadrid@rcbc.com); [errebulado@rcbc.com](mailto:errebulado@rcbc.com)

DEPOSITARY OF AMERICAN DEPOSITARY SHARES

AMERICAN DEPOSITARY RECEIPT FACILITY<sup>3</sup>

JPMorgan Chase Bank, N.A.  
P.O. Box 64504  
St. Paul, MN 55164-0504  
U.S. Domestic Toll Free: (1-800) 990-1135  
International Telephone No.: (1-651) 453-2128  
Email address: [www.adr.com/shareholder](http://www.adr.com/shareholder)  
Website: [www.adr.com](http://www.adr.com)

ENTERPRISE GROUP

(for corporate accounts concerns)

Telephone: +632 8840-5433  
Fax: +632 8860-6112  
Email Address: [pldtenterprise@pldt.com.ph](mailto:pldtenterprise@pldt.com.ph)  
Website: [www.pldtenterprise.com](http://www.pldtenterprise.com)

SUPPLIER MANAGEMENT

(for inquiries on vendor accreditation)

Telephone: 8856-9506 / 8846-1131 / 8844-2361 / 8815-1988 / 8843-0038

Email: [mcyasa@pldt.com.ph](mailto:mcyasa@pldt.com.ph); [ccespiritu@pldt.com.ph](mailto:ccespiritu@pldt.com.ph); [msargonia@pldt.com.ph](mailto:msargonia@pldt.com.ph); [tvmandoza@pldt.com.ph](mailto:tvmandoza@pldt.com.ph); [adabella@pldt.com.ph](mailto:adabella@pldt.com.ph); [jctungcod@pldt.com.ph](mailto:jctungcod@pldt.com.ph); [pequinones@pldt.com.ph](mailto:pequinones@pldt.com.ph)

INVESTOR RELATIONS

(for financial and operating information on PLDT)

PLDT INVESTOR RELATIONS CENTER  
12F Ramon Cojuangco Building  
Makati Avenue, Makati City, Philippines  
Telephone: (632) 8816-8024  
Facsimile: (632) 8810-7138  
Email address: [pldt\\_ir\\_center@pldt.com.ph](mailto:pldt_ir_center@pldt.com.ph)

PLDT RECRUITMENT

Hotline: (632) 8-PLDTHR or (632) 8-753847  
Email: [pldthr@pldt.com.ph](mailto:pldthr@pldt.com.ph)

CUSTOMER CARE SERVICES

(for service-related concerns)

PLDT HOME CUSTOMER CARE  
Hotline: 171 (free for PLDT, Smart, Sun and TNT subscribers)  
Subscribers of other networks who wish to contact  
PLDT Home: (632) 88888-171  
Facebook: PLDT Home, PLDT Cares  
Twitter: @PLDT\_Cares  
Internet users can look for answers to frequently asked questions about PLDT Home products, billing and aftersales concerns at: [www.pldthome.com/support](http://www.pldthome.com/support)

CONTACT INFORMATION

Information (for general inquiries)

Ramon Cojuangco Building (RCB)  
Telephone: (632) 8893-0015  
Makati General Office (MGO)  
Telephone: (632) 8816-8659

<sup>1</sup> The shares of Common Capital Stock of PLDT Inc. are listed on the Philippine Stock Exchange (ticker: TEL).

<sup>2</sup> T The shares of Series JJ 10% Cumulative Convertible Preferred Stock of PLDT are listed on the Philippine Stock Exchange. All the outstanding shares of 10% Cumulative C Convertible Preferred Stock Series A to FF, Series GG, Series HH (issued in 2007), Series HH (issued in 2008), Series II and Series JJ (issued in 2014) were redeemed and retired on January 19, 2012, August 30, 2012, May 16, 2013, May 16, 2014, May 11, 2016 and May 12, 2020 respectively.

<sup>3</sup> PLDT has established an American Depositary Receipt facility under which American Depositary Shares (ticker: PHI) representing shares of Common Capital Stock are listed and traded on the New York Stock Exchange. The American Depositary Shares are evidenced by American Depositary Receipts issued by the Depositary.



[WWW.PLDT.COM](http://WWW.PLDT.COM)

