**Dividends Declared**

The following table shows the dividends declared to common shareholders from the earnings for the years ended December 31, 2016, 2017, 2018, 2019 and 2020:

| | Date | | | Amount | |
|---|---|---|---|---|---|
| **Earnings** | **Approved** | **Record** | **Payable** | **Per share** | **Total Declared** |
| | | | | **(in Php)** | **(amounts in million Php)** |
| 2016 | August 2, 2016 | August 16, 2016 | September 1, 2016 | 49 | 10,587 |
| 2016 | March 7, 2017 | March 21, 2017 | April 6, 2017 | 28 | 6,050 |
| | | | | 77 | 16,637 |
| 2017 | August 10, 2017 | August 25, 2017 | September 8, 2017 | 48 | 10,371 |
| 2017 | March 27, 2018 | April 13, 2018 | April 27, 2018 | 28 | 6,050 |
| | | | | 76 | 16,421 |
| 2018 | August 9, 2018 | August 28, 2018 | September 11, 2018 | 36 | 7,778 |
| 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 |
| | | | | 78 | 16,852 |

**Dividends Paid**

The following table shows a summary of dividends paid per share of PLDT's common stock stated in both Philippine peso and U.S. dollars:

| | **In Philippine Peso** | **In U.S. Dollars** |
|---|---|---|
| 2016 | 106.00 | 2.29 |
| Regular Dividend – April 1, 2016 | 57.00 | 1.24 |
| Regular Dividend – September 1, 2016 | 49.00 | 1.05 |
| 2017 | 76.00 | 1.51 |
| Regular Dividend – April 6, 2017 | 28.00 | 0.56 |
| Regular Dividend – September 8, 2017 | 48.00 | 0.95 |
| 2018 | 64.00 | 1.21 |
| Regular Dividend – April 27, 2018 | 28.00 | 0.54 |
| Regular Dividend – September 11, 2018 | 36.00 | 0.67 |
| 2019 | 72.00 | 1.38 |
| Regular Dividend – April 23, 2019 | 36.00 | 0.69 |
| Regular Dividend – September 10, 2019 | 36.00 | 0.69 |
| 2020 | 77.00 | 1.60 |
| Regular Dividend – April 3, 2020 | 39.00 | 0.89 |
| Regular Dividend – September 4, 2020 | 38.00 | 0.71 |

Dividends on PLDT’s common stock were declared and paid in Philippine pesos. For the convenience of the reader, the Philippine peso dividends have been converted into U.S. dollars based on the Philippine Dealing System Reference Rate on the respective dates of dividend payments from 2016 to 2017, and based on exchange rates quoted through the BAP for 2018, 2019 and 2020 dividend payments. See *Note 20 – Equity* to the accompanying audited consolidated financial statements in Item 18. “Financial Statements” for further information on our dividend payments.

**Capitalization and Indebtedness**

Not applicable.

**Reasons for the Offer and Use of Proceeds**

Not applicable.

**RISK FACTORS**

***You should carefully consider all of the information in this annual report, including the risks and uncertainties described below. If any of the following risks actually occurs, it could have a material adverse***

***effect on our business, financial condition or results of operations and the trading price of our ADSs could decline and you could lose all or part of your investment.***

**Risks Relating to Us**

***Our business may be materially and adversely affected by the coronavirus outbreak and other adverse public health developments.***

In December 2019, an outbreak of the disease COVID-19, caused by a novel coronavirus (SARS-CoV-2) was first reported to have surfaced in Wuhan, the People's Republic of China (the "**PRC**"), later resulting in millions of confirmed cases and hundreds of thousands of fatalities globally, with thousands of confirmed cases and more than a thousand fatalities in the Philippines. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. As at the date of this report, the COVID-19 disease has continued to spread globally, with the number of reported cases and related deaths increasing daily, and in many countries, exponentially.

Governments and health authorities around the world have imposed sweeping measures designed to contain the pandemic, including, among others, travel restrictions, border closures, curfews, quarantines, cancellations of gatherings and events and closures of universities, schools, restaurants, stores and other business. The economic repercussions of the pandemic and the efforts around the world to contain it have been severe, and include reduced global trade, lower industrial production, broad reductions in general consumption and economic activity and major disruptions to international travel and global air traffic.

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 outbreak, 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 ("**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 of Emerging Infectious Disease ("**IATF**") placed high-risk local government units under modified ECQ ("**MECQ**") from May 16, 2020 until May 31, 2020, where certain industries were allowed to operate under strict compliance with minimum safety standards and protocols. On May 27, 2020, the IATF reclassified various provinces, highly urbanized cities and independent component cities depending on the risk-level. Meanwhile, on May 28, 2020, the Government placed Metro Manila under general community quarantine ("**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 MECQ from August 4, 2020 until August 18, 2020. On August 17, 2020, the President placed Metro Manila, Bulacan, Cavite, Rizal, Nueva Ecija, Batangas, Quezon Province, Iloilo City, Cebu City, Lapu-Lapu City, Mandaue City, Talisay City, the municipalities of Minglanilla and Consolacion in Cebu under GCQ. The rest of the country was placed under Modified GCQ ("**MGCQ**") effective August 19, 2020. The period of GCQ for Metro Manila was extended until November 30, 2020. On December 1, 2020, by the order of the President, the Executive Secretary issued a Memorandum advising that the President, taking into consideration the recommendations of the IATF, had approved the community quarantine classification of Provinces, Highly Urbanized Cities ("**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 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 from September 13, 2020 to September 12, 2021, unless lifted earlier 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.

The Philippine's gross domestic product ("**GDP**") in 2020 revealed the economic effects of the outbreak, and the resulting domestic shutdowns, reduced tourism, disrupted trade and manufacturing and financial market spillovers. On January 28, 2021, the National Economic Development Authority reported that the Philippine economy registered a full year 2020 GDP contraction of 9.5% from a 5.9% full year positive growth rate in 2019. Prospects for 2021 will hinge on the proposed vaccination program that will lead to calibrated reopening of the economy. The Development Budget Coordination Committee estimates that the economy will grow by 6.5% to 7.5% in 2021 and by 8% to 10% in 2022.

The outbreak of the COVID-19 and other adverse public health developments, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus and Ebola virus could materially and adversely affect our business, financial condition and results of operations. These may include, temporary closures of our facilities or premises, hospitalizations or quarantine of our employees, delays or suspensions of supplies from our suppliers, especially those located in the PRC, disruptions or suspensions of our operational activities or labor shortages due to restrictions on our employees' ability to travel. Although we have taken certain measures to try and minimize the negative effect of COVID-19 on our operations, there is no certainty that such measures will be sufficient or that we will not be required to incur additional expense to address the effect of COVID-19 on our operations. See "*Business — Recent Developments — Measures We Have Taken in Light of the COVID-19 Outbreak*".

As at December 31, 2020, we have incurred additional expenses relating to the purchase of protective equipment for our employees, the disinfection and reconfiguration of company premises, the provision of shuttle services for employees with no private transport and donations to various non-profit institutions, among others. In addition, we recalibrated our network configuration to adjust for geographical and usage shifts during the pandemic. In 2020, total expenses related to our COVID-19 measures amounted to Php903 million. The lockdown has also prevented us from proceeding with our network roll out as scheduled, resulting in the postponement of some activities to 2021. This contributed to a reduction in capital expenditure in 2020 to 13% lower than the amount budgeted. See Item 5. "Near-term Factors Affecting Our Results of Operations Measures We Have Taken in Light of the COVID-19 Pandemic" and "Near-term Factors Affecting Our Results of Operations Impact of COVID-19 Outbreak on our Operations."

While we were not significantly affected by COVID-19 in 2020 and have benefited from the increased demand for our products and services in our wireless and fixed line businesses due to the rapid adoption of online and digital services as people who are forced to stay at home during community quarantines adopted web-based collaboration tools, distance learning, online shopping, e-payment and e-health services, among others, we cannot predict whether this increase in business activity will continue after the end of the pandemic.

In light of the evolving nature of COVID-19 and the uncertainty it has produced around the world, we do not believe it is possible to predict the COVID-19 pandemic's cumulative and ultimate impact on our future business, results of operations, and financial condition. The extent of the impact of the COVID-19 pandemic on our business and financial results will depend largely on future developments, including the duration and extent of the spread of COVID-19 both globally and within the countries in which we operate, the timeliness of vaccine procurement and inoculations, the prevalence of local, national and international travel restrictions, the impact on capital and financial markets and on the U.S. and global economies, foreign currencies exchange, and governmental or regulatory orders that impact our business, all of which are highly uncertain and cannot be predicted. To the extent the COVID-19 pandemic continues to materially and adversely affect our business, results of operations and financial condition, it may also have the effect of heightening many of the other risks described in these "Risk Factors". Any of the foregoing factors, or other cascading effects of the COVID-19 pandemic that are not currently foreseeable, will materially adversely impact our business, results of operations, and financial condition.

***The projected economic downturn may affect subscribers' spending power and adversely impact our revenue projections and return on investment.***

The Philippine economy contracted 9.5% in 2020, the sharpest decline since World War II. All four quarters declined in 2020, signifying a recession, and all sectors contracted (consumption, investments, imports and exports) except for government spending. No recovery is expected until the COVID-19 pandemic is contained. The market conditions imposed by and resulting from the COVID-19 pandemic may adversely impact the spending habits of our subscribers and the demand for our products and services, thereby adversely affecting our projected revenue and return on investment.

***The entry of a third major mobile telecommunications player and/or increased competition from other telecommunications services providers may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change in the competitive and regulatory landscape of the telecommunications industry in the Philippines would not have a material adverse effect on our business, results of operations, financial condition and prospects.***

Increasing competition among existing telecommunications services providers, as well as competition from new competitors, could materially and adversely affect our business and prospects by, among other factors, forcing us to lower our tariffs, reducing or reversing the growth of our customer base and reducing usage of our services. Competition in the mobile telecommunications industry is particularly intense, with network coverage, quality of service, product offerings, and price dictating subscriber preference, while competition in the fixed line side is now more active as well. Vital capacity and coverage expansion may continue to increase our capital expenditures.

The mobile telecommunications industry has undergone a period of aggressive competition where mobile operators have attempted to grow market share, especially in light of a maturing voice and short messaging service ("**SMS**") market. Competition has since shifted to data, where competition remains active, but more focused on ability to provide good customer experience instead of price. Our principal mobile competitor, Globe, has also begun to participate more actively in the home broadband segment, especially with their introduction of a fixed wireless home broadband service. In addition, Converge ICT Solutions, Inc. ("**Converge**"), a pure fixed line broadband operator, has recently completed its initial public offering and expressed its intention to take a significant share of market in the underpenetrated home broadband space.

Meanwhile, Dito Telecommunity Corporation ("**Dito**"), the third major industry player operated by a consortium consisting of Udenna Corporation, Chelsea Logistics Corporation and Infrastructure Holdings Corp. and China Telecommunications Corporation (together, the "**NMP Consortium**") began its operations in June 2019 upon receiving a permit to operate after its chairman, Dennis Uy, was awarded the Certificate of Public Convenience and Necessity ("**CPCN**") from the National Telecommunications Commission ("**NTC**"). In October 2019, Dito entered into agreements with Sky Cable and LCS Holdings, Inc. ("**LCS Group**"), pursuant to which Dito will lease the telecommunications towers that the LCS Group is building across different regions in the Philippines and use Sky Cable's unused fiber-optic cables in Metro Manila.

Dito announced the launch of its commercial operations on March 8, 2021, with the initial launch to be limited to 15 cities in the Visayas and Mindanao area, with plans to expand the launch to the National Capital Region (including Metro Manila) within the first half of 2021.

Developments in law, regulations and/or Government initiatives may increase competition and cause us to lose customers. In 2017, as part of its push to encourage competition within the telecommunications industry, the Philippine Government introduced various measures to facilitate and enable the operations of new players, including a tower sharing policy, mobile number portability ("**MNP**"), the removal of mobile interconnect charges and the lifting of foreign ownership restrictions on telecommunication companies. In 2019, Smart, Globe and Dito established a joint venture company, Telecommunications Connectivity, Inc. ("**TCI**"), to enable number porting services in line with the Government's MNP initiative. TCI enables a customer to retain his/her mobile number when he/she moves from one mobile service provider to another or when he/she changes the type of mobile subscription from postpaid to prepaid or vice versa. This ability to retain one's mobile number when switching between service providers further incentivizes our customer to switch away from us. The loss of customers due to such developments would adversely affect our business, financial condition and results of operations. Meanwhile, as customers who switch away from us retain their mobile numbers, the mobile number prefixes which used to be exclusive to our subscribers will no longer be exclusive, and such loss may result in the dilution of the premium nature of our brand. We cannot guarantee you that in the future, there will not be similar changes in law, regulations or Government initiatives that may incentivize customers to switch away from us.

In the fixed line business, we are also seeing increased competition from Globe and Converge. Converge, in particular, has been aggressively expanding its network. In September 2019, it raised U.S.$250 million to help finance its plan to build a U.S.$1.8 billion nationwide internet backbone in addition to its plan to construct a domestic submarine cable with 20 landing stations across the Philippines. In a press statement issued in December 2020, Converge stated that it had 1,000,000 subscribers at the time. Globe, on the other hand, has indicated a shift in its home broadband strategy from offering fixed wireless to building and offering more fiber.

Our ability to compete effectively will depend on, among other things, network coverage, quality of service, price, our development of new and enhanced products and services, the reach and quality of our sales and distribution channels and our capital resources. It will also depend on how successfully we anticipate and respond to various factors affecting our industry, including new technologies and business models, changes in consumer preferences and demand for existing services, demographic trends and economic conditions. If we are not able to respond successfully to these competitive challenges, our business, results of operations, financial condition and prospects could be materially and adversely affected.

To maintain our competitive posture in the face of increasing competition, we may need to match our competitors' offers by lowering our price points and offering other incentives to prevent existing customers from switching, which may result in lower ARPUs and consequently, negatively impact our revenue. Furthermore, we may need to make additional investments in our network to further improve the customer experience in order to effectively compete with Globe and Dito. A loss of market share and increased costs to maintain our competitive posture will adversely affect our business, financial condition and results of operations. We cannot assure you that the number of providers of telecommunications services will not increase in the future or that competition for customers will not cause our mobile and fixed line subscribers to switch to other operators, or otherwise cause us to increase our marketing and capital expenditures, lose customers or reduce our rates, resulting in a reduction in our profitability.

***The rapid speed of disruptive innovations by new and emerging technologies may outpace our ability to compete and/or manage the risk appropriately, resulting in a possible decline in demand for our services, significant changes to our business model and a material adverse effect on our business, results of operations, financial condition and prospects.***

The growing use of mobile data in the Philippines, coupled with the prevalence of over-the-top ("**OTT**") services and video conferencing applications, have negatively impacted our traditional revenue sources such as SMS and domestic calling services in recent years. We are also facing growing competition from providers offering services using alternative wireless technologies and IP-based networks, including efforts by the Philippine Government to roll-out its free *WiFi* services to selected areas within various municipalities in the country. Moreover, net settlement payments between PLDT and other foreign telecommunications carriers for origination and termination of international call traffic between the Philippines and other countries, which have been our predominant source of foreign currency revenues, have been declining in recent years and have diminishing contribution to our total service revenues.

While the trend of increasing mobile data usage has resulted in, and is expected to continue to have, a positive impact on our data revenues, there is no guarantee that such increase will fully compensate for the decline in the revenue from our traditional businesses. We may not be able to maintain and attract customers more effectively than our competitors. We will also need to invest in new infrastructure, systems and personnel to provide high quality services that accommodate increasing mobile data usage. As a result, our capital costs could increase as we phase out outdated and unprofitable technologies and invest in new ones.

The advent of Fifth-generation wireless ("**5G**") is another potential disruptor. 5G is the latest evolution of cellular technology and is characterized by significantly higher speeds and low latency which will enable mobile users to download data at a much faster speed than previous generation technologies. 5G is also expected to anchor the Internet of Things ("**IoT**"), which will allow users to connect with each other, as well as their homes, vehicles, public infrastructure and more. In order to make 5G technology available to our customers, we may need to obtain additional licenses or upgrade our networks, which may cause us to incur significant capital expenditures. As new technologies relating to 5G systems are developed, our equipment and infrastructure may need to be replaced or upgraded or we may need to rebuild our network, in whole or in part. If we are unable to acquire such licenses or upgrade such systems, on reasonable terms or at all, we may not be able to implement the 5G technology in a timely manner or at all, which in turn may negatively impact our ability to attract new customers and/or maintain our existing customer base.

We have started rolling out 5G radios in our base stations and are currently deploying 5G pilot programs in anticipation of a commercial rollout in the near future. We are also conducting pilot tests of 5G equipment from several equipment vendors, as standards for 5G technology continue to evolve. We are dependent on the availability of 5G network equipment and software, as well as 5G-capable devices such as handsets and modems before we can roll out commercial services and generate revenues. A delay in the release of reasonably-priced 5G handsets could negatively impact the mass acceptance of 5G services among our customers and our ability to monetize these investments, which in turn could adversely affect our growth prospects.

We may not be able to accurately predict further technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints on our introduction of new services. If our services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract customers could be adversely affected. We can neither assure you that we would be able to adopt or successfully implement new technologies and services nor assure you that future technological changes will not adversely affect our business, results of operations, financial condition and prospects.

***The success of our business depends on our ability to maintain and enhance our brands.***

We believe that our reputation and brands in the industry are crucial to the success of our business. To maintain and enhance our reputation and brands, we must continue providing relevant products and services, combined with the best customer experience, such that we not only maintain our current customer base but also attract new subscribers as well. If we are unsuccessful in maintaining and improving our brands, our business, financial position and results of operations may be negatively affected.

***Our reliance on outsourcing and strategic sourcing arrangements, technology vendor contracts, and other partnerships and/or joint ventures may prevent us from meeting organizational targets or may impact our brand image.***

We have entered into a number of outsourcing agreements with technology vendors covering key operations in order to improve efficiencies and maximize knowledge transfer. These arrangements may disrupt existing operations and result in resistance among employees. Furthermore, any delays in implementation or failure to bring about the desired results will hamper our ability to meet our medium-term targets.

In particular, as part of our extensive capital expenditures program to overhaul our fixed and wireless networks infrastructure and our IT systems, we have entered into agreements with Amdocs Philippines, Inc. and Huawei Technologies Co. Ltd. (**"Huawei"**), to upgrade and modernize a significant portion of our IT infrastructure. We cannot guarantee that we will be able to accomplish this transformation in a timely fashion, or at all, or in the manner intended. Furthermore, we cannot guarantee that such transformation will not result in service disruptions, network outages or encounter other issues that may detrimentally affect consumer experience. This may adversely affect our business, financial condition and results of operations.

Due to our reliance on third party vendors, our business operations may be negatively impacted by any adverse changes in import policies, including increases in import duties and tariffs, or any embargo on imports from countries from which our vendors supply. In particular, trade tensions between the United States and major trading partners, including particularly with China, continue to escalate following the introduction of a series of tariff measures by the United States and/or its trading partners. Any further changes in the United States' global trade policy against its trading partners, including tightening regulatory restrictions, industry specific quotas, tariffs, non-tariff barriers and taxes may have an adverse effect on our ability to procure the requisite components or services from suppliers located in the United States and/or its trading partners. For example, Huawei and its designated affiliates have been placed on the Entity List, an export control-related list, and Huawei has been designated as a "Communist Chinese military company" by the government of the United States, and the government of the United States has banned a broad array of American companies from utilizing information and communications technology supplied by Huawei. Any additional export restrictions imposed by the United States against Huawei and its designated entities, as well as any damage to Huawei's image or reputation could potentially have an adverse effect on our business, prospects, results of operations and cash flows. Thus, we continue to monitor developments involving U. S. – China relations that may impact Huawei's ability to operate. For example, we note that some countries and telecommunications service providers have banned or limited the use of Huawei's technologies for various reasons. We have factored in such developments in our planning and decision-making with respect to our operation with Huawei, and will continue to do so.

Our business relies heavily as well on third party vendors, some of whom may encounter financial difficulties or consolidate with other vendors. This may result in a shrinking of the already limited pool of qualified vendors which may in turn, materially impact the third party vendors' ability to fulfill their obligations and thereby impact our operations. The limited number of vendors may also result in our dependence on a single vendor to provide critical services.

Our ability to generate revenues could be disrupted if our suppliers are no longer able or willing to supply us. In the event that any of our suppliers cannot or will not provide us with the required products, we may be forced to find alternative supplies. There is no guarantee that we will be able to obtain our products or products of a similar quality from alternate suppliers, in part or at all. Failure to acquire alternative suppliers will disrupt our operations and hinder our ability to generate revenues.

***The mobile telecommunications industry in the Philippines may not continue to grow.***

The majority of our total revenues are currently derived from the provision of mobile services to customers in the Philippines. As a result, we depend on the continued development and growth of the mobile telecommunications industry in the Philippines. We believe the mobile penetration rate in the country, however, reached approximately 138% as at December 31, 2020, based on the number of SIM cards issued, and the industry may well be considered mature insofar as services such as SMS and domestic voice are concerned.

Data has emerged as the key driver for revenues. However, further growth of the market depends on many factors beyond our control, including the continued introduction of new and enhanced mobile devices, the price levels of mobile handsets, consumer tastes and preferences, and the amount of disposable income of existing and potential subscribers. Any economic, technological or other developments resulting in a reduction in demand for mobile services or otherwise causing the Philippine mobile telecommunications industry to stop growing or slow down its growth, could materially harm our business, results of operations, financial condition and prospects.

***The licenses, franchises and regulatory approvals, upon which PLDT relies, may be subject to revocation or delay, which could result in the suspension of our services or abandonment of any planned expansions and could thereby have a material adverse effect on our business, results of operations, financial condition and prospects.***

*Failure to comply with the foreign ownership restrictions*

Section 11, Article XII of the 1987 Philippine Constitution (the "**Constitution**") provides that no franchise, certificate or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least 60% of whose capital is owned by such citizens. Exceeding the foreign ownership restrictions imposed under the Constitution may subject the Company to (1) sanctions set out in Section 14 of the Philippine Foreign Investments Act of 1991, as amended, comprising a fine not exceeding (a) the lower of (x) 0.5% of the total paid in capital of the Company and (y) Php5 million, in the case of a corporate entity, (b) Php200,000, in the case of the president of the Company or other responsible officers, and (c) Php100,000, in the case of other natural persons, which we refer to collectively as the Monetary Sanctions, and/or (2) the Philippine government commencing a *quo warranto* case in the name of the Republic of the Philippines against the Company to revoke the Company's franchise, which permits the Company to engage in telecommunications activities.

We believe that as at the date of this report, PLDT is in compliance with the requirements of the Constitution, and this position was supported by the Supreme Court. However, we cannot assure you that subsequent changes in law or additional litigation would not result in a different conclusion.

*Failure to renew CPCNs*

We operate our business under franchises, each of which is subject to amendment, termination or repeal by the Philippine Congress, and to various provisional authorities and CPCNs, which have been granted by the NTC and will expire between now and 2028. Some of our CPCNs and provisional authorities have already expired, but applications for the renewal of such CPCNs and provisional authorities were filed prior to their expiry. Under the Philippine Revised Administrative Code of 1987 and the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, CPCNs and provisional authorities for which renewal applications have been filed are deemed effective until the applications for renewal are finally decided upon by the NTC. Although we have filed applications for the extension of these CPCNs and provisional authorities, we cannot assure you that the NTC will grant the applications for renewal. Failure to renew CPCNs can materially and adversely affect our ability to conduct the essential functions of our business, and therefore adversely affect our financial condition and results of operations. See Item 4. "Information on the Company – Licenses and Regulations" for more information.

*Failure to comply with Republic Act No. 7925 or the Public Telecommunications Policy Act of the Philippines*

The Philippine Congress may revoke, or the Solicitor General of the Philippines may file a *quo warranto* case against Smart and DMPI to revoke, the franchise of Smart and DMPI for their failure to comply with Republic Act No. 7925, pursuant to which a telecommunications entity providing regulated services are required to offer of at least 30% of its aggregate common shares in public offering. See Item 4. "Information on the Company – Material Effects of Regulation on our Business" for further discussions. However, on May 19, 2017, Republic Act No. 10926 took effect and effectively extended the legislative franchise of Smart.

The law contains a provision which provides an exemption from such public listing requirement if the grantee is wholly-owned by a publicly listed company with at least 30% of its authorized capital stock is publicly listed. As Smart is a wholly owned subsidiary of PLDT, a publicly listed company, Smart is not required to offer any of its shares to the public under Republic Act No. 7925. Nonetheless, we cannot assure you that none of our franchises, permits or licenses will not be revoked in the future. Any such revocations could have a material adverse effect on our business, financial conditions or prospects.

***Our business is significantly affected by laws and regulations, including regulations in respect of our service rates, taxes and antitrust laws.***

The NTC regulates the rates we are permitted to charge for services that have not yet been deregulated, such as local exchange services and is responsible for granting a long-term license called a CPCN. PLDT has obtained CPCNs for its international gateway facility, local exchange carrier, cellular mobile telephone services and interexchange carrier services. While CPCNs are valid for 25 years, the NTC may amend certain terms of a CPCN, or revoke a CPCN for a cause, subject to due process procedures. The exercise of regulatory power by regulators, including monetary regulators, may be subject to review by the courts upon the filing of complaints by the affected parties.

We cannot assure you that the NTC will not impose additional obligations on us that could lead to the revocation of our licenses if not adhered to and/or to the reduction in our total revenues or profitability. The NTC could amend applicable regulations or implement additional guidelines governing our interconnection with other telecommunications companies or the rates and terms upon which we provide services to our customers. In addition, any future expansions in our services, particularly in our mobile services, could subject us to additional conditions in the granting of our provisional authorities by the NTC and to increased regulatory scrutiny, which could have a material adverse effect on our growth and prospects. The occurence of any of the foregoing could impose substantial costs on us, cause interruptions or considerable delays in the provision, development or expansion of our services, or materially reduce our revenues and profitability. There is no assurance that the regulatory environment will support increases in our business and financial activity.

We are subject to a number of national and local taxes. We cannot assure you that we will not be subject to new, increased and/or additional taxes or that we would be able to pass on such additional expenses to our customers. See *Note 27 – Provisions and Contingencies* to the accompanying audited consolidated financial statements in Item 18. “Financial Statements” for further discussion.

Moreover, we are subject to antitrust laws and regulations. The Republic Act No. 10667 (the “**Philippine Competition Act**”) came into effect on August 8, 2015 and prohibits practices that restrict market competition through anti-competitive agreements or the abuse of a dominant position. The Act also requires parties to provide notification and obtain clearance for certain mergers and acquisitions. Violators may be subject to administrative and criminal penalties. While our business practices have not in the past been found to have violated any antitrust laws and regulations, we cannot assure you that any new or existing governmental regulators will not, in the future, take the position that our current or past business practices have an anti-competitive effect on the Philippine telecommunications industry.

In particular, PLDT is currently involved in a litigation with the Philippine Competition Commission (the “PCC”), relating to PLDT’s investments in Vega Telecom Inc., Bow Arken Holdings Company and Brightshare Holdings, Inc. (collectively, the “**SMC Transactions**”). Although the Court of Appeals (the “**CA**”), among other things, compelled the PCC to recognize the SMC Transactions as having been deemed to be approved by operation of law, the CA held that the deemed approved status of the SMC Transactions does not, however, remove the power of the PCC to conduct post-acquisition review to ensure that no anti-competitive conduct was committed by the parties. The CA’s decision is on appeal with the Supreme Court and is not final and executory. An adverse judgment could materially and adversely affect our business and outlook. See *Note 11 – Investments in Associates and Joint Ventures – Notice of Transaction filed with the Philippine Competition Commission, or PCC* to the accompanying audited consolidated financial statements in Item 18. “Financial Statements” for further discussion.

No assurance can be given that the regulatory environment in the Philippines will remain consistent or open. Current or future policies may affect our business and operations.

***Changes in regulations or user concerns regarding the privacy and protection of user data, or any failure to comply with such laws, could adversely affect our business.***

Legislations such as Republic Act No. 10173 and its implementing rules and regulations (the “**Data Privacy**

**Act**”) aim to protect individual privacy. The rules apply to the processing of personal data in the public and private sectors, as well as to acts done or practices engaged in, in and outside of the Philippines under certain conditions. In 2021, the NPC is expected to pivot their direction towards more enforcement actions as more privacy violations come to light. In 2019 and 2020, the NPC issued a number of Stop Processing Orders to online lenders that misused the personal data of their borrowers. Personal data breaches and other controversies relating to the unauthorized processing of personal data both within the Philippines and abroad continue to be a concern for consumers. Provisions in the Data Privacy Act on the Rights of Data Subjects and the NTC issuances under Memorandum Circular No. 05-07-2016 and NTC Memorandum Circular No. 05-06-2007 on the rights of the subscriber on record to their data and call data records highlight PLDT’s statutory obligation to be able to furnish complete and correct data to its users upon their request. These developments lead to an increased impetus on PLDT’s part to not only ensure compliance with the Data Privacy Act and similar laws, rules and regulations but also to meet industry best practices and customer expectations on data protection.

Any failure, or perceived failure, by us to make effective modifications to our policies, or to comply with any privacy, data-retention or data-protection-related laws, regulations, orders or industry self-regulatory principles, including the Data Privacy Act, could result in proceedings or actions against us by governmental entities or others, loss of user confidence, damage to the PLDT brands, or the loss of users or advertising partners, any of which could potentially have a material adverse effect on our business.

In addition, various foreign legislative or regulatory bodies may enact new or additional laws and regulations concerning privacy, data-retention and data-protection issues, including laws or regulations mandating disclosure to domestic or international law enforcement bodies, which could adversely impact our results of operations, businesses, brand or reputation with users. For instance, in May 2018, the General Data Protection came into force in the European Union and European Economic Area countries. In the United States, there is also increasing clamor for the enactment of a federal privacy law. More recently, in July 2020, the Court of Justice of the European Union in the case, Data Protection Commissioner v Facebook Ireland Ltd, Maximilian Schrems and intervening parties, Case C-311/18 (also known as “Schrems II”) on the invalidation of the EU-US Privacy Shield, indicate that prevailing arrangements on international data transfers may be subject to change as a result of court decisions in different jurisdictions. In the Philippines, proposed amendments to the Data Privacy Act have been filed with the Congress of the Philippines. In general, the amendments focus on a review of the penalties for criminal offenses, as well as the authority of the NPC to levy fines for administrative offences. Since stakeholders, including telecommunications service providers, have significant interest in these amendments, it is likely that the amendments will only be approved by the Philippine Congress after a lengthy period of solicitation of public opinion and discussion.

The interpretation and application of privacy, data protection and data retention laws and regulations are often uncertain as these are highly dependent on the local context and culture and they can also be impacted by changes in technology. These laws may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices, complicating long-term business planning decisions. If privacy, data protection or data retention laws are interpreted and applied in a manner that is inconsistent with our current policies and practices we may be fined or ordered to change our business practices in a manner that adversely impacts our operating results. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices or operating platforms in a manner adverse to our business.

***Inadequate handling of confidential information, including personal customer information by our corporate group, contractors and others, may adversely affect our credibility or corporate image.***

We possess a substantial amount of personal information of our customers. In the event an information leak or cyber security breach occurs, whether on our end or on the part of our contractors and service providers, we may be subject to penalties under the Data Privacy Act, our credibility and corporate image may be significantly damaged and we may experience an increase in cancellations of customer contracts and a slower increase in additional subscriptions, any of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

In 2020, the PLDT Group had three personal data breaches that met the Data Privacy Act’s requisites for mandatory reporting to the NPC and notice to affected data subjects. The reported incidents resulted primarily from failure of PLDT personnel to follow PLDT’s data privacy and information security policies. While the PLDT Group periodically conducts compliance audits and regularly holds privacy and information security training and awareness campaigns, it cannot guarantee that similar personal data breaches resulting from failure of personnel to comply with PLDT policies will not occur in the future. Such breaches could result in litigation and/or regulatory actions and penalties against us, and adversely impact on our business operations and financial conditions.  To mitigate the risk, the PLDT Group has adopted stringent policies on employee sanctions to deter any non-compliance by our employees.

***Legislation and regulation of online payment systems could create unexpected costs, subject us to enforcement actions for compliance failures, or cause us to change our digital technology platforms or business models.***

Regulators have been increasing their focus on online and mobile payment services, and recent regulatory and other developments could reduce the convenience or utility of our payment services for users. Governmental regulation of certain aspects of mobile payment systems under which PLDT operates could result in obligations or restrictions with respect to the types of products that we may offer to consumers, the payment card systems that link to our mobile payments systems, the jurisdictions in which our payment services or apps may be used, and higher costs, such as fees charged by banks to process funds through our mobile payments systems. Such obligations and restrictions could be further increased as more jurisdictions regulate payment systems. Moreover, if this regulation is used to provide resources or preferential treatment or protection to selected payments and processing providers, we could be displaced, prevented or substantially restricted from participating in particular geographies.

***Limitations in the amount of frequency spectrum or facilities made available to us could negatively affect our ability to maintain and improve our service quality and level of customer satisfaction, increase our costs and reduce our competitiveness.***

The available radio frequency spectrum is one of the principal limitations on a wireless network's capacity, and there are limitations in the spectrum and facilities available to us to provide our services. Our future wireless growth will increasingly depend on our ability to offer relevant content and data services and a wireless network that has sufficient spectrum and capacity to support such services. Improvements in our service depend on many factors, including continued access to and deployment of adequate spectrum.

In order to acquire spectrum, a duly enfranchised mobile network operator ("**MNO**") must apply and secure a provisional authority from the NTC to render a specific telecommunications service through its franchise. After a hearing, the NTC then grants a provisional authority to the MNO, which specifies the period, service area and essential frequencies for delivering the telecommunications service assigned to the MNO.  Moreover, spectrum users' fees are charged by the NTC for use of the allocated spectrum.

Our competitiveness may decline if we cannot obtain the necessary or optimal allocation of spectrum from the Philippine Government. If the Philippine Government does not fairly allocate spectrums to wireless providers in general, revokes the spectrum previously granted to us, or if we fail to acquire the necessary amount of spectrum or deploy the services that customers desire on a timely basis without burdensome conditions or at adequate cost while maintaining network quality levels, then our ability to attract and retain customers, and therefore maintain and improve our operating margins, could be materially and adversely affected.

***Other mobile service providers in the world may not adopt or use the technologies and/or frequency bands that are compatible with ours, which could affect our ability to sufficiently offer international services.***

If a sufficient number of mobile service providers does not adopt the technologies and frequency bands that are compatible with ours, if mobile service providers switch to other technologies or frequency bands, or if there is a  delay in the introduction and expansion of compatible technologies and frequency bands, we may not be able to offer international roaming or other international services as expected, which may adversely affect our business.

***We may not be successful in our acquisitions of, and investments in, other companies and businesses, and may therefore be unable to fully implement our business strategy.***

As growth slows or reverses in our traditional fixed line and mobile businesses, and as part of our strategy to grow other business segments, we make acquisitions and investments in companies or businesses to enter new businesses or defend our existing markets. The success of our acquisitions and investments depends on a number of factors, such as:

- our ability to identify suitable opportunities for investment or acquisition;
- our ability to reach an acquisition or investment agreement on terms that are satisfactory to us or at all;
- the extent to which we are able to influence or exercise control over the acquired company;
- the compatibility of the economic, business or other strategic objectives and goals of the acquired company with those of the PLDT Group, as well as the ability to execute the identified strategies in

order to generate fair returns on the investment; and

- our ability to successfully integrate the acquired company or business with our existing businesses.

Any of our contemplated acquisitions and investments may not be consummated due to reasons or factors beyond our control. Even if any contemplated acquisitions and investments are consummated, we may not be able to realize any or all of the anticipated benefits of such acquisitions and investments and we cannot assure you that the consummation of such acquisitions and investments will not result in losses for a prolonged period of time. Moreover, if we are unsuccessful in our contemplated acquisitions and investments, we may not be able to fully implement our business strategy to maintain or grow certain of our businesses and our results of operations and financial position could be materially and adversely affected.

***We are exposed to the fluctuations in the market values of our investments.***

Given the nature of our business and our foray into the digital business, we have made investments in various start-up companies. We also continue to hold an investment in VIH, an important player in the financial technology space and an integral part of our digital payments ecosystem. In accordance with IAS 28, *Investments in Associates and Joint Ventures*, we account for our investment in VIH using the equity method, whereby we recognize our proportionate share of VIH's losses, which amount to Php2,393 million and Php2,268 million for the years ended December 31, 2020 and 2019, respectively. Credit ratings and the value of this investment and similar investments can be negatively impacted by liquidity, credit deterioration or losses, financial results, foreign exchange rates, or other factors. As a result, our investments could decline and result in a material impairment, which could have a material adverse effect on our financial condition and operating results.

***Our operations and financial conditions may be negatively affected if we fail to secure a permanent office building prior to the expiration of the lease-back agreement for the Smart Headquarters.***

On October 5, 2020, PLDT signed an agreement for the sale of Smart's headquarters, which also included a lease-back agreement with the buyer, pursuant to which we are permitted to continue occupying the building for no more than five years. If we fail to find a suitable alternative office space prior to the expiration of the lease-back agreement, we may need to negotiate the extension of the lease-back agreement. There is no assurance that we will be able to extend the lease-back agreement on reasonable terms, or at all. Any relocations could disrupt our business operations. Any of the foregoing events could materially and adversely affect our business operations and financial conditions.

***If we are unable to install and maintain telecommunications facilities and equipment in a timely manner, we may not be able to maintain our current market share and the quality of our services, which could have a material adverse effect on our results of operations and financial condition.***

Our business requires the regular installation of new telecommunications transmission and other facilities and equipment, and the regular maintenance of such facilities and equipment, which are continually being undertaken. The installation and maintenance of these facilities and equipment are subject to a number of risks and uncertainties, such as:

- shortages of equipment, materials and labor;
- delays in the issuance of national and local government building permits;
- work stoppages and labor disputes;
- interruptions resulting from man-made events (e.g., sabotage), outbreak of epidemics, pandemics or other public health crises, inclement weather and other natural disasters;
- rapid technological obsolescence;
- inability of vendors to deliver on commitments;
- unforeseen engineering, environmental and geological problems; and
- unanticipated cost increases.

Any of these factors could give rise to delays or cost overruns in the installation of new facilities or equipment or prevent us from deploying our networks and properly maintaining the equipment used in our networks, and hence affect our ability to maintain existing services and roll-out new services, for example, which could have a material adverse effect on our results of operations and financial condition.

***Our business relies on secure network infrastructure and computer systems, and any cyber-attacks against them, or the perception of such attacks, may materially adversely affect our operations, financial condition, results of operations and reputation.***

We need to constantly upgrade our cyber security capabilities to support our business needs. We depend on information and digital services to run our business and deliver value. Our Company faces the following challenges in an era of connectivity, digital identity, decentralized decisions, information monetization, transparency, and variable trust:

- An increase in the variety of products and services that we provide to our customers (e.g. customer premise equipment, systems, devices, IoT, data and their dynamic relationships) exposes issues regarding the relevance of various products and services in light of rapid technology updates, as well as scalability issues in our existing security control solutions;

- Our existing deterrence measures against cyber security breaches may become less effective. For instance, defensible gates and impermeable walls that are designed to secure our service and information infrastructure have become less effective. While such tools and measures make it difficult to breach our system, these tools may not stop breaches altogether;

- The infrastructure underpinning the digitalization of consumer and enterprise services has become more complex. In order to enhance work efficiency, we allow our employees to work away from the office. This means giving employees cloud access to collaboration platforms and controlled remote access to pre-identified operational systems on their personal devices, such as mobile phones and workstations. Given the large number of points of access to our internal network, we need to constantly improve our cyber infrastructure and implement more sophisticated tools to protect it from attacks;

- The consequences of a cyber security breach could be severe. Breaches resulting in leakage of our Company's confidential commercial and/or personal information may result in irreparable damage to our reputation and brand. Moreover, leakage of sensitive personal information could, in some cases, result in a threat to personal safety, as well as legal and/or regulatory liability;

- Perpetrators are adopting more sophisticated technologies in their attempts to breach our defensive security measures. We see a growing number of automated computer programs being used in initiating attacks; and

- While encrypted internet traffic protects private information, it inadvertently hampers cyber protection efforts. Perpetrators could abuse encrypted communication tools and use them in their efforts to breach into our systems, with less risk of such efforts being discovered by cyber security measures.

In 2020, our Cyber Security Operations Group continued to address the following cyber threats and attacks:
(1) malware attacks; (2) use of unauthorized applications; (3) Distributed Denial of Service ("**DDoS**") attacks,
(4) network intrusion attempts; (5) unauthorized access (6) failed log-in attempts of corporate credentials; and
(7) spam emails. In 2020, we blocked 71 billion access to malicious sites by our customers and employees, detected and prevented 40,403 high-risk endpoint activities, addressed 675,321 potential incidents among our ICT assets, mitigated 8,306 DDoS attacks, blocked 70.6 million attacks to our corporate websites, blocked unauthorized access from 19,711 devices under our bring-your-own-device policy, and secured 208.8 million business emails, 120.5 million emails of which contained malicious threats like spam emails, viruses, malware and invalid recipients.

In addition to protecting our internal infrastructure and platforms, our Cyber Security Operations Group began to safeguard our subscriber base in 2020, preventing it from falling victim to cyberattacks, such as malware and phishing. With the upsurge in demand for bandwidth and digital services during the COVID-19 outbreak, there has been a corresponding increase in cyber threat activities, mainly in the form of phishing emails, malware websites and download ransomware, all of which use information regarding COVID-19 as a bait.

On their own and taken as a whole, these incidents did not cause any material financial, legal, or regulatory impact to the Company, nor did they cause any material disruptions to our business operations. However, as cyberattacks have become a persistent global and domestic threat, we cannot assure you that we will be able to successfully prevent all forms of cyber intrusions. Any successful attack on our infrastructure could result in legal and/or regulatory liabilities, disruptions to our business operations, damages to our reputation, and financial losses. While we maintain cyber insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain.

***Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.***

The effects of, and any damage caused by, exposure to an electromagnetic field remain the subject of careful evaluations by the international scientific community. We cannot rule out the possibility that exposure to electromagnetic fields or other emissions originating from mobile handsets will not be identified as a health risk in the future. Our mobile business may be harmed as a result of any future alleged, or actual, health risk or the perception of any health risk, which could result in our inability to secure permits to install telecom equipment, a lower number of customers, reduced usage per customer or even potential consumer liability.

***Cable and equipment theft, equipment failures, natural disasters and man-made events may materially and adversely affect our operations.***

Theft of telecommunication cables, major equipment failures, natural disasters, such as severe weather, and man-made events, such as terrorist acts or other similar or related contingencies, could adversely affect our wired and wireless networks, including telephone switching offices, microwave links, third-party-owned local and long-distance networks on which we rely, our cell sites or other equipment, our customer account support and information systems, or our employee and business records, and could in turn have a material adverse effect on our operations.

***Natural disasters, terrorist acts or acts of war could cause damage to our infrastructure and/or result in significant disruptions to our operations.***

Our business operations are subject to interruption by natural disasters, power outages, terrorist attacks, cyber-attacks and other events beyond our control. Such events could cause significant damage to our infrastructure upon which our business operations rely, resulting in degradation or disruption of service to our customers. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Our system redundancy may be ineffective or inadequate, and our disaster recovery planning may be insufficient for all eventualities. These events could also damage the infrastructure of the suppliers that provide us with the equipment and services that we need to operate our business and provide products to our customers. A natural disaster or other event causing significant physical damage could cause us to experience substantial losses resulting in significant recovery time and additional expenditures to resume operations. In addition, these occurrences could result in lost revenues from business interruption as well as damage to our reputation.

***Climate change could increase the impact of natural disasters and environmental legislation and regulations on our operations.***

Climate change poses a number of potential risks for telecommunications operators like us, from both a physical and regulatory perspective. The ongoing global climate change may exacerbate the severity and frequency of natural disasters. The rising intensity and frequency of storms, heatwaves and earthquakes could increase the likelihood of damages to our infrastructure and failures of our wired and wireless networks caused by such natural disasters. Should severe natural disasters occur in quick succession, we may not have sufficient resources to repair and restore our infrastructure in a timely and cost-effective manner. The increase in the likelihood of our infrastructure being damaged by natural disasters could have a material adverse impact on our operations.

In light of the heightened awareness of climate change globally, the Philippine Government could introduce new and more stringent environmental legislation and regulations. If such legislation or regulations are enacted, we could incur increased energy, environmental and other costs and capital expenditures to comply with the limitations. We cannot guarantee that we will at all times be in compliance with any new environmental legislation and regulations. The failure to comply with new environmental legislation and regulations could have a material adverse impact on our operations and financial conditions.

***Our businesses require substantial capital investment, which we may not be able to finance.***

Our projects under development and the continued maintenance and improvement of our networks and services, including Smart's projects, networks, platforms and services, require substantial ongoing capital investment. Our consolidated capital expenditures, reflecting gross additions to property and equipment totaled Php71,904 million, Php72,871 million and Php58,490 million for the years ended December 31, 2020, 2019 and 2018, respectively. We currently estimate that our consolidated capital expenditures in 2021 will be between Php88 billion to Php92 billion. In 2021, we will prioritize projects that support the changing demand profile of our customers, enhance our ability to deliver superior customer experience, and help corporate customers revive their businesses.

Future strategic initiatives could require us to incur significant additional capital expenditures. For example, as part of our environmental protection initiative, we plan to inspect our submarine cables over the next few years. Depending on the results of the inspection, we may need to undertake maintenance work on our submarine cables, which may involve a significant sum of capital expenditures. We may be required to finance a portion of our future capital expenditures from external financing sources, some of which have not yet been fully arranged. There can be no assurance that financing for new projects will be available on terms acceptable to us, or at all. If we cannot complete our development programs or other capital projects on time due to our failure to obtain the required financing, our growth, results of operations, financial condition and prospects could be materially and adversely affected. Furthermore, if we are unable to monetize our investments and generate the expected revenues, our cash flows and gearing may be negatively impacted.

***Our results of operations and our financial position could be materially and adversely affected if the Philippine peso significantly fluctuates against the U.S. dollar.***

A substantial portion of our capital expenditures, a portion of our indebtedness and related interest expense and a portion of our operating expenses are denominated in U.S. dollars and other foreign currencies, whereas most of our revenues are denominated in Philippine pesos, with 16% of revenues denominated in U. S. dollars.

A depreciation of the Philippine peso against the U.S. dollar would increase the amount of our U.S. dollar-denominated debt obligations, capital expenditures, and operating and interest expenses in Philippine peso terms. In the event that the Philippine peso depreciates against the U.S. dollar, we may be unable to generate enough funds through operations and other means to offset the resulting increase in our obligations in Philippine peso terms. Moreover, a depreciation of the Philippine peso against the U.S. dollar may result in our recognition of significant foreign exchange losses, which could materially and adversely affect our results of operations. A depreciation of the Philippine peso could also cause us not to be in compliance with the financial covenants imposed on us by our lenders under certain loan agreements and other indebtedness. Further, fluctuations in the Philippine peso value and of interest rates impact the mark-to-market gains/losses of certain of our financial debt instruments, which were designated as non-hedged items.

The Philippine peso has been subject to significant depreciation in recent years with the Philippine peso depreciated by 24% from a high of Php41.08 for 2012 to Php50.80 as at December 31, 2019. As at December 31, 2020, the Philippine peso appreciated by 5% to Php48.02 from Php50.80 as at December 31, 2019. We cannot assure you that the Philippine peso will not depreciate further and be subject to significant fluctuations going forward, due to a range of factors, including:

- political and economic developments affecting the Philippines, including the level of remittances from overseas Filipino workers;
- global economic and financial trends;
- the volatility of emerging market currencies;
- any interest rate increases by the Federal Reserve Bank of the United States and/or the BSP; and
- higher demand for U.S. dollars by both banks and domestic businesses to service their maturing U.S. dollar obligations or foreign exchange traders including banks covering their short U.S. dollar positions, among others.

***Our debt instruments contain restrictive covenants which require us to maintain certain financial tests and our indebtedness could impair our ability to fulfill our financial obligations and service our other debt.***

Our existing debt instruments contain covenants which, among other things, require PLDT to maintain certain financial ratios and other financial tests, calculated on the basis of IFRS at relevant measurement dates, principally at the end of each quarter period. In addition, PLDT’s Global USD Bonds contain covenants that limit our ability to take certain actions.

Our indebtedness and the requirements and limitations imposed by our debt covenants could have important consequences. For example, we may be required to dedicate a substantial portion of our cash flow to payments on our indebtedness, which could reduce the availability of our cash flow to fund working capital, capital expenditures and other general corporate requirements.

The principal factors that could negatively affect our ability to comply with these financial ratio covenants and other financial tests are the poor operating performance of PLDT and its subsidiaries, the depreciation of the Philippine peso relative to the U.S. dollar, the impairment or similar charges in respect of investments or other long-lived assets that may be recognized by PLDT and its subsidiaries, and increases in our interest expense. Interest expense may increase as a result of various factors including the issuance of new debt, the refinancing of lower cost indebtedness by higher cost indebtedness, the depreciation of the Philippine peso relative to the U.S. dollar, the lowering of PLDT's credit ratings or the credit ratings of the Philippines, the increase in reference interest rates, and general market conditions. Of our total consolidated debts, approximately 18% was denominated in U.S. dollars as at December 31, 2020. Considering our consolidated hedges and dollar cash allocated for debt, the unhedged portion of our consolidated debt amounts was approximately 5%, as at December 31, 2020, therefore, the financial ratio and other tests are expected to be negatively affected by any weakening of the Philippine peso relative to the U.S. dollar.

If we are unable to meet our debt service obligations or comply with our debt covenants, we may need to restructure or refinance our indebtedness, seek additional equity capital or sell assets. An inability to implement these measures successfully could result in a declaration of default and an acceleration of maturities of some or all of our indebtedness, which could have a material adverse effect on our business, results of operations and financial condition.

***Our subsidiaries could be limited in their ability to pay dividends to us due to internal cash requirements and their creditors having superior claims over their assets and cash flows, which could materially and adversely affect our financial condition.***

A significant part of our total revenues and cash flows from operating activities are derived from our subsidiaries, particularly Smart. Smart has significant internal cash requirements for debt service, capital expenditures and operating expenses and as a result, may be financially unable to pay any dividends to PLDT. Although Smart has been making dividend payments to PLDT regularly since December 2002, there can be no assurance that PLDT will continue to receive these dividends or other distributions, or otherwise be able to derive liquidity from Smart or any other subsidiary or investee in the future.

Creditors of our subsidiaries generally have priority claims over our subsidiaries' assets and cash flows. We and our creditors will effectively be subordinated to the existing and future indebtedness and other liabilities, including trade payables, of our subsidiaries, except that we may be recognized as a creditor with respect to loans we have made to subsidiaries. If we are recognized as a creditor of a subsidiary, our claim will still be subordinated to any indebtedness secured by assets of the subsidiary and any indebtedness of the subsidiary otherwise deemed superior to the indebtedness we hold.

We may have difficulty meeting our debt payment obligations if we do not continue to receive cash dividends from our subsidiaries and our financial condition could be materially and adversely affected as a result.

***A significant number of shares of PLDT's voting stock are held by four shareholders, which may not act in the interests of other shareholders or stakeholders in PLDT.***

As at February 28, 2021, the First Pacific and its Philippine affiliates (together, the "FP Parties"), NTT Communications and NTT DOCOMO and the JG Summit Group, collectively, beneficially own 57.2% in PLDT's outstanding common stock (representing 33.8% of our overall voting stock).

Additionally, all of PLDT's shares of voting preferred stock, which represent 41% of PLDT's total outstanding shares of voting stock as at February 28, 2021, are owned by a single stockholder, BTF Holdings, Inc. ("**BTFHI**").

The FP Parties, NTT Communications, NTT DOCOMO, JG Summit Group and/or BTFHI may exercise their respective voting rights over certain decisions and transactions in a manner that could be contrary to the interests of other shareholders or stakeholders in PLDT.  See *Note 1 – Corporate Information* to the accompanying audited consolidated financial statements in Item 18. "Financial Statements" for further discussion.

***We are unionized and are vulnerable to work stoppages, slowdowns or increased labor costs.***

As at December 31, 2020, PLDT has three employee unions, representing in the aggregate 8,773 employees, or 47%, of the employees of the PLDT Group. This unionized workforce could result in demands that may increase our operating expenses and adversely affect our profitability. For instance, PLDT experienced significant charges from its manpower rightsizing program in 2018, 2019 and 2020, mainly incurred in the fixed-line business. Each of our different employee groups require separate collective bargaining agreements. If PLDT and any of its unions are unable to reach an agreement on the terms of their collective bargaining agreement or if PLDT were to experience widespread employee dissatisfaction, PLDT could be subject to collective bargaining deadlocks, strikes, work slowdowns or stoppages. Any of these events would be disruptive to our operations and could have a material adverse effect on our business.

Additionally, on July 3, 2017, PLDT received a Compliance Order from the Department of Labor and Employment ("**DOLE**"), in connection with the non-payment of statutorily required monetary benefits, including the 13th month pay by certain PLDT contractors to their employees, as well as the regularization of 7,344 contractor employees. On July 31, 2018, the CA promulgated a decision granting PLDT's request for an injunction against the Compliance Order and remanded the case back to the DOLE for further proceedings regarding the computation of the monetary awards, which amounted to Php51.8 million according to the regularization orders, and the determination of employees engaged in installation, repair and maintenance work who must be regularized. On April 5, 2019, PLDT filed a petition for review with the Supreme Court that is now pending resolution. See Item 8. "Financial Information – Legal Proceedings" and *Note 27 – Provisions and Contingencies* to the accompanying audited consolidated financial statements in Item 18. "Financial Statements" for further discussion.

We cannot guarantee that PLDT or its subsidiaries will not be subject to similar proceedings or other labor-related regulatory activities, the results of which may have an adverse reputational and/or financial impact. While we believe that PLDT has a strong legal position in its pending labor cases, we note that labor tribunals are mandated to resolve cases in favor of employees in the case of any doubt.

***The loss of key personnel or the failure to attract and retain highly qualified personnel could compromise our ability to effectively manage our business and pursue our growth strategy.***

Our future performance depends on our ability to attract and retain highly qualified key technical, development, sales, services and management personnel. The loss of key employees could result in significant disruptions to our business, and the integration of replacement personnel could be costly and time consuming, could cause additional disruptions to our business and could be unsuccessful. We cannot guarantee the continued employment of any of the members of our senior leadership team, who may depart our Company for any number of reasons, such as other business opportunities, differing views on our strategic direction or other personal reasons. Any inability to attract, retain or motivate our personnel could have a material adverse effect on our results of operations and prospects.

***Adverse results of any pending or future litigation, internal or external investigations and/or disputes may impact PLDT's cash flows, results of operations and financial condition.***

We are currently involved in various legal proceedings. Our estimate of the probable costs for the resolution of these claims have been developed in consultation with our counsel and is based upon our analysis of potential results. Our future financial performance could be materially affected by any adverse outcomes or by changes in our estimates or the effectiveness of our strategies relating to these proceedings and assessments. See Item 8. "Financial Information – Legal Proceedings" and *Note 27 – Provisions and Contingencies* to the accompanying audited consolidated financial statements in Item 18. "Financial Statements" for further discussion.

While PLDT believes that the positions it has taken in these cases have strong legal bases, the final outcome of these cases may prove to be different from its expectations. In addition, we cannot assure you that PLDT will not be involved in future litigation or other disputes, the results of which may materially and adversely impact its business and financial conditions.

***Our financial condition and operating results will be impaired if we experience high fraud rates related to device financing, credit cards, dealers, or subscriptions.***

Our operating costs could increase substantially as a result of fraud, including device financing, customer credit card, subscription or dealer fraud. If our fraud detection strategies and processes are not successful in detecting and controlling fraud, whether directly or by way of the systems, processes, and operations of third parties such as customers, national retailers, dealers, and others, the resulting loss of revenue or increased expenses could have a material adverse effect on our financial condition and operating results.

## RISKS RELATING TO THE PHILIPPINES

***Political and social instability.***

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last two decades, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by the previous and current administrations. In addition, a number of officials of the Philippine Government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery or usurpation of authority.

In addition, the Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists who were inspired by pledged allegiance to the Islamic State of Iraq and Syria. Due to the clash between the Philippine Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion. The martial law in Mindanao was lifted on January 1, 2020, however Mindanao remains under a state of emergency as a measure against potential terror threats and communist insurgency and to maintain peace and order in the region. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy. In addition, on July 3, 2020, President Rodrigo Duterte signed into law R.A. No. 11479 , or the Anti-Terrorism Act of 2020, which has drawn criticism from, and sparked protests by, various sectors because of its controversial provisions on warrantless arrests and its broad definition of terrorist acts, which may be used to target government critics. The said bill will pass into law upon approval by, or within 30 days of receipt upon inaction of, President Rodrigo Duterte.

We cannot assure you that the political environment in the Philippines will be stable or that the current or future government will adopt economic policies that are conducive to sustained economic growth  or which do not materially and adversely impact the current regulatory environment for the telecommunications and other companies. An unstable political or social environment in the Philippines could negatively affect the general economic conditions and business environment in the Philippines which, in turn, could have a material and adverse impact on our business, financial position and financial performance.

***Territorial disputes.***

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes arising from competing and overlapping claims over certain islands and features in the West Philippine Sea. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years, dramatically expanded its military presence in the sea which has raised tension in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the internal arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. In July 2016, the Permanent Court of Arbitration rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine Government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and our operations could be adversely affected as a result.  In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect our business, financial position and financial performance.

***If foreign exchange controls were to be imposed, our ability to meet our foreign currency payment obligations could be adversely affected.***

In general, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. However, the Monetary Board of the BSP has statutory authority, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to:

- suspend temporarily or restrict sales of foreign exchange;
- require licensing of foreign exchange transactions; or
- require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings.

The Philippine Government has, in the past, instituted restrictions on the conversion of the Philippine peso into foreign currencies and the use of foreign exchange received by Philippine companies to pay foreign currency-denominated obligations.

We cannot assure you that foreign exchange controls will not be imposed in the future. If imposed, these restrictions could materially and adversely affect our ability to obtain foreign currency to service our foreign currency obligations.

***The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including PLDT.***

Historically, the Philippines' sovereign debt has been rated non-investment grade by international credit rating agencies. In 2020, the Philippines' long-term foreign currency-denominated debt was upgraded by S&P Global ("**S&P**"), to BBB+ with stable outlook, while Fitch Ratings ("**Fitch**"), and Moody's Investors Service ("**Moody's**"), affirmed the Philippines' long-term foreign currency-denominated debt to the investment-grade rating of BBB and Baa2, respectively, with a stable outlook. On February 28, 2020, Fitch revised its rating of Philippines long-term foreign currency-denominated debt to BBB, with a positive outlook, following its expectation that sound macroeconomic management will continue to support high growth rates with stable inflation while ongoing tax reforms were expected to improve fiscal finances. On May 7, 2020, Fitch affirmed its rating of Philippines long-term foreign currency-denominated debt to BBB, but revised the outlook to stable, to reflect the deterioration in the Philippines' near-term macroeconomic and fiscal outlook as a result of the impact of the COVID-19 pandemic and domestic lockdown to contain the spread of the virus. In May 2020, S&P and Moody's affirmed their rating of BBB+ and Baa2, with stable outlook, respectively, for the Philippines' long-term foreign currency-denominated debt.

The Philippine Government's credit ratings directly affect companies domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Fitch, Moody's, S&P, or any other international credit rating agency will not downgrade the credit ratings of the Philippine Government in the future and, therefore, Philippine companies, including PLDT. Any such downgrade could have a material adverse impact on the liquidity in the Philippine financial markets, the ability of the Philippine Government and Philippine companies, including PLDT, to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available.