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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SOPHIA OLSSON, Individually and
on behalf of all others similarly
situated,

Plaintiff,

v.

PLDT INC., MANUEL V.
PANGILINAN, ALFRED S.
PANLILIO, ANNABELLE L. CHUA,
MARILYN A. VICTORIO-AQUINO,
ABNER TITO L. ALBERTO, GIL
SAMSON D. GARCIA, MA.
LOURDES C. RAUSA-CHAN,
FLORENTINO D. MABASA JR. AND
JUNE CHERYL A. CABAL-
REVILLA,

Defendants.

Case No. 2:23-cv-00885

CLASS ACTION COMPLAINT
FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

CLASS ACTION

JURY TRIAL DEMANDED

1 Plaintiff Sophia Olsson (“Plaintiff”), individually and on behalf of all other
2 persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s
3 complaint against Defendants (defined below), alleges the following based upon
4 personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and
5 belief as to all other matters, based upon, among other things, the investigation
6 conducted by and through her attorneys, which included, among other things, a
7 review of the Defendants’ public documents, public filings, wire and press
8 releases published by and regarding PLDT, Inc. (“PLDT” or the “Company”), and
9 information readily obtainable on the Internet. Plaintiff believes that substantial
10 evidentiary support will exist for the allegations set forth herein after a reasonable
11 opportunity for discovery.
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16 **NATURE OF THE ACTION**

17 1. This is a class action on behalf of persons or entities who purchased
18 or otherwise acquired publicly traded PLDT securities between January 1, 2019
19 and December 19, 2022, inclusive (the “Class Period”). Plaintiff seeks to recover
20 compensable damages caused by Defendants’ violations of the federal securities
21 laws under the Securities Exchange Act of 1934 (the “Exchange Act”).
22
23
24

25 **JURISDICTION AND VENUE**

1 7. Defendant PLDT purports to be the Philippines’ largest fully
2 integrated telco company. Through its principal business groups, it offers a wide
3 range of telecommunications and digital services across the Philippines’ most
4 extensive fiber optic backbone, and fixed line and cellular networks.
5

6 8. Defendant PLDT is incorporated in the Philippines and its principal
7 office is located at Ramon Cojuangco Building, Makati Avenue, Makati City,
8 Postal Code 1200. PLDT is listed on the Philippine Stock Exchange (“PSE”)
9 (PSE: TEL) and its American Depositary Shares (“ADS”) are listed on the New
10 York Stock Exchange (NYSE: PHI).
11

12 9. Defendant Manuel V. Pangilinan (“Pangilinan”) has been a director
13 of PLDT since November 24, 1998. He was appointed as PLDT’s Chairman of the
14 Board of Directors after serving as its President and Chief Executive Officer
15 (“CEO”) from November 1998 to February 2004. From January 1, 2016 until June
16 7, 2021, he also held the position of President and CEO, before stepping down as
17 President and CEO while retaining his post as PLDT Chairman.
18

19 10. Defendant Alfredo S. Panlilio (“Panlilio”) has served as Chief
20 Revenue Officer since July 1, 2019 and President and CEO of PLDT since June 8,
21 2021.
22

1 11. Defendant Annabelle L. Chua (“Chua”) serves as the Company’s
2 Chief Financial Officer, Senior Vice President and Corporate Finance and
3 Treasury Head.
4

5 12. Defendant Marilyn A. Victorio-Aquino (“Victorio-Aquino”) has been
6 PLDT’s Chief Legal Counsel since December 1, 2018 and Senior Vice President
7 since January 1, 2019.
8

9 13. Defendant Abner Tito Alberto (“Alberto”) serves as PLDT’s
10 Assistant Corporate Secretary.
11

12 14. Defendant Gil Samson D. Garcia (“Garcia”) has served as PLDT’s
13 Officer-in-Charge of Financial Reporting and Controllershship since December 1,
14 2020.
15

16 15. Defendant Ma. Lourdes C. Rausa-Chan (“Rausa-Chan”) has been a
17 PLDT director since March 29, 2011. Additionally, she has served as PLDT’s
18 Corporate Secretary and Chief Governance Officer since November 1998 and
19 March 2008, respectively.
20

21 16. Defendant Florentino D. Mabasa Jr. (“Mabasa Jr.”) was First Vice
22 President of PLDT until February 1, 2021 while continuing to serve as Assistant
23 Corporate Secretary since 2018.
24

25 17. Defendant June Cheryl A. Cabal-Revilla (“Cabal-Revilla”) serves as
26 PLDT’s Group Controller and Chief Sustainability Officer.
27
28

1 18. Defendants Pangilinan, Panlilio, Chua, Victorio-Aquino, Alberto,
2 Garcia, Rausa-Chan, Mabasa Jr., and Cabal-Revilla are collectively referred to
3 herein as the “Individual Defendants.”
4

5 19. Each of the Individual Defendants:

6 (a) directly participated in the management of the Company;

7
8 (b) was directly involved in the day-to-day operations of the Company at
9 the highest levels;

10 (c) was privy to confidential proprietary information concerning the
11 Company and its business and operations;

12 (d) was directly or indirectly involved in drafting, producing, reviewing
13 and/or disseminating the false and misleading statements and information alleged
14 herein;
15

16 (e) was directly or indirectly involved in the oversight or implementation
17 of the Company’s internal controls;
18

19 (f) was aware of or recklessly disregarded the fact that the false and
20 misleading statements were being issued concerning the Company; and/or
21

22 (g) approved or ratified these statements in violation of the federal
23 securities laws.
24

25 20. The Company is liable for the acts of the Individual Defendants and
26 its employees under the doctrine of *respondeat superior* and common law
27
28

1 principles of agency because all of the wrongful acts complained of herein were
2 carried out within the scope of their employment.

3
4 21. The scienter of the Individual Defendants and other employees and
5 agents of the Company is similarly imputed to PLDT under *respondeat superior*
6 and agency principles.

7
8 22. Defendant PLDT and the Individual Defendants are collectively
9 referred to herein as “Defendants.”

10 **SUBSTANTIVE ALLEGATIONS**

11 **Materially False and Misleading Statements Issued During the Class Period**

12
13 23. On March 7, 2019, PLDT filed with the PSE its Form 17-C in
14 connection with its unaudited consolidated financial results as at and for the year
15 ended December 31, 2018 (the “March 7, 2019 Form 17-C”), which was signed
16 by Defendant Rausa-Chan. Attached to the March 7, 2019 Form 17-C was a press
17 release, which stated, in pertinent part, as follows:
18

19
20 **Historic Capex, Part II**

21 To further enhance their network advantage, PLDT and Smart are
22 undertaking yet another massive capex program by allocating up to
23 Php78.4 billion budget in 2019, or Php20 billion higher than the
24 previous year. This aggressive roll-out is intended to further push the
25 already significant network advantage of PLDT and Smart, and, to
26 support our active campaign for more revenues. PLDT’s
27 infrastructure edge is most significant in fixed broadband...

28 To take full advantage of on the fixed broadband opportunity, the
2019 capex budget includes a substantial allocation for “Customer

1 Capex”. This is intended for the purchase of last-mile and customer-
2 premises equipment like modems and also the acquisition of vehicles,
3 equipment and office space for the new corps of technicians Page 6
4 of 12 being assembled to fast-track the installation and repair of fixed
broadband connections...

5 “In 2019, we aim to attain a higher level of growth by leveraging
6 even more the power of the combined PLDT and Smart, working as
7 ONE team, focused on delivering the customer experience - not as a
8 traditional telco as we have been - but as a data-driven, digital
9 services company. Given the positive trends in 2018 and our plans
10 for 2019, we expect our Telco Core Income to rise to Php26.0 billion,
and, our capex to increase by Php20 billion to Php78.4 billion,”
Pangilinan concluded.

11 24. On March 26, 2019, PLDT filed with the PSE its Form 17-A Annual
12 Report in connection with its unaudited consolidated financial results for the year
13 ended December 31, 2018 (the “2018 17-A Annual Report”), which was signed by
14 Defendants Pangilinan, Rausa-Chan, Chua and Cabal-Revilla. Attached to the
15 2018 17-A Annual Report was a press release which stated, in pertinent part, as
16 follows:
17
18

19 ...Our current estimate for our consolidated capital expenditures in
20 2019 is approximately Php78 billion. Our capital spending is focused
21 on our objective to improve network quality and provide customers a
22 superior data experience.

23 We plan to expand our LTE network in line with our desire to provide
24 coverage to substantially all of the country’s cities and municipalities
25 by the end of 2019. We intend to expand and upgrade our fixed access
26 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.

27 We also plan to continue the transformation of our service delivery
28

1 platforms and IT in order to facilitate a real-time, on demand and
2 personalized customer experience across all touch points and
3 channels...

4 Furthermore, in anticipation of the rollout of 5G, the company's capex
5 investments, particularly in the transport network, aim to make the
6 PLDT network 5G-ready.

7 Our capital expenditure budget includes projects addressing the
8 following objectives:

9 (1) Commercial expansion of capacity and footprint of our wired and
10 wireless services, as well as new platforms to expand service offerings;

11 (2) Technical transformation of the PLDT Group's service delivery
12 platform in order to realize operating and cost efficiencies, provision
13 of greater resilience and redundancy for the network, and investments
14 in additional cable systems;

15 (3) Continuing investments to ensure that the PLDT network is 5G-
16 ready; and

17 (4) IT/Support Systems –upgrade of our IT and support systems.

18 We expect to fund incremental capital expenditures from free cash
19 flow.

20 25. On April 15, 2019, PLDT filed with the SEC its Form 20-F Annual
21 Report for the year ended December 31, 2018 (the "2018 20-F Annual Report"),
22 which was signed by Defendants Pangilinan and Chua. Attached to the 2018 20-F
23 Annual Report were certifications pursuant to SOX signed by Defendants
24 Pangilinan and Chua attesting to the accuracy of financial reporting, the disclosure
25 of any material changes to the Company's internal control over financial reporting
26 and the disclosure of all fraud. The 2018 20-F Annual Report stated, in pertinent
27 and the disclosure of all fraud. The 2018 20-F Annual Report stated, in pertinent
28

1 part, as follows:

2 **Plans**

3 ...Our current estimate for our consolidated capital expenditures in
4 2019 is approximately Php78 billion. Our capital spending is focused
5 on our objective to improve network quality and provide customers a
6 superior data experience.

7 We plan to expand our LTE network in line with our desire to provide
8 coverage to substantially all of the country's cities and municipalities
9 by the end of 2019. We intend to expand and upgrade our fixed access
10 networks for cable fortification and resiliency in various locations. The
11 expansion of our national and domestic networks is intended to follow
12 the roll-out of our access networks.

13 We also plan to continue the transformation of our service delivery
14 platforms and IT in order to facilitate a realtime, on demand and
15 personalized customer experience across all touch points and
16 channels...

17 Furthermore, in anticipation of the rollout of 5G, the company's capex
18 investments, particularly in the transport network, aim to make the
19 PLDT network 5G-ready.

20 Our capital expenditure budget includes projects addressing the
21 following objectives:

22 (1) Commercial expansion of capacity and footprint of our wired and
23 wireless services, as well as new platforms to expand service offerings;

24 (2) Technical transformation of the PLDT Group's service delivery
25 platform in order to realize operating and cost efficiencies, provision
26 of greater resilience and redundancy for the network, and investments
27 in additional cable systems;

28 (3) Continuing investments to ensure that the PLDT network is 5G-
ready; and

(4) IT/Support Systems –upgrade of our IT and support systems.

1 We expect to fund incremental capital expenditures from free cash
2 flow.

3
4 26. On May 9, 2019, PLDT filed with the PSE its Form 17-C in
5 connection in connection with its unaudited consolidated financial results for the
6 three months ended March 31, 2019 (the “May 9, 2019 Form 17-C”), which was
7 signed by Defendant Rausa-Chan. Attached to the May 9, 2019 Form 17-C was a
8 press release, which stated, in pertinent part, as follows:
9

10
11 ...Underpinning all these business initiatives and the accelerating rise
12 of our data revenues is the continuing expansion and modernization of
13 the fixed and mobile networks of PLDT and Smart, which in 2019 is
14 being supported by an historic-high capital expenditure of Php78.4
billion...

15 “In this light, and based on the momentum we have seen in the first
16 quarter, we maintain our guidance that full-year telco core income
17 shall rise to (at least) Php26.0 billion, and holding our capex level at
Php78.4 billion,” Pangilinan concluded.

18 27. On August 8, 2019, PLDT filed with the PSE its Form 17-C in
19 connection with its unaudited consolidated financial results for the six months
20 ended June 30, 2019 (the “August 8, 2019 Form 17-C”), which was signed by
21 Defendant Rausa-Chan. Attached to the August 8, 2019 Form 17-C was a press
22 release, which stated, in pertinent part, as follows:
23
24

25 ... PLDT provided for an historic-high capital expenditure program in
26 2019 amounting to Php78.4 billion. In the first half of this year,
27 Php32.7 billion was already spent, further enhancing the reach and
28 capacity of our fiber-powered fixed line broadband network and our

1 LTE and 3G mobile data networks, as well as modernizing our IT
2 support systems...

3 The beneficial impact of this capex program has been validated yet
4 once more by Ookla, the global leader in internet testing and analysis.
5 In its July 2019 report, Ookla named PLDT and Smart as the country's
6 fastest fixed and mobile data internet services in the first half of 2019.
7 The Ookla report showed PLDT and Smart posting download and
8 upload speeds nearly double that of the competition. PLDT and Smart
9 had previously won several internet speed awards from Ookla and
10 other international independent internet testing agencies such as
11 OpenSignal and Tutela.

12 28. On November 7, 2019, PLDT filed with the PSE its Form 17-C in
13 connection with its unaudited consolidated financial results for the nine months
14 ended September 30, 2019 (the "November 7, 2019 Form 17-C"), which was
15 signed by Defendant Mabasa Jr. Attached to the November 7, 2019 Form 17-C
16 was a press release, which stated, in pertinent part, as follows:

17 ... This sustained improvement in the PLDT network has been
18 supported by PLDT's stepped up capital expenditures program
19 spanning several years. Of Php78.4 billion earmarked for capex in
20 2019, total capex amounted to Php53.4 billion in the first nine months
21 of 2019...

22 About 75% of the capex has been poured into network and IT systems
23 which includes investments in increased LTE coverage and capacity,
24 expanded fiber transport to support both fixed broadband and mobile
25 data, and new international cable networks.

26 This capex program also includes the roll-out of last mile installation
27 and customer premises equipment for fixed broadband, investments to
28 support the restructured installation and repair operations of PLDT
Enterprise.

1 29. On March 5, 2020, PLDT filed with the PSE its Form 17-C in
2 connection with its consolidated financial results for the year ended December 31,
3 2019 (the “March 5, 2020 Form 17-C”), which was signed by Defendant Mabasa
4 Jr. Attached to the March 5, 2020 Form 17-C was a press release, which stated, in
5 pertinent part, as follows:
6

7 ...Enabled by a record-high capital expenditures (capex) in 2019 of
8 P72.9 billion, PLDT significantly raised its service quality levels,
9 particularly in data and digital services, and consequently boosted
10 service revenues to their highest level ever. P61.0 billion capex were
11 spent in 2019 on network and IT expansion and transformation
12 programs, the balance of P11.9 billion for the installation of broadband
connections.

13 “This sustained level of investments in the country’s
14 telecommunications infrastructure now totals P257.7 billion in the last
15 five years. But to raise even further our service quality standards and
16 attain unmatched customer experience (CX), PLDT has allocated a
17 larger capex budget of P83.0 billion for 2020. This will allow us to
18 serve better the fastgrowing data usage of our customers and continue
19 to provide superior data CX. Of this amount, P64.6 billion are
20 earmarked for network and IT projects, mainly to support the explosive
21 growth in data traffic. In addition, P18.5 billion, inclusive of P5.5
22 billion carried over from 2019, are to be spent for broadband
installations, which are projected to grow strongly in 2020,” said
Manuel V. Pangilinan, Chairman, President and Chief Executive
Officer of PLDT...

23 “Despite continuing challenges, 2019 was a productive year, with
24 revenues reaching record levels on the back of robust growth of our
25 consumer wireless business. This was achieved in large part by making
26 the needed investments in our data and IT networks. Moving forward,
27 we shall continue pursuing a focused investment program to further
28 improve our services, and consequently raise the level of customer
experience,” added Pangilinan.

1 30. On April 1, 2020, PLDT filed with the PSE its Form 17-A Annual
2 Report in connection with its unaudited consolidated financial results for the year
3 ended December 31, 2019 (the “2019 17-A Annual Report”), which was signed by
4 Defendants Pangilinan, Chua, Rausa-Chan, and Cabal-Revilla. The 2019 17-A
5 Annual Report stated, in pertinent part, as follows:
6

7
8 **Plans**

9 ... Our current estimate for our consolidated capital expenditures in
10 2020 is approximately Php83 billion, of which approximately Php65
11 billion is expected to be spent on network maintenance and expansion
12 and IT projects, mainly to support the growing data traffic, and
13 approximately Php18 billion is expected to be spent for broadband
14 installations. Our capital spending is focused on our objective to
improve network quality and provide customers a superior data
experience.

15 We plan to expand our LTE network in line with our desire to provide
16 coverage to substantially all of the country’s cities and municipalities
17 by the end of 2020. We intend to expand and upgrade our fixed access
18 networks for cable fortification and resiliency in various locations. The
19 expansion of our national and domestic networks is intended to follow
the roll-out of our access networks.

20 We also plan to continue the transformation of our service delivery
21 platforms and IT in order to facilitate a real-time, on demand and
22 personalized customer experience across all touch points and
23 channels...

24 Furthermore, in anticipation of the rollout of 5G, the company’s capex
25 investments, particularly in the transport network, aim to make the
PLDT network 5G-ready.

26 Our capital expenditure budget includes projects addressing the
27 following objectives:
28

1 (1) Commercial expansion of capacity and footprint of our wired and
2 wireless services, as well as new platforms to expand service offerings;

3 (2) Technical transformation of the PLDT Group’s service delivery
4 platform in order to realize operating and cost efficiencies, provision
5 of greater resilience and redundancy for the network, and investments
6 in additional cable systems;

7 (3) Continuing investments to ensure that the PLDT network is 5G-
8 ready; and

9 (4) IT/Support Systems –upgrade of our IT and support systems.

10 We expect to fund incremental capital expenditures from loan
11 financing, free cash flow and proceeds from sale of real estate assets
12 and Rocket Internet shares...

13 31. On April 23, 2020, PLDT filed with the SEC its Form 20-F Annual
14 Report for the year ended December 31, 2019 (the “2019 20-F Annual Report”),
15 which was signed by Defendants Pangilinan and Chua. Attached to the 2019 20-F
16 Annual Report were certifications pursuant to SOX signed by Defendants
17 Pangilinan and Chua attesting to the accuracy of financial reporting, the disclosure
18 of any material changes to the Company’s internal control over financial reporting
19 and the disclosure of all fraud. The 2019 20-F Annual Report stated, in pertinent
20 part, as follows:
21
22

23 **Plans**

24
25 ...Our current estimate for our consolidated capital expenditures in
26 2020 is approximately Php83 billion, of which approximately Php65
27 billion is expected to be spent on network maintenance and expansion
28 and IT projects, mainly to support the growing data traffic, and
approximately Php18 billion is expected to be spent for broadband

1 installations. Our capital spending is focused on our objective to
2 improve network quality and provide customers a superior data
3 experience.

4 We plan to expand our LTE network in line with our desire to provide
5 coverage to substantially all of the country's cities and municipalities
6 by the end of 2019. We intend to expand and upgrade our fixed access
7 networks for cable fortification and resiliency in various locations. The
8 expansion of our national and domestic networks is intended to follow
9 the roll-out of our access networks.

10 We also plan to continue the transformation of our service delivery
11 platforms and IT in order to facilitate a realtime, on demand and
12 personalized customer experience across all touch points and
13 channels....

14 Furthermore, in anticipation of the rollout of 5G, the company's capex
15 investments, particularly in the transport network, aim to make the
16 PLDT network 5G-ready.

17 Our capital expenditure budget includes projects addressing the
18 following objectives:

19 (1) Commercial expansion of capacity and footprint of our wired and
20 wireless services, as well as new platforms to expand service offerings;

21 (2) Technical transformation of the PLDT Group's service delivery
22 platform in order to realize operating and cost efficiencies, provision
23 of greater resilience and redundancy for the network, and investments
24 in additional cable systems;

25 (3) Continuing investments to ensure that the PLDT network is 5G-
26 ready; and

27 (4) IT/Support Systems –upgrade of our IT and support systems.

28 We expect to fund incremental capital expenditures from loan
financing, free cash flow and proceeds from sale of real estate assets
and Rocket Internet shares...

1 32. On May 7, 2020, PLDT filed with the PSE its Form 17-C in
2 connection with its unaudited consolidated financial results for the three months
3 ended March 31, 2020 (the “May 7, 2020 Form 17-C”), which was signed by
4 Defendant Rausa-Chan. Attached to the May 7, 2020 Form 17-C was a press
5 release, which stated, in pertinent part:
6

7 **Capex Guidance Tempered**
8

9 ...PLDT’S original capex guidance for 2020 of Php83.0 billion will
10 probably be pared down, with anywhere between 20% to 25% of the
11 budget deferred, suggesting that capex levels will be in the Php60-plus
12 billion level. Our network roll out activities have been constrained by
13 the reduced mobility of our Network teams since the ECQ was
14 imposed. The network roll-out for the balance of 2020 will prioritize
15 projects that support the changing demand profile of our customers,
16 and to help corporates revive their business under these new
17 conditions.

18 33. On August 6, 2020, PLDT filed with the PSE its Form 17-C in
19 connection with its unaudited consolidated financial results for the six months
20 ended June 30, 2020 (the “August 6, 2020 Form 17-C”), which was signed by
21 Defendant Rausa-Chan. Attached to the August 6, 2020 Form 17-C was a press
22 release, which stated, in pertinent part, as follows:

23 ...PLDT’s commitment to improve internet services has been
24 consistent and continuing. Since 2015, PLDT’s total capex totaled
25 nearly Php260 billion. The upswing in capex was particularly marked
26 in the last two years, when PLDT ploughed 38% of its revenues in
27 2018, and 45% of revenues in 2019, back into capex – a clear
28 demonstration of its commitment to improve its services.

1 These investments cover the different components of the digital
2 infrastructure ecosystem. For example, this includes the ongoing
3 modernization programs for Page 5 of 15 PLDT's overseas cable
4 systems and its domestic fiber network. This also covers ePLDT's
5 network of data centers that provide vital support to, and raises the
6 quality and resiliency of, internet and digital services in the
7 country...

8 "Our strong performance will allow us to further boost our already
9 significant investments. These investments, which total some Php260
10 billion over the past five years, enabled our networks to carry all the
11 additional traffic during these past few months and also to bring new
12 technologies such as 5G which we launched just last week. Given
13 that our network rollout efforts have regained momentum, we are
14 levelling up our target capital expenditures for 2020 back up to about
15 Php70 billion. The balance of our original Php83 billion capex
16 budget will be spent next year," he added.

17 "While our capex/investment strategy is premised on our short-term
18 requirements, it is always with an eye to the future. Yes, it may seem
19 simple as turning on a switch but that switch is part of a complex
20 network system, with multiple layers of technology elements,
21 embedded over years of investments. And we will not stop investing
22 in our networks, in our people, in our country. Our promise is this -
23 to keep improving and upgrading your connections so that all facets
24 of life - be it work, education, family, health, business - will benefit,"
25 he concluded.

26 34. On November 5, 2020, PLDT filed with the PSE its Form 17-C in
27 connection with its unaudited consolidated financial results for the nine months
28 ended September 30, 2020 (the "November 5, 2020 Form 17-C"), which was
signed by Defendant Rausa-Chan. Attached to the November 5, 2020 Form 17-C
was a press release, which stated, in pertinent part, as follows:

PLDT announced capital spending this year will reach over Php 70
billion, similar to 2019, despite the mobility challenges posed by the

1 quarantine period. The final level will depend on actual home
2 broadband installations, as Filipinos continue to shift more of their
3 daily activities online, from the safety of their homes...

4 The massive capex investments have fortified PLDT's network
5 superiority, reinforcing its position as the largest integrated telco in the
6 Philippines. PLDT's investments in capital expenditures total nearly
7 Php 260 billion in the past 5 years. PLDT's expansion efforts and
8 investments helped the Group cope with sustained growth in data
9 traffic when COVID-19 community quarantines commenced in
10 March...

11 "As we enter the fourth quarter of what has been an extraordinary year,
12 we are fortunate to be where we are," says Pangilinan. "With Service
13 Revenues at an all-time Page 7 of 12 high, we are poised to surpass
14 last year's Core Income. Capital expenditures remain demand-driven
15 and are likely to hit over Php 70 billion for the year..."

16 35. On March 29, 2021, PLDT filed with the PSE its Form 17-A Annual
17 Report in connection with its unaudited consolidated financial results for the year
18 ended December 31, 2020 (the "2020 17-A Annual Report"), which was signed by
19 Defendants Pangilinan, Victorio-Aquino, Chua, and Garcia. The 2020 17-A
20 Annual Report stated, in pertinent part, as follows:

21 **Plans**

22 ...Our current estimate for our consolidated capital expenditures
23 in 2021 will be between Php88 billion to Php92 billion, which is
24 expected to be spent on network maintenance and expansion and IT
25 projects, mainly to support the exponential rise in mobile data traffic,
26 and for broadband installations. Our capital spending is focused on our
27 objective to support the changing demand profile of our customers,
28 allow delivery of superior customer experience, and help corporate
customers revive their businesses.

1 We plan to expand our LTE network in line with our desire to
2 provide coverage to substantially all of the country's cities and
3 municipalities by the end of 2021. We intend to expand and upgrade our
4 fixed access networks for cable fortification and resiliency in various
5 locations. The expansion of our national and domestic networks is
6 intended to follow the roll-out of our access networks.

7 We also plan to continue the transformation of our service
8 delivery platforms and IT in order to facilitate a real-time, on demand
9 and personalized customer experience across all touch points and
10 channels.

11 Furthermore, the company's capex investments, particularly in
12 the transport network, aim to make the PLDT network 5G-ready.

13 Our capital expenditure budget includes projects addressing the
14 following objectives:

15 (1) Commercial expansion of capacity and footprint of our wired
16 and wireless services, as well as new platforms to expand service
17 offerings;

18 (2) Technical transformation of the PLDT Group's service
19 delivery platform in order to realize operating and cost efficiencies,
20 provision of greater resilience and redundancy for the network, and
21 investments in additional cable systems;

22 (3) Continuing investments to ensure that the PLDT network is
23 5G-ready; and

24 (4) IT/Support Systems –upgrade of our IT and support systems.

25 We expect to fund incremental capital expenditures from loan
26 financing and free cash flow.

27 36. On April 23, 2021, PLDT filed with the SEC its Form 20-F Annual
28 Report for the year ended December 31, 2020 (the "2020 20-F Annual Report"),
which was signed by Defendants Panlilio and Chua. Attached to the 2020 20-F

1 Annual Report were certifications pursuant to SOX signed by Defendants Panlilio
2 and Chua attesting to the accuracy of financial reporting, the disclosure of any
3 material changes to the Company's internal control over financial reporting and
4 the disclosure of all fraud. The 2020 20-F Annual Report stated, in pertinent part,
5 as follows:
6

7
8 **Capital Expenditure Plans**

9 We are one of the leading telecommunications and digital services
10 provider in the Philippines. We intend to reinforce our leading position
11 while offering a broader range and higher quality of products and
12 services. Our current estimate for our consolidated capital
13 expenditures in 2021 is approximately Php88 billion to Php92 billion,
14 which is expected to be spent on network maintenance and expansion
15 and IT projects, mainly to support the exponential rise in mobile data
16 traffic, and for broadband installations. Our capital spending is focused
17 on our objective of supporting the changing demand profile of our
18 customers, allowing the delivery of a superior customer experience,
19 and helping corporate customers revive their businesses.

20 We plan to expand our LTE network in line with our desire to provide
21 coverage to substantially all of the country's cities and municipalities
22 by the end of 2021. We intend to expand and upgrade our fixed access
23 networks for cable fortification and resiliency in various locations. The
24 expansion of our national and domestic networks is intended to follow
25 the roll-out of our access networks.

26 We also plan to continue the transformation of our service delivery
27 platforms and IT in order to facilitate a realtime, on demand and
28 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 (1) Commercial expansion of capacity and footprint of our wired and
2 wireless services, as well as new platforms to expand service offerings;

3 (2) Technical transformation of the PLDT Group’s service delivery
4 platform in order to realize operating and cost efficiencies, provision
5 of greater resilience and redundancy for the network, and investments
6 in additional cable systems;

7 (3) Continuing investments to ensure that the PLDT network is 5G-
8 ready; and

9 (4) IT/Support Systems –upgrade of our IT and support systems.

10 We expect to fund incremental capital expenditures from loan
11 financing, free cash flow and proceeds from sale of real estate assets.

12 37. On May 6, 2021, PLDT filed with the PSE its Form 17-C in
13 connection with its unaudited consolidated financial results for the six months
14 ended June 30, 2021 (the “May 6, 2021 Form 17-C”), which was signed by
15 Defendant Rausa-Chan. Attached to the May 6, 2021 Form 17-C was a press
16 release, which stated, in pertinent part, as follows:
17

18
19 Sustained demand for data and broadband underpinned the growth of
20 total Service Revenues across the company’s three customer
21 segments, led by Home, followed by Consumer Wireless and
22 Enterprise. Despite COVID-19 mobility restrictions, PLDT and
23 Smart continued investing to expand the network resulting in capital
24 expenditure of ₱20.7 billion in the first quarter. Network upgrades
25 made up bulk of the capex spend, helping fortify the telco’s
26 infrastructure and deliver consistently superior customer experience.
27 The unrelenting rollout of fiber, 5G and 4G/LTE networks to support
28 business demand underpin the 2021 capex commitment of between
₱88 billion and ₱92 billion, supporting revenue growth.

1 38. On August 5, 2021, PLDT filed with the PSE its Form 17-C in
2 connection with its unaudited consolidated financial results for the six months
3 ended June 30, 2021 (the “August 5, 2021 Form 17-C”), which was signed by
4 Defendant Rausa-Chan. Attached to the August 5, 2021 Form 17-C was a press
5 release, which stated, in pertinent part, as follows:
6

7
8 PLDT and Smart continuously invested in network expansion to
9 support the exponential rise in data traffic, bringing total first half
10 capex to ₱41.3 billion. Network upgrades represent the bulk of
11 capital expenditure, as the company stays ontrack in building the
12 country’s most extensive digital infrastructure to improve customer
13 experience. In line with business demand and in support of revenue
14 growth, the Group’s continued rollout of its fiber, 5G and 4G/LTE
15 networks is underpinned by its 2021 capex guidance of between ₱88
billion and ₱92 billion. The investment empowers increasingly
connected societies in the new normal, where customers’ digital
lifestyles rely on strong connectivity.

16 39. On November 4, 2021, PLDT filed with the PSE its Form 17-C in
17 connection with its unaudited consolidated financial results for the nine months
18 ended September 30, 2021(the “November 4, 2021 Form 17-C”), which signed by
19 Defendant Rausa-Chan. Attached to the November 4, 2021 Form 17-C was a press
20 release, which stated, in pertinent part, as follows:
21

22
23 ... To support this expanded digital ecosystem, PLDT and its mobile
24 unit Smart continued their network buildout, bringing total capital
25 expenditures to ₱63.3 billion for the first nine months. PLDT and
26 Smart are on track to meeting the 2021 full-year capex guidance of at
least ₱88 billion...

27 PLDT President Al Panlilio expressed his pride and satisfaction at the
28 Company’s results to-date, stating “We are cautiously optimistic that

1 as the economy reopens, we are bestpositioned to serve our
2 customers through the new normal, as evidenced by our strong
3 results for the first nine months of 2021. While all business units
4 continue to show solid performance, this is more apparent in the
5 Home business, where we pushed record installations in recognition
6 of the connectivity needs of our customers.”

7 40. On March 3, 2022, PLDT filed with the PSE its Form 17-A Annual
8 Report with the PSE in connection with its unaudited consolidated financial
9 results as at and for the year ended December 31, 2021 (the “2021 17-A Annual
10 Report”), which was signed by Defendant Garcia. The 2021 17-A Annual Report
11 stated, in pertinent part, as follows:

12 **Record capex in 10 years: elevating customer experience**

13
14 Despite mobility restrictions, PLDT was able to put its capital
15 expenditures to work by carrying on with the nationwide network
16 buildout. Network-related initiatives made up the bulk of the ₱89
17 billion spend for 2021, in line with guidance. These network
18 initiatives include the LTE and 5G rollout, migration of customers
19 from copper to fiber, and the fiberization of base stations. This capex
20 also includes ₱17.5 billion for business capex directly in support of
21 growth in PLDT’s home broadband business, including last-mile and
22 new connects with immediate revenue contribution.

23 This brings total capex spent over the last 10 years to a record
24 ₱518.5 billion. For 2022, in line with resource optimization plans,
25 PLDT is expected to invest between ₱76-80 billion in demand-driven
26 capex, underpinning its goal to achieve positive free cash flow,
27 alongside revenue growth and controlled opex.

28 41. On April 6, 2022 PLDT filed with the SEC its Form 20-F Annual
Report for the year ended December 31, 2021 (the “2021 20-F Annual Report”),
which was signed by Defendants Panlilio and Chua. Attached to the 2021 20-F

1 Annual Report were certifications pursuant to SOX signed by Defendants Panlilio
2 and Chua attesting to the accuracy of financial reporting, the disclosure of any
3 material changes to the Company's internal control over financial reporting and
4 the disclosure of all fraud. The 2021 20-F Annual Report stated, in pertinent part,
5 as follows:
6

7
8 **Capital Expenditure Plans**

9
10 We are one of the leading telecommunications and digital services
11 providers in the Philippines. We intend to reinforce our leading
12 position while offering a broader range and higher quality of products
13 and services. Our current estimate for our consolidated capital
14 expenditures in 2022 is approximately Php76 billion to Php80 billion,
15 which is expected to be spent on network maintenance and expansion
16 and IT projects, mainly to support the exponential rise in mobile data
17 traffic, and for broadband installations. Our capital spending is
18 focused on our objective of supporting the changing demand profile
19 of our customers, allowing the delivery of a superior customer
20 experience, and helping corporate customers revive their businesses.

21 We plan to expand our LTE and 5G network in line with our desire
22 to provide coverage to substantially all of the country's cities and
23 municipalities by the end of 2022. We intend to expand and upgrade
24 our fixed access networks for cable fortification and resiliency in
25 various locations. The expansion of our national and domestic
26 networks is intended to follow the roll-out of our access networks.

27 We also plan to continue the transformation of our service delivery
28 platforms and IT in order to facilitate a realtime, on demand and
personalized customer experience across all touch points and
channels.

Our capital expenditure budget includes projects addressing the
following objectives:

1 (1) Commercial expansion of capacity and footprint of our wired and
2 wireless services, as well as new platforms to expand service
3 offerings;

4 (2) Technical transformation of the PLDT Group’s service delivery
5 platform in order to realize operating and cost efficiencies, provision
6 of greater resilience and redundancy for the network, and investments
7 in additional cable systems;

8 (3) Continuing investments to expand our LTE and 5G coverage; and

9 (4) IT/Support Systems –upgrade of our IT and support systems.

10 We expect to fund incremental capital expenditures from internally
11 generated funds, loan financing, and proceeds from sale of non-
12 strategic assets...

13 42. On May 5, 2022, PLDT filed with the PSE its Form 17-C in
14 connection in connection with its unaudited consolidated financial results for the
15 three months ended March 31, 2022 (the “May 5, 2022 Form 17-C”), which was
16 signed by Defendant Victorio-Aquino. Attached to the May 5, 2022 Form 17-C
17 was a press release, which stated, in pertinent part, as follows:
18

19 **Revised capex guidance**

20 PLDT has revised its capex guidance for 2022 to ₱85 billion, from
21 the original capex guidance of ₱76-80 billion. This increase will
22 support updated requirements for the Home broadband and data
23 center businesses and additional upgrades of the towers and their
24 passive infrastructure assets—subject of the tower sale and leaseback
25 transaction.

26 43. On August 4, 2022, PLDT filed with the PSE its Form 17-C in
27 connection with its unaudited consolidated financial results for the six months
28

1 ended June 30, 2022 (the “May 5, 2022 Form 17-C”), which was signed by
2 Defendant Victorio-Aquino. Attached to the May 5, 2022 Form 17-C was a press
3 release, which stated, in pertinent part, as follows:
4

5 **Capex guidance**

6 PLDT’s continuous investment in expanding its network to reach
7 more Filipinos and improve overall customer experience brought
8 total first half capex spending to ₱46.0 billion. This includes
9 investments in capacity to support the Home broadband business and
10 the rise in network traffic, the construction of the 11th data center
11 targeting hyperscalers, the international cabling systems Jupiter and
12 Apricot, and the impact of the sale and leaseback of towers and build
out of additional towers by tower companies. Capex guidance for
2022 is ₱85 billion.

13
14 44. On November 3, 2022, PLDT filed with the PSE its Form 17-C in
15 connection with its unaudited consolidated financial results for the nine months
16 ended September 30, 2022 (the “November 3, 2022 Form 17-C”), which was
17 signed by Defendant Alberto. Attached to the November 3, 2022 Form 17-C was a
18 press release which stated, in pertinent part, as follows:
19

20
21 **Capex guidance**

22 PLDT is in the process of reviewing its consolidated capex for 2022,
23 which could exceed the initial capex guidance of P85 billion. Once
24 the review is completed PLDT will issue a separate disclosure on the
matter...

25 CEO Panlilio is quoted as saying:

26
27 “We are also watching our capex levels, especially the impact of the
28 weakening peso on our dollar-denominated debts and imported

1 capex, even capex committed in previous years and current ones.
2 With the disciplined effort led by our Transformation Office, we are
3 trying to manage some softness in our topline, as well as tightly
4 control our costs.”

5 45. The statements contained in ¶¶ 23-44 were materially false and/or
6 misleading because they misrepresented and failed to disclose the following adverse
7 facts pertaining to the Company’s business, operations and prospects, which were
8 known to Defendants or recklessly disregarded by them. Specifically, Defendants
9 made false and/or misleading statements and/or failed to disclose that: (1) there
10 were capital spending budget overruns; (2) Defendants failed to address weaknesses
11 that allowed such budget overruns; and (3) as a result, Defendants’ statements about
12 its business, operations, and prospects, were materially false and misleading and/or
13 lacked a reasonable basis at all relevant times.
14
15

16
17 **THE TRUTH EMERGES**

18 46. On December 16, 2022, PLDT filed with the SEC a Form 6-K, which
19 signed by Defendant Victorio-Aquino. The Form 6-K included copies of disclosure
20 letters filed with the PSE regarding a disclosable event/information, which stated,
21 in pertinent part, as follows:
22

23 **ELEVATED CAPEX SPEND**

24
25 ...OVER THE PAST FOUR YEARS (2019-2022), PLDT INC AND
26 ITS SUBSIDIARY, SMART COMMUNICATIONS INC,
27 EMBARKED ON A MASSIVE NETWORK TRANSFORMATION
28 PROGRAM AND LAUNCHED LARGE MULTI-YEAR CAPEX
PROJECTS—WHICH INCLUDED LTE AND 5G ROLLOUT,

1 FTTH ROLLOUT, TRANSPORT NETWORK
2 TRANSFORMATION, FIBER REBUILD AND FIBER TO THE
3 BTS, SUBMARINE CABLE EXPANSION, CORE NETWORK
4 TRANSFORMATION AND TOWERS UPGRADE, AMONGST
5 OTHERS. THESE MULTI-YEAR INVESTMENTS WERE
6 DESIGNED TO REGAIN AND SUSTAIN NETWORK AND
7 TECHNOLOGY LEADERSHIP AS WELL AS PROVIDE THE
8 BEST CUSTOMER EXPERIENCE...

9 WHILE THESE SUBSTANTIAL CAPEX INVESTMENTS WERE
10 KEY TO MEETING PLDT'S GOALS, THEY CAME AT A
11 PRICE—CAPEX INVESTMENTS FOR THESE FOUR YEARS
12 AGGREGATED PHP 379 BILLION, INCLUDING AN
13 ESTIMATED BUDGET OVERRUN OF NO MORE THAN PHP 48
14 BILLION. WE MUST STRESS THAT THE MAXIMUM PHP 48
15 BILLION CAPEX BUDGET OVERRUN REPRESENTS ABOUT
16 12.7% OF TOTAL CAPEX SPEND OVER THE PERIOD. THIS
17 BEST ESTIMATE IS SUBJECT TO: (A) ONGOING INTERNAL
18 FORENSICS MANDATED BY THE BOARD AND ITS AUDIT
19 COMMITTEE AND (B) DISCUSSIONS WITH PRINCIPAL
20 VENDORS WITH A VIEW TO RECONCILIATION OF
21 ACCOUNTS AND REDUCTION OF SUCH BUDGET
22 OVERRUNS.

23 THE INVESTIGATION HAS, SO FAR, NOT UNCOVERED ANY
24 FRAUDULENT TRANSACTIONS, PROCUREMENT
25 ANOMALIES, OR LOSS OF ASSETS ARISING FROM THE
26 CAPEX SPEND...

27 CAPEX FOR 2023 WILL CONTINUE TO BE ELEVATED AS THE
28 CAPEX OVERRUNS ENTER THE FINANCIAL STATEMENTS
THIS YEAR AND NEXT, CUSHIONED HOWEVER BY
SIGNIFICANT GAINS ON TOWER SALES. CAPEX LEVELS ARE
EXPECTED TO BE LOWER 2024 ONWARDS.

PLDT IS UNDERTAKING A MANAGEMENT
REORGANIZATION PROCESS AND HAS INITIATED
IMPROVEMENTS ON ITS PROCESSES AND SYSTEMS TO
ADDRESS WEAKNESSES THAT ALLOWED SUCH BUDGET

1 OVERRUNS TO OCCUR. A SEPARATE ANNOUNCEMENT
2 WILL BE MADE ONCE THE REORGANIZATION IS
3 IMPLEMENTED.

4 47. On December 19, 2022, Bloomberg reported, in pertinent part, as
5 follows:

6 The Philippines' Securities and Exchange Commission has launched
7 an inquiry into the 48-billion peso (\$866 million) capital spending
8 budget overrun at PLDT Inc. that triggered a record plunge in the stock
9 amid questions over its corporate governance and fiscal control.
10 PLDT shares tumbled more than 19% on Monday, with almost 62
11 billion pesos in market value wiped out.

12 The spending probe casts a stain on the finances and governance of
13 PLDT, the country's biggest phone company by revenue and among
14 the nation's most widely held stocks by foreign investors. It also raised
15 questions about the management of PLDT Chairman Manuel
16 Pangilinan, 76, who was also president and CEO until June 2021.

17 The cost overrun and the selloff in the shares on Friday just ahead of
18 PLDT's disclosure are "areas of concern" for SEC, the regulator said
19 in a statement, adding that it immediately commenced an inquiry into
20 the matter. The commission also ordered the Philippine Stock
21 Exchange to submit its report on its own investigation on the Dec. 16
22 trading activities.

23 The regulator's move should provide clarity to investors on what's
24 happening in PLDT, said Japhet Tantiangco, analyst at Philstocks
25 Financial Inc. "It's highly possible that there were lapses and
26 violations committed that led to this problem and PLDT as a public
27 company must explain to investors what happened," Tantiangco said.
28 "The SEC must see to it that investors are protected."

 The SEC said it "will closely monitor the investigation and will
 continue to conduct a parallel, independent inquiry into the matter."
 PLDT's US-traded depositary receipts dropped 2.4% on Friday, when
 PLDT announced the budget irregularity from 2019 through 2022
 when it spent 379 billion pesos to bulk up its network for broadband

1 and data to stave off rival Globe Telecom Inc. The core issue here and
2 the primary reason PLDT is getting sold down is corporate
3 governance,” said Manny Cruz, strategist at Papa Securities Corp.
4 “The overrun is quite a substantial amount and it went on for years.
5 That raises questions on how that could have happened to a blue chip
6 company.”

7 The budget overrun is almost equivalent to PLDT’s combined 2020
8 and 2021 net income. It’s also more than twice the 21.46 billion pesos
9 of cash and cash equivalents that PLDT had at the end of last quarter.
10 While PLDT hasn’t given details, Pangilinan said in a Philippine Daily
11 Inquirer report that as much as 130 billion pesos in undocumented
12 purchases were made from 2019 through 2022 and an audit lowered
13 the “questionable deals” to 48 billion pesos.

14 Given the growing scrutiny on environmental, social and governance
15 issues, PLDT’s debacle will raise concerns among its large base of
16 foreign investors, which currently hold more than 40% stake in the
17 company. More than 1.18 million PLDT shares changed hands
18 Monday, the most since June 2017.

19 SGV & Co., the nation’s biggest auditing firm, is on its 20th year as
20 the company’s external auditor. In other jurisdictions like the
21 European Union, a company is required to invite bids for other auditors
22 or have joint audits after 10 years.

23 PLDT also has the second lowest percentage of independent directors
24 among the 30 companies in the benchmark Philippine Stock Exchange
25 Index, according to data compiled by Bloomberg. In the broader MSCI
26 Asia Pacific, it ranks 1,453 out of 1,486 companies.

27 The Philippine Stock Exchange will look into trades involving shares
28 of PLDT after bourse officials noticed heavy selling before the market
closed Friday and an hour before the company disclosed the overrun,
the Philippine Daily Inquirer reported, citing PSE President Ramon
Monzon.

“It’s too early to judge PLDT’s quality of governance without the
details” on how this came about, said Noel Reyes, chief investment

1 officer at Security Bank Corp. “PLDT never had an issue like this
2 before under Pangilinan.”

3 PLDT’s shareholders include Japan’s Nippon Telegraph & Telephone
4 Corp., Hong Kong’s First Pacific Co. and Manila-based JG Summit
5 Holdings Inc. Vanguard Group Inc. and BlackRock Inc. are among the
6 biggest asset managers that hold the stock, according to Bloomberg
7 data.

8 Several other companies of which Pangilinan is also chairman
9 declined. Metro Pacific Investments Corp., owned by First Pacific,
10 sank as much as 5.4%, while Manila Electric Co. fell as much as 3.6%.
11 Pangilinan stunned the Philippines in 1998 when he engineered a 30-
12 billion peso takeover of PLDT that he later merged with Smart
13 Communications Inc., a mobile phone startup he funded through First
14 Pacific.

15 “Pangilinan will have to take responsibility for what transpired
16 following the principles of command responsibility,” said Papa
17 Securities’ Cruz. “This could end his career on a sour note and blemish
18 a sterling legacy.”

19 48. Also on December 19, 2022, *Light Reading* reported, in pertinent
20 part, as follows:

21 “Shares in PLDT, the largest Philippines telco, dived 19%
22 Monday after the company acknowledged a 48 billion Philippine
23 pesos (US\$866 million) capex "overrun" it could not account for.
24 It also faces an investigation into possible insider trading after a week
25 of stock sell-offs ahead of the disclosure at the end of trading Friday.

26 The operator, formerly known as Philippine Long Distance Telephone
27 Company, revealed that its "best estimate" was the missing funds
28 represented 12.7% of PHP379 billion (\$6.8 billion) in capital spending
over the past four years.

Stock in Philippines biggest telco dumped after disclosing
undocumented capex spending over four years.

1 Several senior executives have been suspended over the unreported
2 spending, chairman Manny Pangilinan told a local newspaper without
3 elaborating.

4 The company announced on December 15 that it had appointed a new
5 group controller a month earlier. It will have a new CTO and senior
6 vice president starting on January 1.

7 PLDT's stock on the Philippines exchange plunged 19.35% on
8 Monday in the wake of the disclosure. As of 10:50 AM ET on the
9 NYSE, PLDT's stock was down \$5.54 (20.66%) to \$21.27.

10 But the stock had already contracted nearly 15% in the previous five
11 days, catching the attention of the local Securities Exchange
12 Commission (SEC).

13 The SEC said it had begun an inquiry into the reported budget overruns
14 as well as the selloff in shares prior to the official disclosure. These
15 were "areas of concern," it said.

16 **Unexplained spending**

17 It has called for a report from the stock exchange's independent audit
18 arm on PLDT stock trades that had "resulted in the sudden and sharp
19 decline" in the share price before the overruns disclosure.

20 Pangilinan said PLDT initially had uncovered PHP130 billion (\$2.3
21 billion) in undocumented purchases but had reduced that to PHP48
22 billion (\$866 million) following discussions with its main vendors and
23 through "ongoing internal forensics."..."

24 49. On December 19, 2022, the *Philippine Daily Inquirer* reported, in
25 pertinent part, as follows:

26 Heads to Roll at PLDT, Says 'Disappointed' MVP

27 ..."Certainly, we've taken a knock on our reputation. We pride
28 ourselves on governance, on disclosures, and we're gonna get a knock.
We have a job in trying to recover our credibility."

1 Thus said Manuel V. Pangilinan (MVP), who chairs PLDT Inc., after
2 he detailed in an exclusive to the Inquirer how he learned of initially
3 as much as P130 billion in undocumented purchase orders made in the
4 last four years at the country’s largest telecommunications firm.

5 On Friday, the company said the latest estimate of these questionable
6 deals — which it described as “budget overruns” — had been trimmed
7 to P48 billion, representing 12 percent of PLDT’s P379-billion capital
8 spending program of the last four years.

9 The 76-year-old billionaire businessman said a senior company
10 executive had informed him about the problem with unrecorded
11 transactions in early October.

12 This official had discovered that the company had been ordering and
13 paying for billions of pesos worth of internet and phone network
14 equipment without the documentation needed for accurate record
15 keeping.

16 Without such controls, it becomes difficult to determine whether the
17 deals are aboveboard or if unscrupulous corporate officials or vendors
18 are committing fraud or earning kickbacks from multibillion-peso
19 purchases. “At that early stage, the numbers were very different from
20 what we disclosed [on Friday],” he said. “They were closer to the
21 numbers being quoted in those rumors: 128, 130 [billion pesos].”

22 *Internal forensics*

23 Pangilinan — who oversaw the transformation of PLDT from an
24 analog telephone monopoly in the 1990s to the digital giant it is today
25 — said he immediately ordered the assembly of an internal forensics
26 team to assess the damage.

27 He also ordered the hiring of a third-party auditor that was not
28 associated with PLDT’s external auditor, SGV & Co., to scour the
company’s books from top-to-bottom to search for potential cases of
fraud.

1 More importantly, the PLDT chair also ordered officials to renegotiate
2 and, in many cases, altogether cancel these large supply deals with
3 vendors, which he said had ballooned beyond expectations, all below
the radar of the company's top leaders and board of directors.

4 Thus, what was initially rumored in the vendor community to be
5 irregularities worth P130 billion were cut to P48 billion, and may be
6 "slightly" reduced further in the coming weeks.

7 Pangilinan said the company was preparing to mete out harsh sanctions
8 to officials who are proven to be involved in or have had knowledge
9 of the scheme.

10 "We have to set an example," he stressed, "We have to send a message.
11 We have to be firm."

12 PLDT has already suspended, with pay, four key officials
13 pending the results of a more in-depth investigation, Pangilinan said.

14 These included the firm's heads of finance, procurement, and
15 networks. Sources said a fourth suspended official was responsible for
16 recommending the equipment suppliers and vendors to the company,
which eventually turned out to be part of the questionable transactions.

17 Meanwhile, he has also been busy trying to buttress the company's
18 books from the financial fallout of this discovery.

19 In particular, the main impact will be on PLDT's depreciation
20 expenses, with P48 billion representing uncompleted capital
21 expenditures carried over from 2020 and 2021, and fulfilled in 2022
22 and 2023...

23 50. On this news, on December 19, 2022, PLDT's share price fell \$6.35
24 per share, or more than 19%, to close at \$20.46 damaging investors.
25
26
27
28

1 51. As a result of Defendants’ wrongful acts and omissions, and the
2 precipitous decline in the market value of the Company’s common shares, Plaintiff
3 and other Class members have suffered significant losses and damages.
4

5 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

6 52. Plaintiff brings this action as a class action pursuant to Federal Rule
7 of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons
8 other than defendants who acquired the Company’s securities publicly traded on
9 NASDAQ during the Class Period, and who were damaged thereby (the “Class”).
10 Excluded from the Class are Defendants, the officers and directors of the
11 Company, members of the Individual Defendants’ immediate families and their
12 legal representatives, heirs, successors or assigns and any entity in which
13 Defendants have or had a controlling interest.
14
15
16

17 53. The members of the Class are so numerous that joinder of all
18 members is impracticable. Throughout the Class Period, the Company’s securities
19 were actively traded on NASDAQ. While the exact number of Class members is
20 unknown to Plaintiff at this time and can be ascertained only through appropriate
21 discovery, Plaintiff believes that there are hundreds, if not thousands of members
22 in the proposed Class.
23
24
25
26
27
28

1 54. Plaintiff's claims are typical of the claims of the members of the
2 Class as all members of the Class are similarly affected by Defendants' wrongful
3 conduct in violation of federal law that is complained of herein.
4

5 55. Plaintiff will fairly and adequately protect the interests of the
6 members of the Class and has retained counsel competent and experienced in class
7 and securities litigation. Plaintiff has no interests antagonistic to or in conflict with
8 those of the Class.
9

10 56. Common questions of law and fact exist as to all members of the
11 Class and predominate over any questions solely affecting individual members of
12 the Class. Among the questions of law and fact common to the Class are:
13

- 14 • whether the Exchange Act was violated by Defendants' acts as
15 alleged herein;
16 • whether statements made by Defendants to the investing public
17 during the Class Period misrepresented material facts about the business
18 and financial condition of the Company;
19 • whether Defendants' public statements to the investing public during
20 the Class Period omitted material facts necessary to make the statements
21 made, in light of the circumstances under which they were made, not
22 misleading;
23 • whether Defendants' public statements to the investing public during
24 the Class Period omitted material facts necessary to make the statements
25 made, in light of the circumstances under which they were made, not
26 misleading;
27

- 1 • whether the Defendants caused the Company to issue false and
- 2 misleading filings during the Class Period;
- 3
- 4 • whether Defendants acted knowingly or recklessly in issuing false
- 5 filings;
- 6
- 7 • whether the prices of the Company securities during the Class Period
- 8 were artificially inflated because of the Defendants' conduct complained of
- 9 herein; and
- 10
- 11 • whether the members of the Class have sustained damages and, if so,
- 12 what is the proper measure of damages.

13 57. A class action is superior to all other available methods for the fair
14 and efficient adjudication of this controversy since joinder of all members is
15 impracticable. Furthermore, as the damages suffered by individual Class members
16 may be relatively small, the expense and burden of individual litigation make it
17 impossible for members of the Class to individually redress the wrongs done to
18 them. There will be no difficulty in the management of this action as a class
19 action.
20
21
22

23 58. Plaintiff will rely, in part, upon the presumption of reliance
24 established by the fraud-on-the-market doctrine in that:

- 25 • the Company's shares met the requirements for listing, and were listed
- 26 and actively traded on NASDAQ, an efficient market;
- 27
- 28

- 1 • as a public issuer, the Company filed periodic public reports;
- 2 • the Company regularly communicated with public investors via
- 3 established market communication mechanisms, including through the
- 4 regular dissemination of press releases via major newswire services and
- 5 through other wide-ranging public disclosures, such as communications with
- 6 the financial press and other similar reporting services;
- 7
- 8 • the Company's securities were liquid and traded with moderate to
- 9 heavy volume during the Class Period; and
- 10
- 11 • the Company was followed by a number of securities analysts
- 12 employed by major brokerage firms who wrote reports that were widely
- 13 distributed and publicly available.
- 14
- 15

16 59. Based on the foregoing, the market for the Company's securities
17 promptly digested current information regarding the Company from all publicly
18 available sources and reflected such information in the prices of the shares, and
19 Plaintiff and the members of the Class are entitled to a presumption of reliance
20 upon the integrity of the market.
21

22 60. Alternatively, Plaintiff and the members of the Class are entitled to
23 the presumption of reliance established by the Supreme Court in *Affiliated Ute*
24 *Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants
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1 omitted material information in their Class Period statements in violation of a duty
2 to disclose such information as detailed above.

3
4 **COUNT I**

5 **Violation of Section 10(b) of The Exchange Act and Rule 10b-5**
6 **Against All Defendants**

7 61. Plaintiff repeats and realleges each and every allegation contained
8 above as if fully set forth herein.

9 62. This Count is asserted against Defendants is based upon Section
10 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated
11 thereunder by the SEC.

12 63. During the Class Period, Defendants, individually and in concert,
13 directly or indirectly, disseminated or approved the false statements specified
14 above, which they knew or deliberately disregarded were misleading in that they
15 contained misrepresentations and failed to disclose material facts necessary in
16 order to make the statements made, in light of the circumstances under which they
17 were made, not misleading.

18 64. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that
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25 • employed devices, schemes and artifices to defraud;

- 1 • made untrue statements of material facts or omitted to state material
2 facts necessary in order to make the statements made, in light of the
3 circumstances under which they were made, not misleading; or
4
5 • engaged in acts, practices and a course of business that operated as a
6 fraud or deceit upon plaintiff and others similarly situated in connection with
7 their purchases of the Company's securities during the Class Period.
8

9 65. Defendants acted with scienter in that they knew that the public
10 documents and statements issued or disseminated in the name of the Company
11 were materially false and misleading; knew that such statements or documents
12 would be issued or disseminated to the investing public; and knowingly and
13 substantially participated, or acquiesced in the issuance or dissemination of such
14 statements or documents as primary violations of the securities laws. These
15 defendants by virtue of their receipt of information reflecting the true facts of the
16 Company, their control over, and/or receipt and/or modification of the Company's
17 allegedly materially misleading statements, and/or their associations with the
18 Company which made them privy to confidential proprietary information
19 concerning the Company, participated in the fraudulent scheme alleged herein.
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24 66. Individual Defendants, who are the senior officers of the Company,
25 had actual knowledge of the material omissions and/or the falsity of the material
26 statements set forth above, and intended to deceive Plaintiff and the other
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1 members of the Class, or, in the alternative, acted with reckless disregard for the
2 truth when they failed to ascertain and disclose the true facts in the statements
3 made by them or any other of the Company's personnel to members of the
4 investing public, including Plaintiff and the Class.
5

6 67. As a result of the foregoing, the market price of the Company's
7 securities was artificially inflated during the Class Period. In ignorance of the
8 falsity of Defendants' statements, Plaintiff and the other members of the Class
9 relied on the statements described above and/or the integrity of the market price of
10 the Company's securities during the Class Period in purchasing the Company's
11 securities at prices that were artificially inflated as a result of Defendants' false
12 and misleading statements.
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16 68. Had Plaintiff and the other members of the Class been aware that the
17 market price of the Company's securities had been artificially and falsely inflated
18 by Defendants' misleading statements and by the material adverse information
19 which Defendants did not disclose, they would not have purchased the Company's
20 securities at the artificially inflated prices that they did, or at all.
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23 69. As a result of the wrongful conduct alleged herein, Plaintiff and other
24 members of the Class have suffered damages in an amount to be established at
25 trial.
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1 70. By reason of the foregoing, Defendants have violated Section 10(b)
2 of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the
3 plaintiff and the other members of the Class for substantial damages which they
4 suffered in connection with their purchase of the Company's securities during the
5 Class Period.
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8 **COUNT II**

9 **Violation of Section 20(a) of the Exchange Act**

10 **Against the Individual Defendants**

11 71. Plaintiff repeats and realleges each and every allegation contained in
12 the foregoing paragraphs as if fully set forth herein.

13
14 72. During the Class Period, the Individual Defendants participated in
15 the operation and management of the Company, and conducted and
16 participated, directly and indirectly, in the conduct of the Company's business
17 affairs. Because of their senior positions, they knew the adverse non-public
18 information about the Company's false financial statements.
19

20
21 73. As officers of a publicly owned company, the Individual Defendants
22 had a duty to disseminate accurate and truthful information with respect to the
23 Company's' financial condition and results of operations, and to correct
24 promptly any public statements issued by the Company which had become
25 materially false or misleading.
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1 74. Because of their positions of control and authority as senior officers,
2 the Individual Defendants were able to, and did, control the contents of the
3 various reports, press releases and public filings which the Company
4 disseminated in the marketplace during the Class Period concerning the
5 Company's results of operations. Throughout the Class Period, the Individual
6 Defendants exercised their power and authority to cause the Company to
7 engage in the wrongful acts complained of herein. The Individual Defendants
8 therefore, were "controlling persons" of the Company within the meaning of
9 Section 20(a) of the Exchange Act. In this capacity, they participated in the
10 unlawful conduct alleged which artificially inflated the market price of the
11 Company's securities.
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16 75. By reason of the above conduct, the Individual Defendants are liable
17 pursuant to Section 20(a) of the Exchange Act for the violations committed by
18 the Company.
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20 **PRAYER FOR RELIEF**

21 **WHEREFORE**, Plaintiff, on behalf of herself and the Class, prays for
22 judgment and relief as follows:
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24 (a) declaring this action to be a proper class action, designating Plaintiff
25 as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23
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1 of the Federal Rules of Civil Procedure and designating Plaintiff's counsel as
2 Lead Counsel;

3 (b) awarding damages in favor of Plaintiff and the other Class members
4 against all Defendants, jointly and severally, together with interest thereon;

5 (c) awarding Plaintiff and the Class reasonable costs and expenses
6 incurred in this action, including counsel fees and expert fees; and
7

8 (d) awarding Plaintiff and other members of the Class such other and
9 further relief as the Court may deem just and proper.
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12 **DEMAND FOR TRIAL BY JURY**

13 Plaintiff hereby demands a trial by jury.
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16 Dated: February 6, 2023
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