

# MREIT targets 1 million sq.m. retail portfolio by 2027

LISTED MREIT, Inc., the real estate investment trust of Megaworld Corp., is aiming to grow its portfolio to one million square meters (sq.m.) of gross leasable area (GLA) by 2027, betting on rising consumer activity.

In a stock exchange disclosure on Monday, the company said its long-term strategy includes the infusion of mall and retail assets to diversify its portfolio and capture growing consumer demand.

This, it added, complements MREIT's high-occupancy office assets.

"While the country is experiencing an impressive growth in consumer activities, we want to tap into these opportunities. This will enable us to deliver both growth and diversification, keeping our portfolio resilient and relevant for the years ahead," MREIT Chairman Kevin L. Tan said.

MREIT's sponsor, Megaworld, holds one million sq.m. of office GLA and 500,000 sq.m. of retail GLA, which may be infused into MREIT over time.

Last month, MREIT said it was raising its authorized capital stock to P8 billion from P5



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billion to prepare for a possible asset infusion from its sponsor.

The company also noted that foot traffic and sales across Megaworld Lifestyle Malls have surpassed pre-pandemic levels, driving strong leasing activity from both global and homegrown brands.

As of end-June, mall occupancy reached a record 93%.

"This favorable environment underpins MREIT's strategy to bring in more retail assets in the future, ensuring that its portfolio captures both the growth of business process outsourcing and the resurgence of Philippine consumer spending," MREIT said.

"The company remains focused on expanding its portfolio through accretive acquisitions while maintaining strong dividend payouts to investors," it added.

Megaworld recently said it is allocating the P2.21 billion raised from its latest block sale of MREIT shares for projects in its Cebu, Palawan, and Bacolod townships.

MREIT reported a 26% increase in its first-half distributable income to P1.86 billion, led by a 28% rise in revenue to P2.7 billion.

At present, MREIT's portfolio includes 24 prime office properties strategically located in five Megaworld townships: Eastwood City, McKinley Hill, McKinley West, Iloilo Business Park, and Davao Park District.

MREIT shares closed flat at P13.52 apiece on Monday. — **Beatriz Marie D. Cruz**

## RLC opens second GBF tower in Bridgetowne

GOKONGWEI-LED Robinsons Land Corp. (RLC) has inaugurated its second GBF tower in Bridgetowne, Quezon City, adding about 2,800 square meters of flexible office space per floor two years after the opening of GBF Center 1.

The tower features touchless technology, including facial recognition-enabled turnstiles and advanced air filtration systems,

the company said in a statement on Monday.

Each floor is designed to be customizable, allowing tenants to adapt spaces to their operational needs, it said.

"Every square meter of GBF Center 2 is designed to generate jobs, attract investment, and support the growth of dynamic businesses. From construction to tenancy, this

building is a catalyst for economic activity, aligned with our mission to create opportunities for Filipinos," RLC said.

GBF Center 2 is situated near major roads such as C5, Ortigas Avenue, and Amang Rodriguez Avenue, offering convenient access and visibility.

"This location reinforces Robinsons Offices' pillar of accessibility, ensuring that busi-

nesses are connected to talent, transport, and opportunity," the company said.

GBF Center 2 follows the first GBF tower, which opened in 2023, as part of the company's multi-phase plan to expand office capacity in the Bridgetowne area and attract businesses looking for modern, flexible workspaces in Quezon City. — **Alexandria Grace C. Magno**

## ASEAN ministers in PHL to prepare regional agro-forestry strategy

THE Department of Agriculture (DA) said the Philippines will host the ASEAN Ministers on Agriculture and Forestry (AMAF) meeting in Pasay City until Oct. 3 to map out

competitiveness and sustainability plans for the agro-forestry industry.

The DA said the ministers will discuss technology generation, rural community development, encour-

aging private sector investment, and promoting sustainable environmental management and conservation.

The DA will also host discussions on the impact of climate

change on agriculture and improving the industry's resilience.

Agriculture Secretary Francisco P. Tiu Laurel, Jr., who will chair the discussions, said "This effort

aligns with ASEAN's broader vision of becoming a single market and production base."

Representatives from China, Japan, and South Korea will be

in attendance for the AMAF Plus Three Meetings and the ASEAN-Japan Ministers on Agriculture and Forestry Meeting. — **Andre Christopher H. Alampay**

### OPINION

## Strategic convergence of ESG, APA, and transfer pricing

As global tax regimes increasingly prioritize transparent reporting, responsible governance, and sustainable development, the convergence of Environmental, Social, and Governance (ESG) principles, sustainability goals, and Advance Pricing Agreements (APA) within transfer pricing (TP) frameworks is emerging as a strategic imperative. What may initially appear as three distinct areas, ESG, APA, and TP, are in fact deeply interconnected.

ESG focuses on how companies manage environmental impact, social responsibility, and governance standards, influencing operational decisions, cost structures, and reputational risk. TP, on the other hand, governs how profits are allocated among related entities across jurisdictions, requiring that intercompany transactions reflect economic substance and arm's length pricing. APAs serve as a proactive mechanism to secure tax certainty by agreeing in advance with tax authorities on acceptable transfer pricing methodologies.

For corporate taxpayers, proactively integrating ESG considerations into APA strategies and transfer pricing policies enables businesses to reinforce their commitment to sustainability-driven practices while securing long-term reliability in cross-border tax arrangements.

**UNDERSTANDING APA AND ESG**

In last month's article, "BIR to hold public consultation on Advance Pricing Agreements: What it means for businesses," we defined an APA as a formal agreement between a corporate taxpayer and the BIR that establishes in advance a mutually agreed set of criteria, such as the transfer pricing method, selection of comparables, and necessary adjustments, to determine the pricing of related-party transactions over a specified period, with the primary objective to minimize the likelihood of transfer pricing audits and avoid instances of double taxation. Globally, APAs are widely regarded as a key instrument for ensuring consistent and reliable tax treatment, particularly in complex cross-border transactions.

Recently, the BIR issued a draft revenue regulation on APA and conducted a public consultation. The draft outlines

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the types of APA, the expected benefits for corporate taxpayers, the procedural steps for application and monitoring, a phased implementation approach, and the applicable APA fees.

The APA initiative was positively received by the business community and tax professionals, who presented recommendations to enhance the draft regulations. Key suggestions included clarifying the criteria for acceptance and rejection of APA applications, specifying minimum documentation requirements, establishing standard timelines for each stage of the APA process, detailing the methodology for monitoring compliance, providing guidance on renewal and revision procedures, outlining criteria for evaluating ESG-linked or intangible-heavy transactions, and benchmarking against APA programs in other ASEAN jurisdictions.

On the other hand, ESG refers to a set of non-financial performance indicators that assess a company's impact on environmental sustainability, ethical practices, and corporate governance, which has become a central framework for evaluating long-term value creation, risk management, and stakeholder trust. Sustainability is a broader concept that encompasses long-term environmental, social, and economic viability. While ESG provides the metrics and reporting structure, sustainability represents the overarching goal that guides strategic decision-making.

In the Philippines, a growing number of businesses are embedding ESG principles into their core operations. On the environmental front, many invest in renewable energy, reduce water and energy consumption, and implement waste management programs to minimize their ecological footprint. Social initiatives often include inclusive hiring practices, employee wellness programs, and community engagement efforts such as education, healthcare, and disaster relief. From a governance standpoint, companies are adopting transparent reporting standards, strengthening board oversight,

and aligning executive compensation with sustainability goals.

According to the Securities and Exchange Commission (SEC), 95% of publicly listed companies in the Philippines submitted sustainability reports in 2024, which marks a significant increase from 22% in 2019, when the SEC first introduced its Sustainability Reporting Guidelines.

**IMPACT OF ESG IN APA AND TP**

In the context of transfer pricing, ESG factors increasingly shape how value is created, allocated, and justified across related entities. Integrating ESG into the transfer pricing documentation and APAs helps ensure that sustainability-related activities are properly valued and defended in cross-border tax arrangements.

Consider a Philippine manufacturing company that sources from environmentally certified suppliers, invests in inclusive workforce programs, and supports community development. These initiatives not only elevate the operating costs but also create long-term value. To proactively manage the pricing implications of these ESG commitments, the company enters into an APA with the BIR. Through the APA, it agrees on a transfer pricing method that accounts for sustainability premiums and ESG-related expenditures. Complementing this, the company maintains detailed transfer pricing documentation and integrates ESG metrics in its annual reports. As a result, the company enjoys tax incentives, avoids tax audits, and attracts ESG-focused investors.

Beyond the manufacturing example, other Philippine businesses are also navigating ESG integration in their transfer pricing strategies. For instance, a renewable energy firm licensing green technologies to its affiliates may need to demonstrate how its research and development investments and environmental commitments enhance the arm's length value of its intangibles, such as royalties. Similarly, a business process outsourcing provider that implements inclusive hiring and workforce development initiatives may need to justify cost-plus margins that reflect ESG-linked operational risks and social impact expenditures.

These are not merely theoretical constructs but are emerging realities where

ESG is not merely a reporting concern, as it directly influences how profits are allocated and defended across borders, ensuring that intercompany pricing reflects economic substance rather than just formal legal arrangements. By aligning ESG with APA and TP, Philippine businesses are not just managing risk; they are actively shaping a future where tax strategy drives sustainable growth.

**CHALLENGES AND CONSIDERATIONS**

While APAs are not yet formally implemented in the Philippines, the integration of ESG factors into TP and APA presents a forward-looking opportunity for businesses seeking both tax certainty and alignment with global sustainability standards. However, realizing this potential requires navigating several key challenges.

Among the most pressing issues are the absence of ESG-specific tax guidance from the BIR, limited availability of comparable data for benchmarking ESG-linked transactions, evolving global standards, and the valuation complexity of ESG-related intangibles, such as green technologies, ethical brand reputation and social impact programs.

Furthermore, ESG-driven costs, from carbon reduction programs to green technology investments, often span multiple jurisdictions with differing tax treatments. While generally guided by the Organisation for Economic Co-operation and Development (OECD) principles, interpretations may vary depending on local regulations, the nature of the ESG initiative and how value is created and shared across the group. For example, a regional sustainability program may support compliance in multiple jurisdictions, but the cost allocation must reflect actual benefit and economic substance.

Despite these challenges, Philippine companies can take proactive steps to prepare for ESG-aligned transfer pricing strategies. To strengthen their position for future APA applications and defend ESG-related pricing structures, companies should consider conducting a gap analysis of current transfer pricing policies against ESG goals, engaging in pre-filing consultations with the BIR, preparing robust economic justifications for ESG-linked pricing structures, and reviewing

the Information Return on Related Party Transactions (BIR Form No. 1709) and transfer pricing documentation to reflect ESG-linked functions, assets, and risks.

**FINAL THOUGHTS**

The convergence of ESG, APA, and TP marks a transformative shift in how Philippine businesses approach tax governance, sustainability, and cross-border compliance. In a world where transparency is currency and sustainability is strategy, companies that embrace ESG-aligned transfer pricing are future-proofing their businesses not only for regulatory certainty but also for long-term resilience and stakeholder trust.

While this strategic opportunity comes with unresolved complexities, it is critical for stakeholders to engage in meaningful dialogue in order to advance and shape future policy. For instance, how should ESG-related costs and value creation be reflected in transfer pricing models to ensure fairness and defensibility? What mechanisms can the BIR adopt to recognize ESG-linked intangibles and sustainability premiums in future APA negotiations? Can ESG-aligned transfer pricing become a basis for tax incentives or preferential treatment under Philippine tax law? How can businesses balance the financial impact of ESG initiatives with the need for competitive margins in intercompany transactions?

Addressing these questions will require collaboration among businesses, regulators, and industry experts to build a future where ESG completes the strategic triangle with APA and transfer pricing as not just a reporting obligation but a strategic pillar of responsible growth.

*Let's Talk TP is an offshoot of Let's Talk Tax, a weekly newspaper column of P&A Grant Thornton that aims to keep the public informed of various developments in taxation. This article is not intended to be a substitute for competent professional advice.*

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