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SECURITIES AND EXCHANGE COMMISSION

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(Business Address: No. Street City/ Town / Province)

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1 2	3 1
<i>Month</i>	<i>Day</i>
FISCAL YEAR	

CURRENT REPORT

FORM TYPE			

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<i>Month</i>	<i>Day</i>
*Last Friday	

MATERIAL RELATED PARTY TRANSACTIONS POLICY

Secondary License Type, If Applicable

Dept. Requiring this Doc.

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Total No. of Stockholders

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To be accomplished by SEC Personnel concerned

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PHILIPPINE TELEGRAPH AND TELEPHONE CORPORATION'S POLICY ON MATERIAL RELATED PARTY TRANSACTIONS

Coverage

Philippine Telegraph and Telephone Corporation ("PT&T" or "Company") recognizes that transactions between and among related parties may create financial, commercial and economic benefits to the Company and its stakeholders. In this regard, related party transactions ("RPTs") are generally allowed provided, that when the RPTs amount to ten percent (10%) or higher of the Company's total assets based on its last audited financial statements, it shall be considered a material related party transaction ("Material RPTs") covered by this Material Related Transaction Policy ("Policy").

For purposes of this Policy, a related party includes the Company's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control or significant influence over PT&T. It also covers the PT&T's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or any entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

Any transfer of resources, services or obligations between the Company PT&T and a related party, regardless of whether a price is charged shall be deemed an RPT and interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party. The Management and the Board of Directors shall review and update the Related Party Registry to capture organizational and structural changes in the Company and its related parties quarterly.

Transactions amounting to ten percent (10%) or more of the total assets that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in this Policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject to the requirements of this Policy. The prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

A. Board of Directors

The Board of Directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of the Company's shareholders and other stakeholders.

Towards this end, the board of directors shall carry out the following duties and responsibilities:

1. To institutionalize an overarching policy on the management of Material RPTs to ensure effective compliance with existing laws, rules and regulations at all times and that Material RPTs are conducted on an arm's length basis and that no shareholder or stakeholder is unduly disadvantaged.

2. To approve all Material RPTs that cross the materiality threshold and write-off of material exposures to related parties, as well as any renewal or material changes in the terms and conditions of Material RPTs previously approved.

Material changes in the terms and conditions of the Material RPTs include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the Material RPTs.

3. To establish an effective audit, risk and compliance system to:

- a. determine, identify and monitor related parties and Material RPTs;
- b. continuously review and evaluate existing relationships between and among businesses and counterparties; and
- c. identify, measure, monitor and control risks arising from Material RPTs.

The system should be able to define the related parties' extent of relationship with the Company, assess situations in which a non-related party (with whom a Company has entered into a transaction) subsequently becomes a related party and vice versa and generate information on the nature and amount of exposures of the Company to a particular related party.

The system shall facilitate submission of accurate reports to supervisors and regulators. The system and the policies shall be subject to periodic assessment by the internal audit and compliance officers and shall be updated regularly for their sound implementation. Any change in the policy and procedure shall be approved by majority of the Board of Directors.

4. To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The Board of Directors should ensure that Senior Management addresses legitimate issues on Material RPTs that are raised. The Board of Directors should take responsibility in ensuring that stakeholders who raised concerns are protected from detrimental treatment or reprisals.

Directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the material RPT and abstain from the discussion, approval and management of such transaction or matter affecting the company. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.

B. Senior Management

Senior Management shall implement appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the company's policy and SEC's regulations.

C. Procedure, Approval and Disclosure

Before the execution of a Material RPT, the Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the Material RPT. An external independent party may include, but is not limited to, auditing or accounting firms and third-party consultants and appraisers. The independent evaluation of the fairness of the

transparent price ensures the protection of the rights of shareholders and other stakeholders.

The Company may avail of price discovery mechanism including, but not limited to, engaging the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

Individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the Independent Directors voting to approve the Material RPT. In case that a majority of the Independent Directors' vote is not secured, the Material RPT may be ratified by a vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. For aggregate Material RPTs within a twelve (12) month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets, the same Board of Directors approval is required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction shall abstain from participating in the discussions and voting. In case they refuse to abstain, their attendance shall not be counted for purposes of determining the quorum and their votes shall not be counted for purposes of determining approval.

The internal audit shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing Material RPTs to assess consistency with the Board of Directors approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits shall be communicated directly to the Audit Committee.

The Company's Compliance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. The Compliance Officer shall aid in the review of the Company's transactions and identify any potential Material RPT that would require review by the Board of Directors. The Compliance Officer shall likewise ensure that this Policy is updated and properly implemented throughout the Company.

The members of the Board of Directors, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to Material RPTs as well as their direct or indirect financial interest in any transaction or matter that may affect or is affecting the Company. Such disclosure shall be made in the Board of Directors meeting where the Material RPT will be presented for approval and before the completion or execution of the Material RPT.

D. Whistle Blowing Mechanism

All stakeholders are encouraged to communicate, confidentially or otherwise and without risk of reprisal, legitimate concerns about illegal, unethical or questionable Material RPTs. The Company's Whistle Blowing Policy shall apply in cases of violation of this Policy.

E. Regulatory and Compliance

1. A summary of Material RPTs entered into during the reporting year shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every 30th day of May.

2. Advisement Report of any Material RPT filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.

The disclosures in both (1) and (2) above shall include the following information:

- a. complete name of the related party;
- b. relationship of the parties;
- c. execution date of the Material RPT;
- d. financial or non-financial interest of the related parties;
- e. type and nature of transaction as well as a description of the assets involved;
- f. total assets;
- g. amount or contract price;
- h. percentage of the contract price to the total assets of the Company;
- i. carrying amount of collateral, if any;
- j. terms and conditions; and
- i. rationale for entering into the transaction; and
- k. the approval obtained (i.e., names of directors present, name of directors who approved the Material RPT and the corresponding voting percentage obtained).

F. Abusive Material Related Party Transactions

Abusive Material RPTs refer to those that are not entered at arm's length and unduly favor a related party.


Pursuant to Sections 26 and 27 of the Revised Corporation Code, an interested director or officer of PT&T shall be disqualified from being a director, trustee or officer of any other corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive Material RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the SEC.

The imposition of the foregoing penalties shall be without prejudice to any other administrative penalties that may be imposed by the SEC and/or civil or criminal penalties, as may be provided by the Revised Corporation Code of the Philippines, Securities Regulation Code, and other related laws.


G. Incorporation by reference

The provisions of SEC Memorandum Circular No. 10, Series of 2019 on the Rules on Material Related Party Transactions for Publicly-Listed Companies and the relevant provisions of the Revised Corporation Code of the Philippines are incorporated in this Policy by way of reference on any matter not covered herein.

Executed this 24th day of October 2019 in Makati City, Philippines.



SALVADOR B. ZAMORA II
Chairman of the Board



ATTY. KENNETH JOEY H. MACEREN
Corporate Secretary and
Acting Compliance Officer