



October 22, 2019

**PHILIPPINE STOCK EXCHANGE**  
6/F Philippine Stock Exchange Tower  
28<sup>th</sup> Street corner 5<sup>th</sup> Avenue  
Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**  
Head, Disclosure Department

Subject : **MATERIAL RELATED PARTY TRANSACTIONS POLICY**

Gentlemen:

We submit herewith a copy of PLDT's Material Related Party Transactions Policy as approved by the PLDT Board of Directors on September 24, 2019 and filed with the Securities and Exchange Commission (SEC), in compliance with SEC Memorandum Circular No. 10, Series of 2019.

This shall also serve as the disclosure letter for the purpose of complying with the PSE Revised Disclosure Rules.

Very truly yours,

A large, handwritten signature in black ink is written over the text "Very truly yours," and extends down to the name "FLORENTINO D. MABASA, JR.".  
**FLORENTINO D. MABASA, JR.**  
Asst. Corporate Secretary



110222019003030



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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# COVER SHEET

SEC Registration Number

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Company Name

P	L	D	T		I	N	C.													

Principal Office (No./Street/Barangay/City/Town/Province)

R	A	M	O	N		C	O	J	U	A	N	G	C	O		B	U	I	L	D	I	N	G			
M	A	K	A	T	I		A	V	E	N	U	E														
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Form Type

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Department requiring the report

C	G	F	D
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Secondary License Type. If Applicable

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## COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number/s

<b>88168553</b>
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Mobile Number

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No. of Stockholders

<b>11,611 As of September 30, 2019</b>
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Annual Meeting  
Month/Day

<b>Every 2<sup>nd</sup> Tuesday of June</b>
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Fiscal Year  
Month/Day

<b>December 31</b>
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## CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

<b>Ma. Lourdes C. Rausa-Chan</b>
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Email Address

<a href="mailto:lrchan@pldt.com.ph"><b>lrchan@pldt.com.ph</b></a>
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Telephone Number/s

<b>88168553</b>
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Mobile Number

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Contact Person's Address

<b>MGO Building, Legaspi St. corner Dela Rosa St., Makati City</b>
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**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



October 22, 2019

**SECURITIES & EXCHANGE COMMISSION**

Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

Attention: **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**  
OIC, Corporate Governance and Finance Department

Subject : **MATERIAL RELATED PARTY TRANSACTIONS POLICY**

Gentlemen:

In compliance with SEC Memorandum Circular No. 10, Series of 2019, we submit herewith two (2) copies of PLDT's Material Related Party Transactions Policy as approved by the PLDT Board of Directors on September 24, 2019.

Thank you.

Very truly yours,



**FLORENTINO D. MABASA, JR.**  
Asst. Corporate Secretary

## PLDT Inc.

### MATERIAL RELATED PARTY TRANSACTIONS POLICY

This Material Related Party Transactions Policy (“Policy”) was approved and adopted on September 24, 2019 by the Board of Directors of PLDT Inc. (“PLDT” or the “Company”) pursuant to the PLDT Manual on Corporate Governance and in compliance with SEC Memorandum Circular No. 10, Series of 2019 or the Rules on Material Related Party Transactions for Publicly-Listed Companies (“Material RPT Rules”).

#### 1. Policy Statement

Transactions between and among related parties may serve important business purposes and create legitimate financial, commercial and economic benefits to the Company or other companies belonging to the PLDT Group and the entire PLDT Group. In this context, related party transactions are generally allowed. However, it is necessary that appropriate processes, controls and safeguards are established to ensure fairness, integrity and transparency of related party transactions, and to manage conflicts of interest that could compromise the best interests of the Company and its shareholders as a whole.

This Policy provides the processes, controls and safeguards for the proper handling, including review, approval and disclosure, of related party transactions in compliance with applicable laws and regulations.

#### 2. Applicability

This Policy shall apply to related party transactions that meet the Materiality Threshold as herein defined, and shall cover PLDT and the other members of the PLDT Group.

#### 3. Definition and Interpretation

##### 3.1 Defined Terms<sup>1</sup>

The following terms are used in this Policy with the respective meanings ascribed to such terms below, unless the context otherwise requires:

**“Affiliate”** - refers to an entity linked directly or indirectly to the Company through any one or a combination of any of the following:

- Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by an entity of at least ten percent (10%) or more of the outstanding voting stock of the Company, or vice-versa;
- Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;

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<sup>1</sup> Definitions are based on or guided by the definitions set out in the Material RPT Rules, Philippine Accounting Standards 24 and 28, Philippines Financial Reporting Standards 10 and 11, and other relevant laws and regulations.

- Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity; or
- Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the entity, or vice-versa.

**“Associate”** - an entity over which the Company holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the Company has significant influence.

**“Audit Committee”** – means the Audit Committee of PLDT.

**“Board of Directors” or “Board”** – means the Board of Directors of PLDT.

**“Control”** - a person or an entity controls the Company if and only if the person or entity has all of the following:

- Power over the Company;
- Exposure, or rights, to variable returns from its involvement with the Company; and
- The ability to use its power over the Company to affect the amount of the Company's returns.

**“Material Related Party Transactions” or “Material RPTs”** - any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Company's total consolidated assets based on its latest audited financial statement.

**“Material RPT Rules”** – refers to SEC Memorandum Circular No. 10, Series of 2019, or the Rules on Material Related Party Transactions for Publicly-Listed Companies.

**“Materiality Threshold”** - ten percent (10%) of the Company's total consolidated assets based on its latest audited financial statement.

**“Parent”** – an entity that controls one or more entities.

**“Related Parties”** - covers 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 the Company. It also covers the Company's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person or entity who is a related party.

**“Related Party Registry”** - a record of the organizational and structural composition, including any change therein, of the Company and its related parties.

**“Related Party Transactions” or “RPTs”** - a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with a non-related party that subsequently becomes a related party.

**“Significant Influence”** - the power to participate in the financial and operating policy decisions of the Company but has no control or joint control of those policies.

**“Subsidiary”** – an entity that is controlled by another entity.

**“Substantial Shareholder”** - any person or entity who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

### 3.2 Interpretation

- (a) Unless the context otherwise requires:
  - (i) words in the singular include the plural, and vice versa; and
  - (ii) words importing any gender include all genders.
- (b) A reference to a statute or statutory provision shall be construed as a reference to that statute or provision as from time to time amended, modified or re-enacted, any repealed statute or statutory provision which it re-enacts, and any orders, rules or regulations made under the relevant statute or statutory provision.
- (c) The headings in this Policy are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.

## 4. Identification of Related Parties

- 4.1 The Company’s related parties are the persons and entities that meet the definition of “Related Parties” as provided in Section 3.1 hereof, and in accordance with the Material RPT Rules.
- 4.2 The Financial Reporting Center shall identify and prepare a list of the Company’s related parties, and shall establish and maintain a Related Party Registry, including processes and controls to ensure its accuracy and completeness. It shall undertake a quarterly review of the Related Party Registry, and update the same as may be necessary to capture the organizational and structural changes in the Company and its related parties.
- 4.3 Internal Audit shall review periodically the Financial Reporting Center’s processes and controls to ensure the Related Party Registry’s accuracy and completeness. It shall report the results of its periodic review to the Audit Committee of the Board of Directors.

## 5. Policy Coverage and Materiality Threshold

- 5.1 This Policy shall cover all RPTs meeting the Materiality Threshold.
- 5.2 Transactions amounting to ten percent (10%) or more of the total consolidated assets of the Company that were entered into with a non-related 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 the Material RPT to the requirements contained in this Policy and the Material RPT Rules. 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.

- 5.3 The Company may set a threshold lower than the materiality threshold provided under the Material RPT Rules upon determination by the Board of the risk of the RPT to cause damage to the Company and its shareholders. The adjusted threshold, when applicable, shall be contained in this Policy.

## **6. Review and Approval of Material RPTs**

- 6.1 All individual Material RPTs shall be subject to the review and approval process set out in this Section 6. For aggregate transactions with the same related party within a twelve (12)-month period that breaches the Materiality Threshold of ten percent (10%) of the Company's total consolidated assets, the same review and approval process set out in this Section 6 shall apply for the transaction/s that meets or exceeds the Materiality Threshold.
- 6.2 Each Material RPT shall be subject to prior review by the Audit Committee to determine whether the same meets the following standards: (a) it is on arm's length terms, and (b) it is in the best interest of the Company and its shareholders, as a whole, considering the relevant factors and circumstances (the "RPT Standards").
- 6.3 Upon determination by the Audit Committee that the Material RPT meets the RPT Standards, the same shall be submitted to the Board for final review and approval.
- (a) At least two-thirds (2/3) vote of the Board, including the vote of at least a majority of the independent directors, must be secured to approve the Material RPT. In case a majority of the independent directors' vote is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.
  - (b) Directors with personal interest, direct or indirect, in the Material RPT shall disclose the nature and extent of such interest to the Board.
  - (c) Directors with personal interest, direct or indirect, in the Material RPT shall abstain from participating in discussions and voting on the same. 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 approval.
- 6.4 In connection with the review and approval of a Material RPT, all material facts related to the Material RPT as well as any direct and indirect financial interest of directors, substantial shareholders and officers in the Material RPT and in any transaction or matter that may affect or is affecting the Company shall be fully disclosed to the Audit Committee and the Board. Such disclosure shall be made at the Audit Committee and Board meetings where the Material RPT will be presented for review/approval and before the completion or execution of the Material RPT.



## **7. Guidelines in Ensuring Arm's Length Terms**

- 7.1 The Company shall ensure that the RPTs it enters into are on arm's length terms.
- 7.2 The arm's length principle requires the transaction with a related party to be made under terms and conditions no less favorable in all material respects to the Company than what could be obtained in an arm's length negotiation with a non-related or independent party taking into consideration prevailing facts and circumstances, including market terms. It is founded on the premise that where market forces drive the terms and conditions agreed in an independent party transaction, the pricing of the transaction would reflect the true economic value of the contributions made by each entity in that transaction.
- 7.3 The Company shall ensure that no preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances in accordance with applicable law or regulation.
- 7.4 To ensure arms-length terms for RPTs, the Company shall comply with the provisions of the Company's Transfer Pricing Guidelines as well as applicable laws, rules and regulations.
- 7.5 Before the execution of the Material RPT, the Audit Committee and/or the Board should 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/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.
- 7.6 The Company shall, as appropriate, implement an effective price discovery mechanism to ensure that Material RPTs are engaged into at terms that promote the best interest of the Company and its shareholders, as a whole. The price discovery mechanism may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

## **8. Disclosure and Reporting of Material RPTs to Regulators**

- 8.1 The Company shall submit to the Philippine Securities and Exchange Commission (the "SEC") the disclosures and reports on Material RPTs in accordance with the requirements set forth in the Material RPT Rules.
- 8.2 In accordance with the Material RPT Rules, the Company shall submit:
  - (a) an Advisement Report on Material RPTs within three (3) calendar days after the execution of the transaction.
  - (b) a summary of Material RPTs entered into during the reporting year in the Company's Integrated Annual Corporate Governance Report (I-ACGR).

## **9. Conflict of Interest**

- 9.1 Directors and officers shall fully and timely disclose any potential or actual conflict of interest which may arise from or in connection with Material RPTs, including any and all material facts, and their respective personal or financial interests, direct or indirect, in the Material RPT and abstain from the discussion, approval and management of such transaction.
- 9.2 The disclosure, handling and management of such conflict of interest shall be guided by the Conflict of Interest Policy and other relevant policies of the Company.
- 9.3 The Company may adopt such other policies as the Board or the Management may deem necessary to ensure that potential or actual conflict of interest that may arise from or in connection with Material RPTs are identified, prevented or managed in accordance with the Material RPT Rules.

## **10. Whistleblowing Mechanisms**

- 10.1 The Company shall implement effective whistleblowing mechanisms consistent with the corporate values and code of conduct set by the Board, with respect to the reporting of illegal, unethical or questionable Material RPTs. Such whistleblowing mechanisms, as embodied in the Company's Expanded Whistleblowing Policy, include but are not limited to, the following:
- (a) Confidentiality. All whistleblower complaints including the identity of the whistleblower, witnesses and employees named in the whistleblower complaint will be treated in a confidential manner, unless the Company is otherwise required or compelled by law or judicial order to release information.
  - (b) Anonymous Reporting. A whistleblower may elect to file a complaint anonymously. To aid further investigation of the whistleblower complaint, an anonymous whistleblower may opt to provide means by which he can be contacted without compromising his anonymity.
  - (c) Protection from Retaliation. Subject to the provisions of the Company's Expanded Whistleblowing Policy on malicious allegations, retaliation against any whistleblower or witness is prohibited and will be dealt with in accordance with the Company's Expanded Whistleblowing Policy, other relevant Company policies and rules, and applicable laws. Necessarily, the protection from retaliation shall only apply and can only be given to whistleblowers or witnesses who will identify themselves.
  - (d) Handling of Malicious Allegations. In case the appropriate investigating unit to which a whistleblower complaint has been referred should determine, after investigation, that the whistleblower and/or witness has made baseless, untruthful, fabricated, malicious, or vexatious allegations, and particularly if he/they persist(s) in making them, appropriate action may be taken against the whistleblower and/or witness in accordance with pertinent Company policies and rules, and applicable laws in order to protect the good name of persons that may have been unjustly accused or

implicated.

- 10.2 The handling and investigation of whistleblower complaints and concerns regarding Material RPTs shall be guided by the Company's Expanded Whistleblowing Policy.
- 10.3 Stakeholders are encouraged to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable Material RPTs. Such legitimate concerns:
- (a) may be reported by stakeholders to: (i) the Corporate Secretary, (ii) the Investor Relations Office, (iii) Management, or (iv) the Board; and
  - (b) shall be investigated and addressed by the Board or as the Board may authorize, by Senior Management, or by an objective independent internal or external body.

## **11. Remedies for Abusive Material RPTs**

11.1 Abusive Material RPTs refer to Material RPTs that are not entered at arm's length and unduly favor a related party. Remedies and penalties for Abusive Material RPTs shall include, but are not limited to, the following:

- (a) As provided in Section 5(c) of the Material RPT Rules and pursuant to Sections 26 and 27 of the Revised Corporation Code of the Philippines, an interested director or officer of a corporation 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 in the Revised Corporation Code of the Philippines, Securities Regulation Code, and other related laws.

- (b) Personnel, officers or directors who, after due process, are found to have willfully or negligently failed to perform their duties in handling Material RPTs shall be subject to the penalties as provided in the Company's policies, including the Code of Business Conduct and Ethics and Conflict of Interest Policy.
- (c) Those responsible for losses incurred by the Company arising out of or in connection with Abusive Material RPTs shall indemnify the Company for such losses as well as for the opportunity costs.

11.2 The Company shall adopt and implement measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Company arising out of or in connection with Abusive Material RPTs. Such measures may include, but are not limited to, the invalidation of the transaction in the cases allowed by law, and/or the filing by the Company of appropriate cases in the court(s) of competent jurisdiction or other appropriate fora.

**12. Self-assessment and Periodic Review of the Policy**

- 12.1 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-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.
  
- 12.2 The Company's Chief Legal Counsel and Chief Governance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. They shall aid in the review of the Company's transactions and in identifying any potential Material RPT that would require review and approval by the Audit Committee and the Board. They shall ensure that the Company's Material RPT Policy is kept updated and is properly implemented throughout the Company.

**13. Effectivity**

This Policy takes effect fifteen (15) days from approval by the Board on September 24, 2019.

Signed:

Manuel V. Pangilinan



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**Chairman of the Board**

Marilyn A. Victorio-Aquino



\_\_\_\_\_  
**Chief Legal Counsel**

Ma. Lourdes C. Rausa-Chan



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**Chief Governance Officer**