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DIR. JUSTINA F. CALLANGAN
Corporate Governance & Finance Department
Securities and Exchange Commission
Ground Floor, Secretariat Bldg.; PICC
PICC Complex, Pasay City

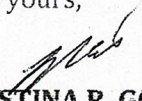
Re: Submission of the Manual on Corporate Governance

Dear Dir. Callangan:

We are pleased to resubmit to the Commission PT&T's Manual on Corporate Governance as revised and updated, pursuant to SEC Memo Circular No. 19, Series of 2016.

We trust that you find everything in order.

Very truly yours,


MA. CHRISTINA R. GONZALES
Asst. Corporate Secretary

Attach.: a/s



REVISED MANUAL ON CORPORATE GOVERNANCE **(As of 2017)**

The Board of Directors and Management of Philippine Telegraph & Telephone Corporation (PT&T), hereby commit themselves to the principles and best practices contained in the Manual, and acknowledge that the same may guide the attainment of PT&T's corporate goals.

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will, therefore, continuously undertake every effort necessary to create awareness of good corporate governance within the organization. At the same time, the entire organization hereby declares its continuing commitment to PT&T's Vision, Mission and Corporate Values.

This Manual shall institutionalize the principles of good corporate governance in the entire organization of PT&T.

ARTICLE 1: DEFINITION

Corporate Governance is the framework of rules, systems, and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

It is the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

The purpose of corporate governance is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

ARTICLE 2: GOVERNANCE

2.1 Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors of PT&T where the corporation's management is centralized.

The Board of Directors (the "Board") is primarily responsible for the governance of the corporation. It shall provide an independent check on Management on adherence to the policies set for the accomplishment of the corporate objective.

It shall be the Board's responsibility to foster the long-term success of PT&T and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of PT&T, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities.

2.1.1 Composition of the Board

The Board shall be composed of seven (7) members who are elected by the Corporation's stockholders and shall hold office for one year and until their successors are elected and qualified in accordance with the By-laws of the Corporation.

The Board shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the number of the members of the Board, whichever is lesser, but in no case less than two (2). The Independent Directors shall be identified on the annual report.

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

As a board diversity policy, no director or candidate for directorship shall be discriminated upon by reason of gender, age, disability, ethnicity, nationality, or political, religious or cultural backgrounds.

2.1.2 Qualifications of Directors

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Director of PT&T shall have the following qualifications:

- (i) Ownership of at least one (1) share of the capital stock of the Corporation;
- (ii) College education or equivalent academic degree;
- (iii) Practical understanding of the business of the corporation and/or business experience;
- (iv) Membership in good standing in relevant industry, business or professional organizations; and
- (v) Possesses integrity, probity, and shall be diligent and assiduous in the performance of his functions.

2.1.3 Disqualification of Directors

The following persons are disqualified from being a Director of the Corporation:

(i) Any person convicted by a competent judicial or administrative body of any crime that (a) involves purchase or sale of securities, e.g., propriety or non-proprietary membership certificate, commodity futures, contract, or interest in common trust fund, preneed plan, pension plan or life plan; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership participation or association with a member or participant of the organization;

(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

(iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

(vi) Any person judicially declared as insolvent;

(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs above;

(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

(ix) Any person engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged -

a. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation; or

b. If he is an officer, manager or controlling person of, or the owner of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or

c. If the Board, in exercise of its judgment in good faith, determines by at least three-fourths (3/4) votes that he is the nominee of any person set forth in the foregoing paragraphs.

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

2.1.4 Temporary Disqualification

The incumbent Director may be temporarily disqualified for any of the following reasons:

(i) Refusal to fully disclose the extent of his business interest as required to comply by the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.

(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the

2.1.7 Board Meetings and Quorum Requirement

The Directors of the Board should attend and actively participate in the regular and special meetings in person or through teleconferencing or videoconferencing or by any other technological means allowed by the SEC.

Independent Directors should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one Independent Director in all its meetings.

The Board shall designate the days when it shall meet, but it shall meet at least six (6) times each calendar year.

2.1.8 General Responsibilities of the Board for Good Governance

a. Compliance with the principles of good governance shall start with the Board of Directors. It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its stockholders and other shareholders.

b. To ensure good governance of the Corporation, the Board should establish the vision and mission, strategic objectives and key policies and procedures for the management of the Corporation, as well as the mechanism for monitoring and evaluating Management's performance.

c. To the extent set forth above, the Board of Directors shall orient all its activities towards three (3) general guidelines:

i. All actions taken by the Board are subject to the principle of legal permissibility. They must therefore not infringe on the appropriate provisions of Philippine law and the Corporation's constitutive documents.

ii. All actions taken by the Board are subject to the principle of economic usefulness. They should accordingly contribute to increasing the value of the Corporation in a sustainable manner.

iii. The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly-listed company.

d. The Board shall ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:

i. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

- ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
- iii. Appointing a CEO with the appropriate ability, integrity, and experience to fill the role; and defining the duties and responsibilities of the CEO;
- iv. Reviewing proposed senior management appointments;
- v. Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan;
- vi. Institutionalizing the internal audit function;
- vii. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

2.1.9 Board Self-Assessment

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

To strengthen the objectivity of the assessment, the Board will engage an external facilitator to conduct the process every three (3) years. The external facilitator can be any independent party such as, but not limited to, a consulting firm, an academic institution, or a professional organization.

2.1.10 Specific Duties of the Board of Directors

The Board shall exert its best effort to ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders. To do so, it shall perform all the functions which it is required to perform in the Corporation's By-Laws with honesty and integrity, and shall -

- a. Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and minutes should be taken of such meetings;
- b. Constitute an Audit Committee and such other committees as are required in the By-Laws of the Corporation;
- c. Select and appoint a President/ Chief Executive Officer and other senior officers with the appropriate level of motivation, integrity, competence and professionalism;
- d. Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Corporation;

e. Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;

f. Ensure that the Corporation complies with all relevant laws, regulations and as far as possible best business practices;

g. Formulate a clear communication and disclosure strategy to accurately, timely and effectively communicate with the SEC, the PSE and the Corporation's stockholders and other stakeholders on matters of importance;

h. Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems shall be regularly reviewed and updated to render for effectiveness;

i. Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas;

j. The Board is primarily responsible to the stockholders for financial reporting and control, and should:

i. Provide to all stockholders relevant and timely information about the Corporation, including but not limited to a periodic report and an annual report of the Corporation's performance, position and prospects through publicly available reports submitted to the Securities and Exchange Commission;

ii. Present a balanced and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;

iii. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;

iv. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;

v. Maintain a sound system of internal control to safeguard stockholders' investment and the Corporation's assets';

vi. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;

vii. Require the Chief Audit Executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;

k. Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;

l. Create a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable;

m. Create an internal self-rating system and conduct an annual performance assessment of the Board, its individual members, its committees, the President and CEO, and Management;

n. Cause the Corporation to participate in the Corporate Governance Survey using the CG Scorecard as an instrument;

o. Ensure that all Directors, executives and employees adhere to the Corporation's Code of Ethics.

2.1.11 Specific Duties of a Director

A Director's office is one of trust and confidence. A director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.

A director shall have the following duties:

(i) Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a Director, he should fully and immediately disclose it and should not participate in the decision-making process.

(ii) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities. He should develop sufficient time to familiarize himself with the corporation's business and should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings.

(iii) Act judiciously by making careful and thorough evaluation of issues pertaining to matters brought before the Board before deciding on them.

(iv) Exercise independent judgment by viewing each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should support plans and ideas that he thinks are beneficial to the corporation.

(v) Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and where applicable, the requirement of relevant regulatory agencies.

(vi) Observe confidentiality. A Director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

(vii) Attend a seminar on corporate governance conducted by a duly recognized private or government institution.

2.1.12 Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders and other persons.

When a director attempts to acquire or acquires, in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.

2.1.13 Compensation and Liability Insurance Coverage of Directors

a) The Board of Directors shall determine a level of remuneration for Directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a Board member. The compensation which may be in the form of cash remuneration or stock option plan, shall be fixed by way of a resolution of the Board of Directors. The Board of Directors may provide that only non-executive directors shall be entitled to such compensation.

b) Effective from the effective date of this Manual, no director shall be involved in deciding his or her own remuneration during his incumbent term.

c) The Corporation, to ensure effectiveness of holding directors accountable and to attract competent persons as directors, may purchase at its own expense liability insurance coverage for its directors.

2.2 Board Committees

The Board of Directors may create such committees as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Corporation and to aid in good governance. As such, the Board shall be supported by the following committees:

2.2.1 Nomination Committee

The Nomination Committee shall be composed of such number of members as the Board may designate but in no case less than three (3) members, at least three (3) of whom shall be existing Board Members and one of whom shall be an Independent Director. The Independent director shall chair the Nomination Committee. The Nomination Committee shall fix its own rules of procedures.

The Committee shall have the following functions:

- a) install and maintain a process to ensure that all directors to be nominated for election at the next Annual General Stockholders' Meeting have the qualifications and none of the disqualifications stated above;
- b) undertake the process of identifying the quality of directors aligned with PT&T's vision, mission, core values and strategic directions;
- c) encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies; and
- d) review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board.

2.2.2 Compensation and Remuneration Committee

The Compensation and Remuneration Committee shall be composed of such number of members as the Board may designate but in no case less than three (3) members, at least three (3) of whom shall be existing Board members and one of whom shall be an Independent director. It shall have the following duties and responsibilities:

- a) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;

b) Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;

c) Establish a formal and transparent procedure for developing a policy on executive remuneration packages of individual directors, if any, and officers;

d) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;

e) Disallow any director to decide his or her own remuneration;

f) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;

g) Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; and

h) In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

2.2.3 Audit Committee

The Audit Committee provides oversight of the financial reporting & operational risks specifically on financial statement and reporting, internal controls, legal or regulatory compliance, corporate governance, risk management and fraud risks.

a) The Audit Committee shall be composed of such number of members as the Board may designate but in no case less than three (3) members, at least three (3) of whom shall be existing Board members and one of whom shall be an Independent director. The Independent director shall chair the Audit Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular.

b) The Audit Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the Management of the Corporation. It shall have the following particular duties and responsibilities:

i. Check the financial statements and related disclosures and reports certified by the Chief Finance Officer and released to the public and/or submitted to the PhilSEC for compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

ii. Review and assess the adequacy of the Corporation's risk management process, specifically on financial statement and reporting, business continuity, fraud, revenue assurance, and regulatory risks, jointly with Management, the Corporation's independent auditors, and the Corporation's internal auditors. This function shall include receiving from senior management periodic information on risk exposures and risk management activities. Management, however, remains primarily responsible for the development and implementation of the risk management strategies, policies and systems intended to address the identified risks.

iii. Be responsible for setting up an internal audit department and consider the appointment of the chief audit executive; establish and identify the reporting line of the chief audit executive so that the reporting levels allow the internal audit activity to fulfill its responsibilities;

iv. Ensure that internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

v. Provide oversight of the Corporation's internal and Independent Auditors;

vi. Approve the Annual Internal Audit Work Plan, ensuring that audit resources are allocated to the areas of highest risk. Pre-approve all audit plans, scope and frequency before the conduct of independent audit;

vii. Review the Independent Auditor's plans to understand the basis for their risk assessment and financial statement materiality;

viii. Discuss with the Independent Auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one (1) audit firm is needed;

ix. Elevate to international standards the accounting and auditing processes, practices and methodologies; ensure compliance with Philippine Financial Reporting Standards; and develop an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task;

x. Ensure that a transparent financial management system, supported by a procedures and policies handbook that will be used by the entire organization, is established to assure the integrity of internal control activities throughout the Corporation;

xi. Receive and review reports of internal and Independent Auditors and regulatory agencies, where applicable, and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

xii. Review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and stock exchange requirements;

xiii. Recommend and review the appointment of Independent Auditors and their remuneration;

xiv. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the Independent Auditor. As much as practicable, the non-audit work and its fees shall not exceed the services and fees for the conduct of regular audit. The amount of non-audit work of Independent Auditors shall be disclosed in the annual report;

xv. Meet with the Independent Auditors and the Internal Auditors in executive session at least annually to discuss pertinent matters, including the quality of management, financial and accounting controls, and ensure the attendance of the Independent Auditors or their representative in the Annual General Stockholders' Meeting to address queries within the audit scope. The Internal Audit group of the Corporation shall support the Audit Committee in the rendition of its functions.

2.2.4 Committee of Inspectors of Proxies and Ballots

The Board of Directors shall appoint three (3) persons (who need not be stockholders) to act as the Committee of Inspectors of Proxies and Ballots which shall be empowered to pass on the validity of proxies. The Committee shall be guided by existing laws, and rules and regulations of the Commission regarding proxies.

The term of office of the Committee members shall be fixed by the Board of Directors. In the event of vacancy in the Committee membership, the Board of Directors may appoint another member to such vacancy. It shall have the following particular duties and responsibilities:

a. At least five (5) working days prior to the date of the stockholders' meeting, the Committee shall perform the validation of the proxies submitted by stockholders. The Committee shall only consider proxies submitted not later than seven (7) working days prior to the date of the stockholders' meeting. The Committee shall prepare a summary of the valid and invalidated proxies to be submitted to the Office of the Corporate Secretary, together with the proxies.

b. Validation, counting and tabulation of votes cast at the Corporation's stockholders' meeting.

c. Perform such other duties and functions as may be delegated by the Board from time to time.

The Committee shall be guided by applicable laws, the By-Laws, and the rules and regulations of the SEC regarding proxies. (SEC Rule 20, Section 20 of the Securities Regulation Code)

2.3 Board Risk Oversight Committee

There shall be a Board Risk Oversight Committee composed of three (3) members, and at least one (1) of whom shall be an independent Director who shall chair the Committee. Each member shall have an adequate understanding of the assessment and mitigation of risks faced by the Corporation and at least one member must have the relevant thorough knowledge and experience in risk and risk management. It shall have the following duties and responsibilities:

a. Develop a formal enterprise risk management plan which contains the following information: (1) registry of risks, (2) well-defined risk management goals, objectives and oversight, (3) uniform processes of assessing risks and developing strategies to manage prioritized risks, (4) designing and implementing risk management strategies, and (5) continuing assessments to improve risk strategies, processes and measures.

b. Review the adequacy of the Corporation's risk management framework, ensure that an overall set of risk management policies and procedures exist for the Corporation and oversee its implementation.

c. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;

d. Advise the Board on its risk appetite and risk tolerance limits and review these limits at least annually, based on changes and developments in the business, regulatory framework, external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation;

e. Conduct discussions on the Company's prioritized and residual risk exposures based on regular risk management reports, review the results of the annual risk assessment done by the Chief Risk Officer (CRO), including the risks identified, their impact or potential impact on the Corporation and its subsidiaries and how they are addressing and managing these risks;

f. Assess the probability of the occurrence of each identified risk and estimate the possible significant impact to the Corporation and its subsidiaries;

g. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation and evaluate the effectiveness of the risk mitigation strategies and action plans, with the assistance of the internal auditors. This includes ensuring that the

Corporation maintains a framework for fraud prevention and detection (i.e. Whistleblower Program) and plans for business continuity (i.e. Business Continuity Plan);

h. Meet periodically with Management to discuss the Committee's observations and evaluation on its risk management activities;

i. Report to the Board, as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary.

ARTICLE 3. MANAGEMENT

3.1 General Responsibilities of Management

Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization:

i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation;

ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach;

iii) information systems that are defined and aligned with IT strategy and the business goals of the Corporation;

iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.

Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the Corporation in a timely manner.

3.2 Executive Officers of the Corporation

The Executive Officers of the Corporation are the Chairman, the Vice-Chairman, the President and Chief Executive Officer, the Chief Finance Officer and/or Treasurer, and the Corporate Secretary. The Board of Directors shall appoint the Executive Officers and (from time to time) one or more Senior Vice Presidents and Vice Presidents, a Comptroller and such other officers, agents and employees as provided for in the Corporation's By-Laws.

The roles of the Chairman and the President/CEO are separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. The Company shall disclose the relationship between the Chairman and the President in its annual report to the Securities and Exchange Commission. If the positions of Chairman and President/CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The Executive Officers of the Company shall provide assistance to the CEO in the performance of his functions, and shall perform their duties set forth in the By Laws, and such other duties and functions as may be delegated to them by the Board.

3.2.1 Chairman of the Board

The Chairman of the Board, shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. He shall –

- a. schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation's operations;
- b. prepare the meeting agenda in consultation with the CEO;
- c. exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- d. assist in ensuring compliance with the Corporation's guidelines on corporate governance.

The Chairman shall have such other responsibilities as the Board of Directors may impose upon him.

3.2.2 Vice-Chairman

In the absence of the Chairman of the Board, the Vice-Chairman shall preside at meetings of the Board.

3.2.3 President and Chief Executive Officer

Minimum internal control mechanisms for Management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Corporation's organizational and procedural controls. In addition to the duties imposed on the President/CEO by the Board of Directors, the President shall:

- a. have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;
- b. see that all orders and resolutions of the Board of Directors are carried into effect;

c. submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs;

d. report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to their notice.

The President/ CEO shall have such other responsibilities as the Board of Directors may impose upon him.

3.2.4 The Chief Finance Officer (CFO)

The CFO shall be appointed by the Board of Directors. The CFO, who may also be the Treasurer of the Corporation, shall be responsible for the following:

1. provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;

2. maintain the integrity of accounting records as the basis of financial statements and reports provided to Management for decision-making and to government regulatory bodies in compliance with statutory requirements;

3. promote investor confidence in the Corporation by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with;

4. strengthen internal controls by monitoring compliance with policies; recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The CFO shall have such other responsibilities as the Board of Directors may impose upon him.

3.2.5 The Treasurer

The Treasurer of the Corporation shall have charge of the funds, securities, receipts and disbursements of the Corporation. He shall have the following functions:

a. deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;

b. regularly and at least every semester render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;

- c. ensure funds availability on a timely basis and at the most economical means;
- d. optimize yields in temporary excess funds;
- e. provide relevant and timely capital market information;
- f. ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

3.2.6 The Corporate Secretary

The Corporate Secretary shall be a resident and citizen of the Philippines. He is an officer of the Corporation and his loyalty to the mission, vision and specific business objectives of the Corporation comes with his duties. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a Chief legal officer. He must also have some financial and accounting knowledge. The Corporate Secretary shall have the following functions:

- a. serve as an adviser to the Directors on their responsibilities and obligations;
- b. keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
- c. work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- d. keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;
- e. have charge of the stock certificate book and such other books and papers as the Board may direct;
- f. attend to the giving and serving of notices of Board and shareholder meetings;
- g. be fully informed and be part of the scheduling process of other activities of the Board;
- h. prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;
- i. oversee the adequate flow of information to the Board prior to meetings;
- j. ensure fulfillment of disclosure requirements to the Securities and Exchange Commission and the Philippine Stock Exchange.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him. The Board shall have separate and independent access to the Corporate Secretary.

3.3 Employees' Participation

The Board should develop policies, programs, and procedures that encourage employees to actively participate in the realization of the Corporation's goals and its corporate governance process. The establishment of policies and programs shall cover among others, the following:

- a. health, safety, and welfare;
- b. training and development; and
- c. reward/compensation for employees.

The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the Company's culture.

The Board should establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

3.4 Sustainability and Social Responsibility

The Company should recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

ARTICLE 4: COMPLIANCE SYSTEM

4.1 Compliance Officer

To insure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. He shall perform the following duties:

- a. Monitor compliance by the corporation with this Manual and the rules and regulation of the regulator agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b. Appear before the Commission when summoned in relation to compliance with this Manual;

c. Issue a certification every January 30th of the year on the extent of the corporation's compliance with this Manual for the completed year and, if there are any deviations, explain the reason for such deviation; and

d. Perform such other duties and responsibilities as may be provided by the SEC.

The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondences relative to his functions as such shall be addressed to the said Officer.

4.2 Internal Audit

a. The Internal Audit Group shall provide independent and objective assurance and advisory services to the Corporation designed to add value and improve on the organization's operations. It shall perform its auditing functions faithfully by maintaining independence from the Management and controlling shareholders.

b. The Internal Audit Group shall provide the Board, Management and the stockholders and other stakeholders an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders. It shall also provide the Board, Management and the stockholders and other stakeholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with.

c. The Internal Audit Group shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture, the volume, size and complexity of transactions, the degree of risk, the degree of centralization and delegation of authority, the extent and effectiveness of information technology, and the extent of regulatory compliance.

d. The Internal Audit Group shall be headed by a qualified Internal Audit Group Head appointed by the Board of Directors and shall preferably be a Certified Public Accountant and/or a Certified Internal Auditor. The Internal Audit Group Head shall report to the Audit Committee of the Board of Directors.

e. The Internal Audit Group shall monitor and evaluate the Corporation's governance processes.

4.3 External Audit

1. The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.

2. The External Auditor shall –

i. perform fair audits independently from the Corporation, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Corporation's accounting information;

ii. check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;

iii. attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;

iv. perform such other functions as may be approved by the Board in its engagement of the auditor provided, however, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.

3. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

4. If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall also present his views in said reports.

ARTICLE 5: INFORMATION AND COMMUNICATION

5.1 Management, through its responsible officer or Compliance Officer, shall be responsible for publicly and timely disclosure of all material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders. Such information shall include among others acquisition or disposal of assets, board changes, related party transactions, shareholdings of Directors, and changes to ownership.

5.2 The Board shall commit at all times to full disclosure of material information dealings, including non-financial information and shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

ARTICLE 6: STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

6.1. Shareholders' Rights

The Board shall be committed to respect the following rights of the stockholders:

6.1.1 Voting Right

a. All stockholders have the right to vote on the election, removal and replacement of Directors and vote on certain corporate acts in accordance with the Corporation Code.

b. Cumulative voting shall be used in the election of Directors. Directors may be removed with or without cause, but Directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of Directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation.

c. Any stockholder may nominate candidates for election to the Board of Directors by sending a nomination letter to the Nomination Committee within the relevant deadline as may be approved by the Board and disclosed pursuant to the rules of the Philippine Stock Exchange. All nominations will be reviewed and deliberated upon by the Nomination Committee prior to endorsing the qualified candidates for ratification and approval by the Board.

6.1.2 Pre-emptive Right

All stockholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.

6.1.3 Right of Inspection

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meeting and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.

6.1.4 Right to Information

The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among Directors and key officers, and the aggregate compensation of Directors and officers.

The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission.

The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

The notice of the Annual and Special Shareholders' Meeting with sufficient and relevant information shall be sent at least 28 days prior to the meeting.

6.1.5 Right to Dividends

Shareholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct the Corporation to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

6.1.6 Appraisal Right

In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

- i. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- iii. In case of merger or consolidation.

6.1.7 Alternative Dispute Mechanism for Intra-Corporate Dispute

The Corporation adopts the rules and procedures set forth under Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, as an alternative means to settle disputes with a view towards preventing excessive litigation.

6.2 Duty of Directors to Promote Shareholders' Rights

It is the duty of the Directors to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and recognize lawful mechanisms to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms.

They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

ARTICLE 7: GOVERNANCE POLICY ON CONFLICT OF INTEREST

The personal interest of Directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and the Corporation without regard to their own personal and selfish interests.

- a. A conflict of interest exists when a Director or an officer of the Corporation—
 - i. Supplies or is attempting or applying to supply goods or services to the Corporation;
 - ii. Supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
 - iii. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
 - iv. Is offered or receives consideration for delivering the Corporation's business to a third party;
 - v. Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Corporation.
- b. If an actual or potential conflict of interest should arise on the part of Directors, it should be fully disclosed and the concerned Director should not participate in the decision making. A Director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.
- c. Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a Director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the

adverse interest of the Director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

d. Where a Director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the Director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the Director risked his own funds in the venture.

e. The foregoing is without prejudice to the Corporation's existing Code of Conduct and Ethics for its officers, employees and staff.

ARTICLE 8: PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Corporation's Directors, officers, staff, in case of violation of any of the provisions of this Manual:

1. In case of first violation, the subject person shall be reprimanded;
2. In case of second violation, suspension from office shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
3. For third violation, removal from office shall be imposed. The commission of a third violation of this Manual by any member of the Board shall be a sufficient cause for removal from Directorship

ARTICLE 9: REVIEW AND AMENDMENT OF MANUAL

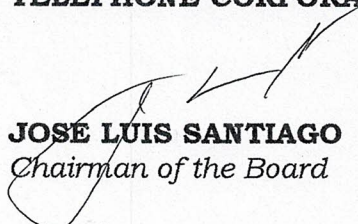
1. The provisions of this Manual and the enforcement thereof shall be subject to quarterly review unless otherwise stated by the Board.
2. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.
3. This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

ARTICLE 10: ADOPTION AND EFFECTIVITY OF REVISED MANUAL


This Corporate Governance Manual shall be effective upon submission to the SEC and supersedes previous Manuals on Corporate Governance that were adopted by the Corporation and subsequently amended to comply with regulatory issuances of the Securities and Exchange Commission.

Signed:

**PHILIPPINE TELEGRAPH &
TELEPHONE CORPORATION**



JOSE LUIS SANTIAGO
Chairman of the Board



ARTURO T. FALCO
Compliance Officer