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SECURITIES AND EXCHANGE COMMISSION

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24 October 2019

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

Attention: **Atty. Rachel Esther J. Gumtang-Remalante**
OIC, Corporate Governance and Finance Department


Subject: **Policy on Material Related Party Transactions**

Gentlemen:

In compliance with SEC Memorandum Circular No. 10, Series of 2019 issued by the Securities and Exchange Commission, we submit herewith two (2) copies of the Policy on Material Related Party Transactions of NOW Corporation as approved by the Board of Directors on 15 August 2019 and filed with the Securities and Exchange Commission.

Thank you.

Very truly yours,


Angeline L. Macasaet
Corporate Secretary/Acting Compliance Officer

☎ (632) 750-0211/ (632) 750-0224 ✉ marcom@now-corp.com 🌐 www.now-corp.com

NOW CORPORATION, a Philippine Stock Exchange (PSE) listed company

Unit 5-I, 5th floor, OPL Building, 100 C. Palanca corner Dela Rosa and Gil Streets, Legaspi Village, Makati City, 1229 Philippines

COVER SHEET

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COMPANY NAME

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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type Department requiring the report Secondary License Type, if Applicable

L	E	T	T	E	R	C	G	F	D	N	/	A
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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@now-corp.com	(632) 750-0461 / (632) 750-0211 / (632) 750-0224	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
70	N/A	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Angeline L. Macasaet	angeline.macasaet@now-corp.com	750-0211	N/A

CONTACT PERSON'S ADDRESS

Unit 5-I, 5th Floor, OPL Building 100 C. Palanca Street, Legaspi Village Makati City

NOTE 1: 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.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

NOW CORPORATION

MATERIAL RELATED PARTY TRANSACTIONS POLICY

I. Statement of Policy

Now Corporation (“NOW” or the “Company”) recognizes that transactions between and among related parties may create financial, commercial and economic benefits to the company, its affiliates and its subsidiaries. These transactions are generally allowed. However, with the effectivity of SEC Memorandum Circular No. 10 (the “MRPT Rules”) which regulates material Related Party Transactions (RPTs) or RPTs amounting to ten percent (10%) or higher of a company’s total assets, and mandatory compliance of the MRPT Rules being mandated, NOW shall ensure that all transactions with, or for the benefit of, any Related Party are on terms and conditions that are arm’s length and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval.

This Material Related Party Transactions Policy aims to establish the appropriate controls, procedures and safeguards to promote good corporate governance, fairness, transparency of related party transactions (RPTs) and to protect the interests of the Company’s investors and shareholders.

II. Objective

1. To provide general guidelines on what constitutes RPTs;
2. To avoid Conflicts of Interest and fulfill good corporate governance practices and Philippines regulatory rules and regulations;
3. To ensure that the appropriate process for approval of the RPTs has been observed;

III. Definition of Terms

1. **“Affiliate”** - refers to an entity linked directly or indirectly to the Company through any one or a combination of any of the following:
 - i. 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;
 - ii. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
 - iii. Common stockholders owning at least ten percent (10%) of the

- outstanding voting stock of the Company and the entity; or
- iv. 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.
2. **“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.
 3. **“Related Party Transaction Committee”** – means the Related Party Transaction Committee of the Company.
 4. **“Board of Directors” or “Board”** – means the Board of Directors of the company.
 5. **“Conflict of Interest”** - arises when the personal and/or financial interests of a person or entity are inconsistent or incompatible with the best interests of the Company, which includes any circumstance that could cast doubt on the person’s or entity’s ability to act with total objectivity with regard to the Company’s interests.
 6. **“Control”** - a person or an entity controls the Company if and only if the person or entity has all of the following:
 - i. Power over the Company;
 - ii. Exposure, or rights, to variable returns from its involvement with the Company; and
 - iii. The ability to use its power over the Company to affect the amount of the Company's returns.
 7. **“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.
 8. **“Materiality Threshold”** - ten percent (10%) of the Company's total consolidated assets based on its latest audited financial statement.
 9. **“Parent”** – an entity that controls one or more entities.
 10. **“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.
 11. **“Related Party Registry”** - a record of the organizational and structural composition, including any change therein, of the Company and its related parties.

12. **“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.
13. **“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.
14. **“Subsidiary”** – an entity that is controlled by another entity.
15. **“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.

IV. Identification and Management of RPTs

1. The Company, through the Board and the Related Party Transaction Committee, shall implement appropriate controls and procedures to effectively identify, manage, and monitor RPTs on a per transaction and aggregate basis. Exposures to Related Parties shall also be monitored on an ongoing basis to ensure compliance with this Policy and the relevant rules and regulations. The Company shall also set thresholds and categories for the disclosure and approval of RPTs. The amount of each RPT shall be considered for purposes of applying the thresholds.
2. The Related Party Transaction Committee shall promptly report to the Board the complete details of each new, existing, or proposed RPT for its review and/or approval, in accordance with this Policy. If the RPT, prior to its commencement was not identified, it must be subsequently reviewed and/or ratified by the Board.
3. The Compliance Officer of the Company shall ensure that the Company complies with relevant rules and regulations, and is informed of regulatory developments in areas affecting Related Parties. The said Compliance Officer shall aid in the review of the Company's transactions and identify any potential RPTs for review of the Related Party Transaction Committee. Such Compliance Officer shall ensure that this Policy is kept updated and is properly implemented throughout the Company.
4. The Chief Audit Executive is responsible for ensuring that all Significant and Material RPTs, as well as those involving Directors and/or officers, are identified and submitted to the Related Party Transaction Committee for review or evaluation.
5. Regardless of the amount involved in a transaction or contract, it is the

responsibility of each Director and officer to:

- a. promptly notify the Board and/or the Compliance Officer, as soon as he/she becomes aware, of all material facts related to any form of RPT as well as his/her direct and indirect financial interest in such RPT; and
 - b. obtain approval of the Board prior to entering into the subject transaction in accordance with this Policy.
6. If an actual or potential Conflict of Interest arises on the part of a Director, officer, or employee involving any RPT, he/she is mandated to immediately disclose the same to the Board of the Compliance Officer.
 7. The Related Party Transaction Committee may establish additional guidelines to manage and monitor Conflicts of Interest among management, the Board, and shareholders, including misuse of corporate assets and abuse in RPTs.
 8. The Company prohibits the grant of personal loans, advances, guarantees and securities, in any manner, to its Directors and/or officers, including their spouses and other dependents.
 9. Senior management shall implement appropriate controls to effectively manage and monitor Significant and 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 policies and pertinent SEC regulations.
 10. The Company shall establish a Related Party Registry or a record of the organizational and structural composition of the Company and its Related Parties, including any changes thereto.

V. Materiality Thresholds of RPTs

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.

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, 4

when applicable, shall be contained in this Policy.

VI. Exempt RPTs

The following Exempt RPTs shall no longer require the review and approval by the ACC *but* must be disclosed to the Board:

1. Sale or purchase of goods and services, in the ordinary course of business, among the Company and its Affiliates at arm's length terms and is not considered a Significant RPT. To ensure fairness and transparency, this exception is still subject to compliance with applicable SEC disclosure requirements and the Transfer Pricing guidelines set forth in Revenue Regulation No. 02-2013 issued by the BIR.
2. Transactions of the Company involving the exercise of corporate powers such as investments, subscriptions, equity restructuring, dividend declarations, repurchase of shares, rights offering, and corporate guarantees to Affiliates.
3. Transactions between the Company and its Affiliates in connection with the funding of the operations of the said Affiliates and its projects, or other transactions with the objective of providing shared services or other services for operational efficiency.

4. Transactions between the Company and a joint venture company which is not controlled, jointly controlled or Significantly Influenced or managed by a person who is a Related Party, where both the Company and its joint venture partner have approved the same.
5. Transactions, under similar terms, generally available to all employees.
6. Compensation and employment of executive officers and Directors approved by the Governance, Nominations and Compensation Committee.
7. Charitable contributions by the Company where the charitable institution is a Related Party, if the aggregate amount involved does not exceed Five Million Pesos (PhP 5,000,000.00).
8. Banking related services or transactions with a Related Party, if the terms are generally the same or similar to offers of other banks in the ordinary course of business.

VI. Review and Approval of RPTs

1. The Related Party Transaction Committee shall conduct a thorough review of RPTs,⁵ except Exempt RPTs, focusing on the terms and conditions, the business purpose,

the justifications in entering into the RPTs, and the Company's compliance with existing laws, rules and regulations on RPTs. In this regard, the Related Party Transaction Committee shall consider the following factors, among others, to the extent relevant to the proposed RPTs:

- i. The Related Party's relationship to the Company and interest in the transaction;
 - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - iii. The benefits to the Company of the proposed RPT;
 - iv. The availability of other sources of comparable products or services;
 - v. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances;
 - vi. Whether the proposed RPTs include any potential reputational risk issues that may arise as a result thereof;
 - vii. Whether the RPTs would present an improper Conflict of Interest for any Director or senior officer of the Company, taking into account the size; and
 - viii. Any other information the Related Party Transaction Committee deems relevant to allow determination if the terms are comparable to those given to unrelated parties or reasonable under the circumstances.
2. After considering the foregoing factors, among others, the Related Party Transaction Committee shall decide if the subject RPT meets the arm's length requirements and is not subject to any Conflict of Interest. Thereafter, it shall endorse the same for the approval of the Chief Executive Officer and/or President or the Board.
3. All Exempt RPTs shall only require reporting to the Board.
4. Before the execution of any Material RPT, the Board should appoint an external independent party to evaluate the fairness of the terms of the said Material RPT. An external independent party may include, but is not limited to, accounting/auditing firms and third-party consultants and appraisers.
5. All Material RPTs and RPTs involving Directors and/or officers shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the Independent Directors voting to approve the Material RPTs and RPTs involving Directors and/or officers. In case that a majority of the Independent Directors' vote is not secured, the Material RPTs and RPTs involving Directors and/or officers may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. For aggregate RPTs within a twelve (12)-month period that breaches the materiality threshold, the same Board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same Related Party.

6. Directors with personal interest in a certain RPT should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

VII. Disclosure Requirement for RPTs and Conflict of Interest

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.
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)
3. 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.
4. 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.

VIII. Whistle Blowing

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.
2. 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.

IX. Internal Oversight

The Audit and Risk Management Committee of the Company shall conduct an annual review of the effectiveness of the Company's system and internal controls governing RPTs. The resulting audit report, including breaches in limits, shall be communicated directly to the Related Party Transaction Committee.

X. Sanctions and Remedies

Non-compliance with any provision of this Policy, in particular, with the reporting and disclosure requirements, the guidelines prior to entering into RPTs, and the prohibited RPTs, shall result in the invalidation of the contract or agreement related with the RPT.

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.

XI. Effectivity

This Policy takes effect upon its submission to the Securities and Exchange Commission.

THIS POLICY WAS APPROVED BY THE BOARD ON 15 AUGUST 2019.

Signed:

DR. THOMAS G. AQUINO
Chairman of the Board


Signature

ANGELINE L. MACASAET
Corporate Secretary /Acting Compliance Officer


Signature