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Remarks MATERIAL RELATED PARTY TRANSACTIONS POLICY

STI EDUCATION SYSTEMS HOLDINGS, INC.

Material Related Party Transactions Policy

Statement of Commitment

STI Education Systems Holdings, Inc. (the "Company" or "STI HOLDINGS") recognizes that transactions between and among related parties may create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. STI Holdings recognizes as well, that material related party transactions ("Material RPT") can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stockholders' best interests.

Therefore, this policy has been adopted by the Company's Board of Directors in cases where the Related Party Transactions amount to ten percent (10%) or higher of the Company's total assets, in which case it shall be considered as Material RPT subject to the rules below and in order to ensure that all decisions are made in the best interest of the Company and in compliance with the law as well.

Section 1. Definition of Terms

For purposes of this Material Related Party Transactions Policy, the following definitions shall apply:

A. Related Parties – means any of the following:

1. Director, nominee for Director or executive officer of the Company;
2. Beneficial owner (other than a financial or investment institution) of more than 5% of the Company's voting securities;
3. Immediate family member of a Director, executive officer, nominee for Director or beneficial owner of more than 5% of the Company's voting securities;
4. An entity which is owned or controlled by someone who falls within the categories listed above; or
5. An entity in which someone listed above, in (1), (2) or (3), has a substantial ownership interest or control.

An immediate family member is any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of any Director, nominee for Director or executive officer of the Company.

B. Substantial Shareholder – any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

C. 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 a company 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;
- Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the affiliates; 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.

D. 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.

E. Significant Influence – The power to participate in the financial and operating policy decisions of the Company but with no control or joint control of those policies.

F. Control – A person or an entity controls a 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;
- The ability to use its power over the Company to affect the amount of the Company's returns.

G. Related Party Transactions - means any financial transaction, arrangement or relationship, including any indebtedness or guarantee of indebtedness, or any series of similar transactions, arrangements or relationships in which the Company or any of its subsidiary was, is or is proposed to be a participant and in which a Related Party has, had or may have a direct or indirect material interest. It is 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 an unrelated party that subsequently becomes a related party.

H. Material Related Party Transaction - 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 assets based on its latest audited financial statements.

I. Materiality Threshold – Ten percent (10%) of the Company's total assets based on its latest audited financial statements. Since the Company is a parent company, the total assets shall pertain to its consolidated total assets.

J. Related Party Registry – A record of the organizational and structural composition, including any change thereon, of the Company and its related parties.

Section 2. Duties and Responsibilities

A. Board of Directors

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

1. To institutionalize an overarching policy on the management of Material RPTs to ensure effective compliance with existing laws, rules and regulations at all times such that Material RPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
2. To approve all Material RPTs that cross the materiality threshold and write-off of material exposures to related parties, as well as any renewal or material changes in the terms and conditions of Material RPTs previously approved in accordance with Section 3 (F) of these Rules.

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

3. To establish an effective audit, risk and compliance system to:
 - Determine, identify and monitor related parties and Material RPTs;
 - Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - Identify, measure, monitor and control risks arising from Material RPTs.

The system shall be able to define the related parties' extent of relationship with the Company; assess situations in which a non-related party (with whom the Company has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the nature and amount of exposures of the Company to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance officers and shall be updated regularly for their sound implementation. Any change in this

Policy and procedure shall be approved by majority of the Board of Directors and approved by majority of the stockholders constituting a quorum.

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

B. Senior Management

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

Section 3: Material Related Party Transactions Policy

The Board of Directors adopt a group-wide Material RPT policy encompassing all entities within the conglomerate, taking into account its size, structure, risk profile and complexity of operations.

At a minimum, Material RPT policies shall include, but not be limited to the following:

- A. Identification of related parties.** Persons and companies that are considered as the Company's related parties are listed in Section 1, A). The Management/Board of Directors will review and update the Related Party Registry quarterly to capture organizational and structural changes in the Company and its related parties.
- B. Coverage of Material RPT policy.** The Material RPT policy shall cover all transactions meeting the materiality threshold.

Transactions amounting to ten percent (10%) or more of the total assets that were entered into with an unrelated party that subsequently becomes a related party are 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 of this Material RPT Policy. The prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

- C. Adjusted Thresholds.** The Company may set a threshold lower than the materiality threshold provided under the Rules set by SEC upon determination by the Board of Directors of the risk of the RPT to cause damage to the Company and its shareholders. The adjusted threshold, when applicable, shall be contained in the Company's Material RPT policy.

- D. Identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with Material RPTs.** This Policy covers the identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with the material RPTs. Directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interest in the Material RPT and abstain from the discussion, approval and management of such transaction or matter affecting the Company. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.
- E. Guidelines in ensuring arm's length terms.** No preferential treatment shall be given to related parties that are not expended to non-related parties under similar circumstances.

Before the execution of the Material RPT, the Board of Directors may appoint an external independent party to evaluate the fairness of the terms of the Material RPTs. 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.

An effective price discovery mechanism shall be set in place to ensure that transactions are engaged into at terms that promote the best interest of the Company and its shareholders. 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.

- F. Approval of Material RPTs.** All individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the Material RPT. In case 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. For aggregate RPT transactions within a twelve-month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in 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.

- G. Self-assessment and periodic review of policy** – The internal audit shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing Material RPTs to assess consistency with the Board-approved policies and

procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.

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

- H. **Disclosure requirement of Material RPTs.** The members of the Board, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to Material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Company. Such disclosure shall be made at the board meeting where the Material RPT will be presented for approval and before the completion or execution of the Material RPT.
- I. **Whistle blowing mechanisms.** This Policy shall include effective whistleblowing mechanisms consistent with the corporate values and codes of conduct set by the Board of Directors. All stakeholders are encouraged to communicate confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable Material RPTs. It shall include guidance on how legitimate material concerns should be reported, investigated and addressed by an objective independent internal or external body, senior management and/or the Board itself.
- J. **Remedies for abusive Material RPTs.** This Policy shall include 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. This Policy shall also include the penalties and the manner of imposing the same on personnel, officers or directors, who have been remiss in their duties in handling Material RPTs in accordance with company policies.

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

Section 4. DISCLOSURE AND REGULATORY REPORTING

The Company shall submit the following to the SEC:

- A. A summary of material related party transactions entered into during the reporting year which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30;
- B. Advisement Report of any Material RPT filed within three (3) calendar days from execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.

At a minimum, both disclosures above shall include the following information:

1. Complete name of the related party;
 2. Relationship of the parties;
 3. Execution date of the Material RPT;
 4. Financial or non-financial interest of the related parties;
 5. Type and nature of transaction as well as a description of the assets involved;
 6. Total assets (consolidated assets);
 7. Amount or contract price;
 8. Percentage of the contract price to the total assets of the Company;
 9. Carrying amount of collateral, if any;
 10. Terms and conditions;
 11. Rationale for entering into the transaction; and
 12. The approval obtained (i.e. names of directors present, name of directors who approved the Material RPT and corresponding voting percentage obtained).
- C. This Policy shall be signed by the Company's Chairman of the Board and Compliance Officer.
- D. This Policy is posted on the Company's web site within five (5) days from its submission to the SEC and will be provided to all of the Company's directors, officers and employees. Officers are encouraged to explain and discuss this Policy with employees to ensure they recognize the existence and understand the applicability of this Policy.

Section 5. PENALTIES FOR NON COMPLIANCE WITH THE POLICY

- A. To strictly observe and implement the provisions of this Policy, the following penalties shall be imposed, after notice and hearing, on the Company's Directors, officers and staff in case of violation of any of the provision of this Policy:
1. In case of first violation, the subject person shall be reprimanded.
 2. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
 3. For third violation, the maximum penalty of removal from office shall be imposed. The commission of this third violation by any member of the Board of the Company shall be sufficient cause for removal from Directorship.
- B. Abusive Material Related Party Transactions – An interested director or officer of the Company shall be disqualified from being a director, trustee or officer of any other Company on the basis a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive Material RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the SEC.

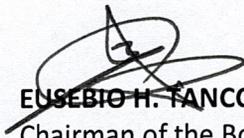
The imposition of the foregoing penalties shall be without prejudice to any other administrative penalties that may be imposed by the SEC, and/or civil or criminal

penalties, as may be provided by the Revised Company Code of the Philippines, Securities Regulation Code, and other related laws. The commission of a third violation of this Policy by any member of the Board of the Company shall be sufficient cause for removal from Directorship.

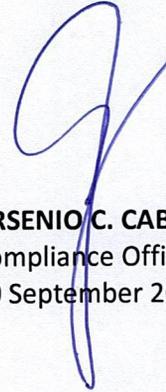
- C. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

STI EDUCATION SYSTEMS HOLDINGS, INC.

Approved By:



EUSEBIO H. TANCO
Chairman of the Board
20 September 2019



ARSENIO C. CABRERA, JR.
Compliance Officer
20 September 2019