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SECURITIES AND EXCHANGE COMMISSION

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Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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C E N T R O E S C O L A R U N I V E R S I T Y

(Company's Full Name)

9 M E N D I O L A Ñ T . S A N M I G U E L

M A N I L A

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

ATTY. JAYSON O'S RAMOS

Contact Person

8735-6861 to 71

Company Telephone Number

0 3

Month

3 1

Day

Fiscal Year

M R P T

Policy

FORM TYPE

0 7

Month

4th

Day

Tuesday

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

Top to be accomplished by SEC Personnel concerned

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26 October 2019

SECURITIES AND EXCHANGE COMMISSION

PICC Complex, Roxas Boulevard,
Pasay City

Attention: **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Dept.

Philippine Stock Exchange, Inc.

6/F PSE Tower
5th Avenue cor. 28th Street
Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

In compliance with the SEC Memo Circular No. 10 (Series of 2019), the University hereby submits its Material Related Party Transactions (Material RPT) Policy.

Thank you.

Very truly yours,

Jayson O'S. Ramos
Compliance Officer

Material Related Party Transactions Policy

I. Statement of Policy

Centro Escolar University ("the University"), in line with its policy of Science and Virtue, shall at all times uphold the core values of accountability, integrity, and trustworthiness. This Material Related Party Transactions Policy is hereby promulgated to set the process and guidelines to be followed in cases of Related Party Transactions.

II. Definition of terms

"Administrative Council" – shall refer to the central administrative and management body of the University.

"Affiliate" – refers to an entity linked directly or indirectly to the University 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 PLC, or vice-versa;
- Interlocking directorship or officership, except in cases independent directors as defined under existing regulations;
- Common stockholders owning at least ten percent (10%) of the outstanding voting stock of both parties;
- Management contract or any arrangement granting power to the PLC to direct or cause the direction of management and policies of the counterparty, or vice versa.

"Arms-Length Transaction" – shall refer to a transaction where the terms and conditions are based on industry standards, customs, or usage, or based on prevailing market rates.

"Audit Committee" – shall refer to the duly elected committee in the Board of Directors.

"Board of Directors" - the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

"Commission" – shall refer to the Securities and Exchange Commission.

"External Independent Party" – may refer to auditing or accounting firms, third party consultants, or appraisers.

"Related Parties" – shall refer to the University'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 University. The term also covers the University's subsidiaries, affiliate, joint venture, or an entity that is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

"Related Party Transaction" – shall refer to any transfer of resources, services, or obligations between the University 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.

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

III. Approval and Recording of Related Party Transactions

Audit Committee

All Related Party Transactions shall be referred to the Audit Committee. The Audit Committee shall determine whether each transaction was entered into by the University is arms-length as defined in this policy.

The Audit Committee is empowered to approve Related Party Transactions that are not considered as material under this policy. All Material Related Party Transactions shall be referred by the Audit Committee to the Board of Directors for approval.

For this purpose, a Material Related Party Transaction is defined as any related party transaction, 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 University's total assets based on its latest audited financial statement. This notwithstanding, the Board of Directors may, upon the recommendation of the Audit Committee, treat as Material any Related Party Transaction falling under the above-mentioned threshold upon determination of the risk of said transaction to cause damage to the University and its shareholders.

Board of Directors

All individual Material Related Party transactions shall be approved by at least two-thirds (2/3) vote of the eligible Board of Directors, with at least a majority of the independent directors voting to approve the material related party transaction. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

For aggregate related party transactions within a twelve (12)-month period that breaches the materiality threshold, the same board approval will be required for the transaction that meets and exceeds the materiality threshold covering the same party.

Directors with personal interest in the transaction shall abstain from participating in discussions and voting on the same. Directors and Officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the transaction.

In determining whether a particular transaction is arm's length, the customs, usage, as well as prevailing market practices in the industry may be considered. No preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances. In certain instances, the Board of Directors may appoint an external independent party to evaluate the fairness of the terms of the material related party transaction.

Related Party Transaction Registry

A Related Party Registry shall be maintained by the University. It shall contain a record of the organizational and structural composition, as well as any change thereon, of the University and its related parties. All approved Related Party Transactions shall be recorded. For easy determination of Material Related Transactions meeting the threshold within the relevant period, all transactions with the same related party shall be earmarked and recorded as such.

IV. Disclosure of Related Party Transactions

Approved Related Party Transactions shall be disclosed in the Financial Statements, Annual Reports, as well as other filings/submissions/disclosures as may be required by relevant rules.

All Material Related Party Transactions shall be reported to the commission within three (3) calendar days from the execution date of the transaction. A summary of material related party transactions entered into during a particular reporting year shall be disclosed in the University's Integrated Annual Corporate Governance Report for said year to be submitted to the Commission.

V. Reporting Mechanism and Corrective Measures

All University stakeholders are encouraged to report any matter regarding the legitimacy, integrity, and legality of any Material Related Party Transaction. Said report shall be treated with utmost confidentiality. The University Administrative Council is empowered to take cognizance all reports, and after verification, shall refer the matter to the Audit Committee for appropriate action.

The University shall safeguard against any retaliation in any manner against an employee who reports in good faith violations or suspected violations of this policy.

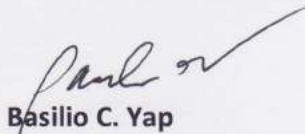
Should a particular Material Related Party Transaction is found to be abusive, the University is empowered to take all the necessary steps in mitigating any and all adverse effects of said transaction. For this purpose, a particular transaction is deemed abusive if it is found not to be arms-length.

VI. Self-Assessment and Periodic Review of Policy

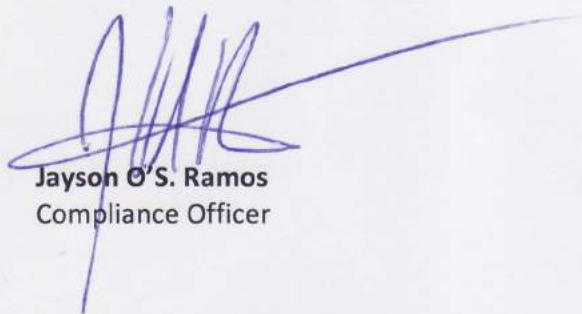
The internal audit shall conduct a periodic review of the effectiveness of the University's system and internal controls governing Material Related Party Transactions to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in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

This policy shall be reviewed and evaluated annually and shall be updated regularly to remain consistent with the law and current best practices.

This Material Related Party Transaction Policy is approved by the Board of Directors on 25 October 2019 and shall take effect immediately.



Basilio C. Yap
Chairman of the Board of Directors



Jayson O'S. Ramos
Compliance Officer