

# COVER SHEET

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S.E.C. Registration Number

CTS GLOBAL EQUITY GROUP, INC.

(Company's Full Name)

27 / F EAST TOWER TEKTITE TOWERS  
EXCHANGE ROAD ORTIGAS CENTER  
PASIG CITY

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

Juan Carlos G. Aquino

Contact Person

8635-5735

Company Telephone Number

1 2    3 1

Month    Day  
Fiscal Year

Related Party Transactions Policy

FORM TYPE

0 4   

Month    Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Total Amount of Borrowings

Domestic

none

Foreign

To be accomplished by SEC Personnel concerned

File Number

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## RELATED PARTY TRANSACTIONS POLICY

### A. POLICY OBJECTIVE

The Philippine Securities and Exchange Commission (SEC) recognizes that transactions between and among related parties may be beneficial for the parties concerned. In line with this, and to ensure the integrity of related party transactions (RPTs) and protect the interest of all stakeholders, CTS Global Equity Group, Inc. (the "Company") adopts this Related Party Transaction Policy. The RPT Policy aims to safeguard the Company against abuse and promote transparency in all RPTs, in compliance with applicable laws and regulations.

### B. SCOPE

The RPT Policy applies to all Material RPTs as defined below.

### C. DEFINITION OF TERMS

Unless specifically stated otherwise, capitalized terms shall have the meanings ascribed below:

1. ***Affiliate*** Any entity linked directly or indirectly to the Company through any one or a combination of the following:
  - a. 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;
  - b. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company or the entity;
  - c. 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. Interlocking directorship or officership, except for independent directors if any of the circumstances in (a), (b), or (c) are present.
  
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 a significant influence.
  
3. ***Control*** This is present when a person or entity has all of the following:
  - a. Power over the Company;
  - b. Exposure or rights to variable returns from its involvement with the Company; and
  - c. The ability to use its power over the Company to affect the amount of the Company's returns.

4. **Material Related Party Transaction or Material RPT** Related Party Transaction/s which meet/s the Materiality Threshold either individually or in aggregate over a twelve (12) month period with the same Related Party and is not otherwise an Exempt RPT.
5. **Materiality Threshold** Ten percent (10%) of the total consolidated assets of the Company and its subsidiaries based on its latest audited financial statements, or such lower threshold as may be set by the Board of Directors of the Company from time to time.
6. **Related Party** This includes the following:
- a. The Company's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree if he/she has control or joint control over the Company or has significant influence over the Company.
  - b. An entity that is the parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture of the Company or an entity that is controlled or significantly influenced or managed by a person who is a Related Party.
7. **Related Party Registry** The Company's record of its and its related parties' organizational and structural composition, including changes thereon.
8. **Related Party Transaction/s or RPT/s** A transfer of resources, services, or obligations between the Company and a Related Party, regardless of whether a price is charged. It includes outstanding transactions entered into with an unrelated party that subsequently becomes a Related Party if, after the non-Related Party becomes a Related Party, the terms and conditions of the transactions are altered or there is an increase in the exposure level of the Company.

Unless otherwise provided for by law or rules and regulations promulgated by the pertinent regulatory authorities, the following transactions are exempt RPTs (Exempt RPTs):

- a. Compensation and employment matters;
- b. Transactions with similar terms available to all employees generally;
- c. Brokerage services and transactions with a Related Party, if the terms are generally the same or similar to offers of other brokers / fund distributors and/or to terms given to other clients in the ordinary course of business;
- d. Share transactions available to all stockholders on a pro-rata basis;
- e. Transactions with a Related Party involving inter-company advances in exchange for rendering services; and
- f. Transfer of resources between the Company and its subsidiary/ies or among subsidiaries of the Company.

- 9. **Significant Influence** The power to participate in the financial and operating policy decisions of the Company, but without control or joint control over those policies.
- 10. **Subsidiary** A company that is controlled by another company.
- 11. **Substantial Shareholder** A person who is directly or indirectly the beneficial owner of more than ten (10%) of any class of the Company's shares.

#### D. GUIDING PRINCIPLE

Transactions between the Company and its Related Parties must be based on terms similar to those offered to non-Related Parties. RPTs should be done in the normal conduct of operations and must be recorded in the same manner as transactions that are entered into with other parties under similar circumstances.

#### E. GUIDELINES

##### 1. Duties and Responsibilities

###### a. In General

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 Material RPT and abstain from the discussion, approval, and management of such transaction or matter affecting the Company.

###### b. Board of Directors

To ensure that RPTs 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, the Board shall carry out the following duties and responsibilities:

- i. To institutionalize an overarching policy on the management of Material RPTs to ensure effective compliance with existing laws, rules, and regulations at all times and that material RPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
- ii. 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 this Policy. These material changes may 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.

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

The system shall likewise be able to:

- 1) Define the Related Parties' extent of relationship with the Company;
  - 2) Assess situations in which a non-Related Party with whom the Company has entered into a transaction with subsequently becomes a Related Party and vice versa;
  - 3) Generate information on the nature and amount of exposures of the Company to a particular Related Party; and
  - 4) Facilitate submission of accurate reports to regulators and supervisors.
- iv. To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing and ensure that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

c. Senior Management

Senior management shall implement appropriate controls to effectively manage and monitor Material RPTs on an individual transaction and aggregate basis.

d. Audit Committee

The Audit Committee shall cause 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. It shall ensure that the resulting audit reports, including exceptions and breaches in limits, shall be communicated directly to it.

e. Compliance Officer

The Compliance Officer shall ensure that the Company complies with the applicable laws, rules, and regulations and is informed of regulatory developments in areas affecting related parties. He shall assist in the review of the Company's transactions and identify any potential Material RPT that would require review by the Board of Directors.

**2. Related Party Registry**

The Company shall maintain a Related Party Registry which must be reviewed and updated (as necessary) on a quarterly basis to capture organizational and structural changes in the Company and its Related Parties.

### **3. Procedure**

#### **a. Appointment of External Independent Party**

Before execution of the Material RPT, the Board of Directors shall appoint an external independent party to review of the fairness of the other terms of the Material RPT.

In conducting a review, the external independent party may consider, among others, (1) whether the terms are similar to those usually offered to non-related parties under similar circumstances; (2) the terms of the transaction, including the aggregate value and timing thereof; (3) the purpose of the transaction; and (4) other material information or criteria that the Board of Directors deems relevant.

The external independent party may also review the price discovery mechanism used by the Company or review the commercial terms of the Material RPT.

This external independent party may include, among others, auditing or accounting firms, and third party consultants and appraisers.

#### **b. Disclosure Requirements**

The directors, Substantial Shareholders, and officers of the Company shall disclose to the Board of Directors all material facts related to the Material RPTs and their financial interest (direct or indirect) in any transaction or matter that may affect 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.

#### **c. Approvals Required**

- i. 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 same. If the majority of independent directors vote is not secured, a vote by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company may ratify the transaction.
- ii. In case of aggregate Material RPTs (i.e. Materiality Threshold is met within a twelve (12) month period), the same board approval would be required for the transaction/s that meets and exceeds the Materiality Threshold covering the same Related Party.
- iii. A director with personal interest in the Material RPT shall abstain from participating in the discussions and voting on the matter. His attendance shall not be counted for purposes of the quorum and his vote not considered for determining majority approval.

### **4. Whistleblowing Policy**

The Company's Whistleblowing Policy shall apply with respect to all reports in good faith concerning questionable Material RPTs.

## 5. Remedies

All Material RPTs which have been determined to have not been entered at arm's length and unduly favor a Related Party will be referred to the Company's Legal Department for review on the possible remedies which may include, among others, pre-termination of the contract concerned.


The personnel, officers, and/or directors involved in the Material RPT concerned and/or were remiss in their duties in reviewing the Material RPT, if any, may be subject to the appropriate disciplinary sanctions, as stated in the Company's Office and Employee Manuals and other applicable policies. In addition, in case the erring person is a Company director, and on the basis of a final judgment rendered by a court of competent jurisdiction, he may also be disqualified from seeking reelection as director of the Company for the periods as may be determined by the SEC.

## F. EFFECTIVITY

This policy shall take effect immediately upon approval of the Board of Directors.

Approved by:

On behalf of the Board of Directors:

  
Edward K. Lee  
Chairman of the Board

  
Juan Carlos G. Aquino  
Compliance Officer