

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)		Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance		Effective Date: 30 September 2020	Page 1 of 40
Issued by: Medical Doctors Incorporated (MDI) Board	New <input type="checkbox"/>	Supersedes: MMC-REG-GLD-001 Rev 02 Code of Corporate Governance	
Approved by: MDI Board of Directors			

The Board of Directors (“the Board”) and Management of Medical Doctors, Inc. (the “Corporation”) hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

1. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization. The Board and Management believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to promote the development of a strong corporate governance culture, to create awareness of corporate governance within the organization, and ensure its implementation, as soon as possible. They shall also keep abreast of developments in corporate governance best practices.

The Corporation also recognizes and places an importance on the interdependence between business and society and aims to promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates.

2. COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position of a Senior Vice President or its equivalent. He shall not be a member of the Board but have direct reporting responsibilities to the Board at large, and his recommendation/s should be acted upon by the Board at large.

2.1.2. He shall perform the following duties:

2.1.2.1. Monitor compliance with the provisions and requirements of this Manual and all relevant laws and regulations of the Republic of the Philippines.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 2 of 40

2.1.2.2. Appear before the Securities and Exchange Commission (“the Commission”) upon summon on similar matters that need to be clarified by the same;

2.1.2.3. Determine violation/s of the Manual and recommend penalty to the Board for violation thereof;

2.1.2.4. Issue a certification every January 30th of the year on the extent of the Corporation’s compliance with this Manual for the completed year, explaining the reason/s of the latter’s deviation from the same, if any; and

2.1.2.5. Identify, monitor and control compliance risks.

2.1.3. The appointment of the compliance officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondence relative to his functions as Compliance Officer shall be addressed to him.

2.2. Plan of Compliance

2.2.1. Board of Directors

Compliance with the principles of good corporate governance shall start with the Board.

It shall be the Board’s responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its stockholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

The Board shall be composed of fifteen (15) members, with collective working knowledge, experience or expertise relevant to the Corporation’s business, and shall adhere to a policy of diversity in gender, age, ethnicity, culture, skills, competence and knowledge. A majority of the Board shall be non-executive directors with the necessary qualifications to effectively participate and help secure objective, and independent judgment on corporate affairs and to carry out proper checks and balance. At least three (3) members of the Board shall be independent directors. The Board shall be headed by a competent and qualified Chairman.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 3 of 40

2.2.1.1. General Responsibility

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

2.2.1.2. Specific Duties and Functions

To insure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall:

- Install a process of selection to ensure an appropriate mix of competent, expert and qualified directors and officers and ensure that said members and officers remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the Corporation based on evolving medical, business environment and strategic direction.
- Determine and approve the Corporation's purpose, vision and mission, as well as periodically review and make them public.
- Identify the corporation's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them and promote cooperation between them and the corporation in creating wealth, growth and sustainability.
- Approve the Corporation's strategic and management plans, as well as its policies and procedures, including strategies and programs related to health care professional education and research.
- Establish policies, programs and procedures that encourage employees to actively participate in the realization of the corporation's goals and in its governance.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 4 of 40

- Approve the capital and operating budget and allocate the resources required to operate the Corporation and meet its mission.
- Appoint the Corporation’s senior managers with the ranks of President and Vice President, and evaluate their performance.
- Ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.
- Ensure and adopt an effective succession planning program for members of the Board, key officers and Management, including the adoption of a retirement policy.
- Use available processes that provide and support communication and cooperation with management.
- Approve the hospital’s plan for quality and safety, and regularly act on reports of the quality and patient safety program.
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices.
- Identify the Corporation’s major stockholders and stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program.
- Adopt a system of internal checks and balances.
- Adopt an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the corporation’s operations.
- Identify key risk areas and key performance indicators and monitor these factors with due diligence and oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risk. The risk management framework should

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 5 of 40

guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

- Properly discharge Board functions by meeting regularly, such as for example at least once every two (2) months, or when circumstances requires a special meeting, shall be convened to address urgent important matters. Board members will be compensated for attendance at each board meeting with a reasonable per diem as determined by the compensation committee and approved by a simple majority of the board. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted.
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.
- Ensure that the Hospital operates ethically and responsibly and in compliance with internal codes of conduct, including the establishment of a framework for ethical management that ensures that patient care is provided within business, financial, ethical and legal norms that protect patients and their rights. A Code of Business Conduct and Ethics shall be adopted for this purpose.
- The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.
- Oversee the development of and approve the Corporation's business and strategy, and monitor its implementation, in order to sustain the Corporation's long-term viability and strength.
- Align the remuneration of key officers and Directors with the long-term interest of the Corporation. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance. No Director should participate in the determination of his own per diem or compensation.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 6 of 40

- Ensure that the Corporation adopt a policy and system governing related party transactions and other unusual or infrequently occurring transaction, including appropriate review and approval of material related party transactions guaranteeing fairness and transparency.
- Oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of board members, management, and shareholders. The Board should also adopt an Internal Audit Charter.
- The Board shall create a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be made publicly available.
- The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a Corporation's financial condition, results and business operations.

2.2.1.3. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not in any way influence or affect or be bias with his or her Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 7 of 40

Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.

- To observe confidentiality. A director should observe the confidentiality of non-public information acquired by reason of his or her position as director. He or she should not disclose any information to any other without the authority of the Board.
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.
- To notify the Board before accepting a directorship in another corporation.
- To, in any transaction affecting the Corporation, fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction wherein he has a material or potential interest.
- To act on fully informed basis, in good faith, with due diligence and care and in the best interest of the Corporation and all stockholders and stakeholders.

2.2.1.4. Term of an Independent Director

- The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such but may continue to qualify for nomination and election as a non-independent director, except for meritorious justification/s and upon approval of shareholders during the annual shareholders meeting.

2.2.2. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall establish Board committees that focus on specific Board functions to aid in the optimal performance of its roles and responsibilities.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 8 of 40

All Board committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees and its members.

Majority of the members of the Board committees shall be Board members, as follows:

2.2.2.1. Nomination and Election Committee

To ensure that the Board will have a formal and transparent Board nomination and election policy, the Board shall create a Nomination and Election Committee which shall have five (5) members, of which at least three (3) are voting members composed of Directors (one of whom must be independent and two (2) non-voting members in the person of the Corporate Secretary and the HR Director.

2.2.2.1.1. It shall receive all nominations from shareholders and review their respective qualifications:

2.2.2.1.2. It shall assess the effectiveness of the Board's process and procedures in the nomination, election, or replacement/removal of Director;

2.2.2.1.3. It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:

Qualifications:

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate or have sufficient experience in managing a business enterprise to substitute for such formal education;
- He shall be at least twenty-one (21) years old;

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 9 of 40

- He shall have proven to possess integrity and probity;
- Strongly adheres to legal and moral principles; and
- He shall be assiduous.

Disqualifications:

- Any person convicted in final judgment of an offense involving moral turpitude or fraudulent act or transgression;
- Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Revised Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas;
- Any person judicially declared to be insolvent;
- Any person finally found guilty by 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; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code, committed within five (5) years prior to the date of his election or appointment.

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect for as long as his refusal persists;

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 10 of 40

- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency or any twelve (12)-month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he/she has cleared himself/herself of any involvement in the alleged irregularity;
- Being under preventive suspension by the Corporation;
- If independent director becomes an officer or employee of the Corporation, he shall be automatically disqualified from being an independent director of the Corporation;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

2.2.2.1.4. In consultation with the Executive or Management Committee/s, redefine the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern in future expansionary prospects within the realm of good corporate governance at all times.

2.2.2.1.5. The Committee shall consider the following guidelines in the determination of the directorships for the Board:

- The nature of the business of the Corporations in which he is a director;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 11 of 40

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

2.2.2.1.6. The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

2.2.2.1.7. It shall oversee the conduct of actual election of the directors during the annual stockholders' meeting.

2.2.2.2. Compensation, Remuneration and Retirement Committee

2.2.2.2.1. The Compensation or Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director.

2.2.2.2.2. Duties and Responsibilities

- 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.
- Designate 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.
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 12 of 40

remuneration packages of individual directors, if any, and officers.

- 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.
- Disallow any director to decide on his or her own remuneration.
- Provide in the Corporation's annual reports, information and proxy statement a clear, concise and understandable disclosure of aggregate compensation of its executive officers for the previous fiscal year and ensuring year.
- Review of the existing Human Resources Development or Personal 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.
- Or, in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.
- Review the policies on and the management of retirement and retirement funds of the Hospital officers and employees.

2.2.2.3. Audit and Finance Committee

2.2.2.3.1. The Audit and Finance Committee shall be composed of at least three (3) appropriately qualified non-executive members of the Board, the majority of whom including the Chairperson, shall be independent Directors. Each member shall have adequate

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 13 of 40

understanding at least or competence at most of the Corporation's financial management systems and environment. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairperson of the Audit and Finance Committee should not be the Board Chairman or the Chairperson of any other committees.

2.2.2.3.2. Duties and Responsibilities

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirement.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation including crisis management.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- Perform direct interface functions with the internal and external auditors to ensure compliance with internal control system, internal and external audit processes, and with applicable laws and regulations.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
 - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 14 of 40

- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation, through a step-by-step procedures and policies handbook that will be used by the entire organization.
- Recommend and seek Board and shareholder approval for the appointment, reappointment, removal, and fees of the external auditor.

2.2.2.3.3. Review, advise and recommend approval, decision or action on financial matters including but not limited to:

- Establishment and changes to financial, accounting and treasury policies.
- All major financing transactions of the Hospital.
- Issuance of shares and shares repurchase.
- The Hospital's corporate plans and budgets.
- Major contracts and variations.
- Financial operations of the Hospital.
- Financial guarantees and indemnities and mortgaging of the Hospital's assets.
- Major acquisitions, divestment and property development.

2.2.2.3.4. The non-executive directors shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Corporation. The meetings shall be chaired by the lead independent director.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 15 of 40

2.2.2.3.5. The Corporation shall disclose the nature of non-audit services performed by its external auditor in the Annual Report in the interest of managing potential conflict of interest cases.

2.2.2.4. Executive Committee

The Executive Committee shall be composed of five (5) to seven (7) directors designated by the Board to hold office until their respective successors shall be designated. The Committee shall, between sessions of the Board of Directors, have all the powers of the Board of Directors in the management of the Hospital business and operations. The Committee acts by majority vote of its members on specific matters within the competence of the board, as may be delegated to it by the board. Exception to this are: approval of any action for which shareholders' approval is required; the filling of vacancies in the board; the amendment of by-laws or the adoption of new by-laws; the amendment or repeal of any resolution of the board which by its express terms is not so amenable or repealable; and a distribution of cash dividends to the shareholders.

The Corporate Secretary or a member of the Executive Committee shall keep the minutes of its proceedings; and all such proceedings shall be from time to time reported to the Board of Directors and shall be subject to revision or alteration by the Board; provided that no rights of third persons shall be affected by such revision or alteration.

2.2.2.5. Compliance Committee

The Board shall create an Oversight Committee, which shall have at least three (3) members, one of whom must be an independent director, with the following duties and responsibilities:

2.2.2.5.1. Considers and recommends corporate governance principles to be adopted by the Board.

2.2.2.5.2. Monitors best practices in corporate governance worldwide.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 16 of 40

2.2.2.5.3. Oversee and monitor the establishment of a business continuity plan and procedures for the Hospital.

2.2.2.5.4. Settle and maintain, as appropriate, other key corporate document materials to governance, e.g. Code of Conduct.

2.2.2.5.5. Oversee the general procedures and policies within the hospital concerned with risk management.

2.2.2.5.6. Reviews the effectiveness of the risk management processes.

The Quality Management Division supports the Compliance Committee in assessing and reporting risk. It integrates business risk and management operations. It identifies and monitors risk and furnish the Committee with data.

2.2.2.5.7. Regularly assess whether the interests of all relevant stakeholders are recognized in key policies and directions of the Hospital.

2.2.2.5.8. Monitor the application and effectiveness of the continuous disclosure procedures and generally promote the understanding of good corporate governance within the Hospital.

2.2.2.5.9. Assist the Board in the performance of its continuous governance responsibilities, including the functions that were formerly assigned to the Nomination and Remuneration Committee

2.2.2.6. Management Committee (ManCom)

The Management Committee is composed of the Vice Presidents, and Division/Department Heads/Chairs as may be designated by the President and Chief Executive Officer who heads the ManCom. This Committee shall implement all Board-approved policies and strategic directions governing the organization, management and operation of the Hospital. The Committee shall regularly report to the Board through the President and Chief Executive Officer on all matters concerning the Hospital's operation as well as significant events or occurrences affecting the Hospital.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 17 of 40

The Board should be primarily responsible for approving the selection and assessing the performance of the Management Committee.

The Management Committee shall provide the Board with appropriate and timely information. If the information provided by Management is insufficient, the Board may make further inquiries to which the persons responsible will respond as fully and promptly as possible.

2.2.2.7. Clinical Risk Management, Infection Control and Medication Appropriate Use Committee

The Board shall establish a Clinical Risk Management, Infection Control and Medication Appropriate Use Committee, which shall be responsible for the oversight of the Corporation's Risk Management System as this related principally to clinical medicine to ensure functionality and effectiveness. This Committee shall be composed of at least three (3) Directors, and at least one (1) shall be an independent Director. The chairperson of the committee shall be appointed by the Board at the start of each fiscal year. At least two (2) members of the committee including the chairperson of the committee must have relevant, thorough knowledge and experience on risk and risk management.

2.2.2.8. Ethics Committee

The Board shall establish an Ethics Committee, which will be composed of three (3) members, with at least one (1) Independent Director, who shall act as the head of the committee, and a member of the board who must be a physician.

2.2.3. Chairman of the Board

The duties of the Chairman of the Board of Directors shall include:

- 2.2.3.1. Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the company's operations.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 18 of 40

2.2.3.2. Approve meeting agenda prepared by the President and CEO.

2.2.3.3. Vote on matters when there are deadlocks among the Board Members.

2.2.3.4. The Chairman shall be a separate individual from the Chief Executive Officer.

2.2.4. Vice Chairman of the Board

The Vice Chairman of the Board assists the Chairman in executing his/her functions. In the absence of the Chairman of the Board, the Vice Chairman assumes his/her responsibilities.

2.2.5. Chief Executive Officer / President

The roles of the Chairman and the Chief Executive Officer are separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent.

The Chief Executive Officer / President of the Corporation is appointed by the Board of Directors and shall have responsibility for the general day-to-day management and supervision of the business of the hospital. It is his/her duty to maintain strict supervision over all the affairs and interests of the Hospital.

Specific responsibilities and authorities of the Chief Executive Officer/ President of the Corporation are, but not limited to:

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 19 of 40

2.2.5.1. Strategic Planning and Policy Formulation:

2.2.5.1.1. Ensures the development of long-term strategy.

2.2.5.1.2. Establishes objectives and plans that meet the needs of shareholders, customers, employees and other corporate stakeholders.

2.2.5.1.3. Ensures consistent and timely progress toward strategic objectives.

2.2.5.1.4. Obtains and allocates resources consistent with strategic objectives.

2.2.5.1.5. Reports regularly to the Board on progress made toward strategic plan milestones.

2.2.5.1.6. Recommends policies to the Board.

2.2.5.2. Leadership:

2.2.5.2.1. Develops and communicates clear and consistent vision of the Hospital's objectives and values and ensures that it is well understood, widely supported, and effectively implemented within the organization.

2.2.5.2.2. Fosters a culture that encourages, recognizes and rewards leadership, excellence and innovation.

2.2.5.2.3. Ensures a culture that promotes ethical practices, individual integrity and cooperation.

2.2.5.3. Budget Planning and Implementation:

Together with the Vice President for Finance, prepares annual budget (operating and capital budget) for approval of the Board of Directors.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 20 of 40

Once the budget (operating and capital budget) is approved by the Board of Directors, the President and CEO is authorized to spend within the limits of the budget without interference from any member of the Board.

2.2.5.4. Financial Results:

2.2.5.4.1. Ensures the development and maintenance of appropriate systems to protect the Hospital's assets and ensure effective control of operations.

2.2.5.4.2. Establishes and achieves appropriate annual and long-term financial performance goals.

2.2.5.5. Management of Operations:

2.2.5.5.1. Ensures high quality, cost-effective management of the day-to-day operations of the hospital.

2.2.5.5.2. Promotes continuous improvement of the quality, value and competitiveness of the Hospital services and business systems.

2.2.5.5.3. Encourages and rewards creative solutions to business and management challenges.

2.2.5.5.4. Ensures compliance with approved policies, applicable laws and regulations; and responds to any reports from inspecting and regulatory agencies.

2.2.5.6. Management Development And Succession Planning:

2.2.5.6.1. Develops, attracts, retains and motivates an effective and unified senior management team.

2.2.5.6.2. Ensures that programs for management development and succession planning have the required resources and direction to develop the future leaders of the Hospital.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 21 of 40

2.2.5.7. Human Resources:

- 2.2.5.7.1. Ensures the development of effective programs for the training, compensation, retention and motivation of personnel.
- 2.2.5.7.2. Ensures the availability of personnel needed to achieve the hospital's objectives.
- 2.2.5.7.3. Establishes and monitors programs to promote workplace diversity.
- 2.2.5.7.4. Provides appropriate recognition of the achievements of individuals and groups.

The President and CEO is authorized to hire/fire, promote/demote all executives below the rank of Vice President without interference from any members of the Board. However, he shall confer and coordinate with the Medical Director on matters and activities that directly pertain to the practice of the medical profession. Any impasse between the President and Medical Director shall be elevated to the Board at large.

2.2.5.8. Communications:

- 2.2.5.8.1. Serves as chief spokesperson for the Hospital, communicating effectively with the shareholders, prospective investors, employees, customers and suppliers.
- 2.2.5.8.2. Represents the Hospital in relationship with other hospitals, the government and the financial community.

2.2.5.9. Board Relations:

- 2.2.5.9.1. Reports directly and works closely with the Board of Directors.
- 2.2.5.9.2. Keeps directors informed on the state of the hospital, on crucial issues relating to the Hospital, and on the Hospital's progress toward the achievement of operating plan and strategic plan milestones.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 22 of 40

2.2.6. Vice President/s

The Board of Directors may designate Vice President/s to assist the President/Chief Executive Officer in executing his/her functions. He/She may act for or in place of the President in the event of sickness, disability, or absence of the President. When so designated, the Vice President shall have all the powers of the President in his/her respective division. The Vice-President shall have such duties as may be prescribed to him/her by the Board of Directors, the Chairman of the Board, or the President.

The Vice-Presidents take the lead on the overall management of their respective division. Specific responsibilities include, but not limited to:

- 2.2.6.1. Reviewing, recommending and ensuring compliance on related policies and procedures.
- 2.2.6.2. Reviewing corporate requirement proposals and makes recommendations covering assigned functional area of responsibility.
- 2.2.6.3. Performing periodic review of practices, procedures and systems within functional area of responsibility.
- 2.2.6.4. Analyzing and reviewing performance of the functional area of responsibility and reporting to the President/CEO.
- 2.2.6.5. Managing and leading the departments under his/her division.
- 2.2.6.6. Ensuring that staff within the division are continuously developed and trained to take advantage of opportunities and problem situations.
- 2.2.6.7. Helping his/her staff grow and develop as needs and opportunities change.
- 2.2.6.8. Working with the Quality Management Division to ensure dissemination of Quality Policy; implementation and maintenance of Quality Management System policies, programs, standards and procedures relevant to his/her division; all departments under his/her division undertake operational and quality planning for their respective service areas; and implementation, monitoring and reviewing of improvement activities and safety initiatives.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 23 of 40

2.2.6.9. Participating in the Management Committee.

2.2.7. Corporate Secretary

2.2.7.1. The Corporate Secretary is an officer of the company and he must perform his duties and functions in accordance with the highest professional standards. Likewise, he must exhibit loyalty to the mission, vision and specific business objectives of the corporate entity.

2.2.7.2. The Corporate Secretary shall be a Filipino citizen.

2.2.7.3. The Corporate Secretary shall not be a member of the Board.

2.2.7.4. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal knowledge. He must also have some financial and accounting skills.

2.2.7.5. Duties and Responsibilities:

2.2.7.5.1. Gather and analyze all documents, records and other information essential to the performance of his duties and responsibilities to the Corporation.

2.2.7.5.2. Secure a complete schedule of agenda at least for the current year and put the Board on notice before every meeting.

2.2.7.5.3. Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

2.2.7.5.4. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.

2.2.7.5.5. Attend all Board meetings and maintain record of the same.

2.2.7.5.6. Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the Directors during Board meetings.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 24 of 40

2.2.7.5.7. Be fully informed and be part of scheduling the activities of the Board.

2.2.7.5.8. Advise the Board on matters pertaining to their legal responsibilities and obligations and ensure that appropriate Board procedures are followed, and the applicable rules and regulations are complied with.

2.2.7.5.9. Attend annual training on corporate governance.

2.2.8. Treasurer

The Treasurer is the officer of the Corporation with the following duties and responsibilities:

2.2.8.1. Faithfully account for company funds.

2.2.8.2. Make reports as necessary to keep the Chairman of the Board, the President and Board of Directors fully informed at all times as to the financial condition of the Hospital.

2.2.8.3. Establish relationships with banks and financing institutions for purposes of securing loans and other financial services.

2.2.8.4. Perform such other duties as may be prescribed by the Chairman of the Board, the Vice Chairman of the Board or the Board of Directors.

2.2.9. External Auditor

2.2.9.1. An external auditor shall be selected, appointed and reappointed, and its fees approved, by the Board and stockholders upon recommendation of the Audit and Finance Committee. He/she shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation.

2.2.9.2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 25 of 40

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.

2.2.9.3. The external auditor shall not at the same time provide to the Corporation the services of an internal auditor. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.2.9.4. The company's external auditor shall be rotated, or the handling partner shall be changed every five (5) years or earlier.

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

2.2.10. Internal Auditor

2.2.10.1. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor who shall provide Board, senior management, and stockholders with reasonable assurance that the company's key organizational and procedural controls are effective, appropriate and complied with.

2.2.10.2. The Internal Auditor shall report to the Audit Committee.

2.2.10.3. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

2.2.10.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of 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.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 26 of 40

3. ACCOUNTABILITY AND AUDIT

The Board is accountable to the stockholders and Management is accountable to the Board. The Board shall provide the shareholders with a balanced and understandable assessment of the corporation's performance, position and prospects on a quarterly basis; 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. The Management should provide all members of the Board with a balanced and understandable account of the corporation's performance, position and prospects on a monthly basis.

4. COMMUNICATION PROCESS

- 4.1. This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- 4.2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to enjoin compliance in the process.
- 4.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of HRMDD and at least one (1) hard copy of the Manual shall be issued per department.
- 4.4. This Manual shall be posted on the Corporation's website.

5. TRAINING PROCESS

- 5.1. If necessary, funds shall be allocated by the CEO or its equivalent officer for the purpose of conducting an orientation program or workshop and annual continuing training to operationalize this Manual.
- 5.2. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or public institute.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 27 of 40

6. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

- 6.1. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer.
- 6.2. All material information shall be publicly disclosed. Such information shall include earning results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- 6.3. Other information that shall always be disclosed includes remuneration (including stock options, if any) of all directors and senior management, corporate strategy, and off balance sheet transactions.
- 6.4. All disclosed information shall be included in company announcements as well as through the annual report.
- 6.5. The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information and submissions to the Commission for the interest of its stockholders and other stakeholders.
- 6.6. All directors and officers shall disclose/report to the Corporation within fifteen (15) business days, any dealings in the Corporation's shares by the said directors and officers.
- 6.7. The Corporation shall disclose, to all shareholders and other stakeholders the corporation's strategic (long-term goals) and operational objectives (short-term goals) as well as impacts of a wide range of sustainability issues, with emphasis on the management of environmental, economic, social and governance issues of its business which underpin sustainability.
- 6.8. The Corporation shall have a website to ensure a comprehensive, cost-effective transparent and timely manner of disseminating relevant information to the public.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 28 of 40

7. SHAREHOLDERS' BENEFIT

The company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. The Board shall establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as a governance covenant between the company and all its investors:

7.1. Investors' Rights and Protection

7.1.1. Rights of investors/Minority Interests

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

7.1.2. Voting Right

7.1.2.1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code.

7.1.2.2. Cumulative voting shall be used in the election of directors.

7.1.2.3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

7.1.3. Pre-emptive Right

All stockholders shall have pre-emptive rights, unless the same is denied 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 shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Revised Corporation Code.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 29 of 40

7.1.4. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Revised Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

7.1.5. Right to Information

7.1.5.1. 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 company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

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

7.1.5.3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable and shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

7.1.5.4. The shareholders shall be sent a Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty-one (21) days before the meeting.

7.1.5.5. The result of the votes on matters taken during the most recent Annual or Special Shareholders' Meeting shall be made publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the Corporation's website within fifteen (15) business days from the date of the meeting.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 30 of 40

7.1.6. Right to Dividends

7.1.6.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.

7.1.6.2. The company shall be compelled to declare dividends when its retained earnings shall be 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.

7.1.7. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section ~~82~~ 81 of the Revised Corporation Code of the Philippines, under any of the following circumstances:

7.1.7.1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class or 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;

7.1.7.2. 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 Revised Corporation Code; and

7.1.7.3. In case of merger or consolidation.

7.1.8. It shall be the duty of the directors to promote shareholders' rights, remove impediments to the exercise of shareholders' rights and allow possibilities 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

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 31 of 40

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.

7.1.9. The Board shall make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

7.1.10. The Board should establish an Investor Relations Office (IRO) to ensure constant engagement and communication with its shareholders. The IRO shall be present at every shareholders' meeting.

7.1.11. The stockholders or member may vote through remote communication or in absentia. A stockholder or member who participates through remote communication or in absentia, shall be deemed present for purposes of quorum.

8. MONITORING AND ASSESSMENT

8.1. The Board shall establish an effective performance evaluation framework, which includes the standard criteria for assessment, that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.

8.2. The Board should conduct an annual self-assessment of its performance.

8.3. Each Committee shall report regularly to the Board.

8.4. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.

8.5. The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 32 of 40

- 8.6. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 8.7. 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 extent.
- 8.8. The Board shall establish a suitable framework that allows employees to freely communicate their concerns about illegal or unethical practices through the Code of Business Conduct and Ethics.

9. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- 9.1. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:
- 9.1.1. In case of **first violation**, the subject person shall be reprimanded.
- 9.1.2. For **second violation**, suspension from office. The duration of the suspension shall depend on the gravity of the violation.
- 9.1.3. For **third violation**, the maximum penalty of removal from office shall be imposed.
- 9.2. The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship. 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.

10. REPEALING CLAUSE

This Manual supersedes the Code of Corporate Governance issued on 29 January 2008.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 33 of 40

11. REVIEW AND REISSUE DATE

The Compliance Officer shall have the primary responsibility to initiate the review of this Manual on a quarterly basis.

12. RESPONSIBILITY

It is the responsibility of the Board of Directors and Corporate Officials to fully implement this Manual.

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Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 34 of 40

APPENDIX A: DEFINITION OF TERMS

(Adapted from SEC Memorandum Circular no. 2 Code of Corporate Governance)

Board of Directors: refers to the collegial body that exercises the corporate powers of all Corporations formed under the Revised Corporation Code. It conducts all business and controls or holds all property of such corporations.

Corporate Governance: refers to a system whereby shareholders, creditors and other stockholders of a corporation ensure that management enhances the value of the corporation as it competes in an increasingly global market place.

Executive Director: refers to a director who is at the same time appointed to head a division/department/unit within the corporate organization.

Independence: refers to that environment which allows the person to carry out his/her work freely and objectively.

Independent Director: refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the directors' fees and shareholdings, he should be independent of management and free from any business or other relationship, which could materially interfere with the exercise of his independent judgment.

Internal Audit Department (Financial Systems Audit): refers to a department, division team of consultants or other practitioner(s) that provide independent, objective assurance and consulting services designed to add value and improve an organization's operations.

Internal Audit Director: refers to the top position within the organization responsible for internal audit activities.

Internal Auditing: refers to an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 35 of 40

Internal Control: refers to the process effected by a company’s Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations and internal policies.

Internal Control Environment: refers to the framework under which internal controls are developed, implemented, alone or in concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which the company is exposed.

Management: refers to the body given the authority to implement the policies determined by the Board in directing the course / business activity/ies of the corporation.

Non-audit work: refers to other services offered by the external auditor to a corporation that are not directly related and relevant to its statutory audit function. Examples include accounting, payroll, bookkeeping, reconciliation, computer project management, data processing or information technology outsourcing services, internal auditing and services that may compromise the independence and objectivity of the external audit.

Non-executive Director: refers to a Board member with non-executive functions.

Objectivity: refers to unbiased mental attitude that requires the person to carry out his/her work in such a manner that he/she has an honest belief in his/her work product and that no significant quality compromises are made. Objectivity requires the person not to subordinate his/her judgment to that of others.

Public Company: refers to any corporation with a class of equity securities listed in an Exchange or with assets in excess of Fifty Million Pesos (PhP50,000,000.00) and having two hundred (200) or more stockholders each holding a least one hundred (100) shares of a class of its securities.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 36 of 40

APPENDIX B: INDEPENDENT DIRECTORS

(Formerly SRC Rule 38.1 – Definition of “Independent Director”)

1. An independent director means a person, who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could be reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:
 - 1.1 Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
 - 1.2 Does not own more than 2% of the shares of the covered company and/or its related companies or any of its substantial shareholders;
 - 1.3 Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives, include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
 - 1.4 Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
 - 1.5 Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;
 - 1.6 Is not retained, either personally or through his firm or any similar entity, as professional adviser by that covered company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years;
 - 1.7 Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 37 of 40

which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

2. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the covered company's Manual of Corporate Governance provides.

When used in relation to a company subject to the requirements of this Rule and Section 38 of the code:

- 2.1 Related company means another company which is; (a) its holding company; (b) a subsidiary of its holding company; and
- 2.2 Substantial shareholders mean any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

3. QUALIFICATIONS:

An independent director shall have the following qualifications:

- 3.1 He shall have at least one (1) share of stock of the corporation;
- 3.2 He shall be at least a college graduate, or he shall have been engaged or exposed to the business of the corporation for at least five (5) years.
- 3.3 He shall possess integrity/probity; and
- 3.4 He shall be assiduous.

4. DISQUALIFICATIONS:

No person under Disqualifications of Board of Directors as listed above shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 38 of 40

- 4.1 He becomes an officer or employee of the corporation where he is such member of the board of director / trustees, or becomes any of the persons listed above (Disqualifications of Board of Directors);
- 4.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the company where he is such director;
- 4.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency;
- 4.4 Such other qualifications which the company's Manual on Corporate Governance provide.

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
Code of Corporate Governance	Effective Date: 30 September 2020	Page 39 of 40

Prepared and Reviewed by:

(original document signed)

Atty. German Q. Lichauco II

Corporate Secretary & MDI Board Compliance Officer

Approved by:

(original document signed)

Atty. Pilar Nenuca P. Almira

Director

Hospital Policies and Procedures Manual

Governance, Leadership and Direction (GLD)	Document Code: MMC-HPP-GLD-014	Rev. Code : 00
	Effective Date: 30 September 2020	Page 40 of 40

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