

Hospital Policies and Procedures Manual

Governance, Leadership, and Direction (GLD)		Document Code: MMC-HPP-GLD-027	Rev. Code : 00
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Issued by: Compliance Department	New <input checked="" type="checkbox"/>	Supersedes:	
Approved by: <i>(original document signed)</i> Atty. German Q. Lichauco II Corporate Secretary	Aug/23/2022 Date Signed (MMM/DD/YYYY)	<i>(original document signed)</i> Manuel V. Pangilinan Chair, MDI Board of Directors	Aug/30/2022 Date Signed (MMM/DD/YYYY)

Objective:

The objective of this related party transaction policy (the "Policy") is to guide officers and the board of directors (the "Board") of the Corporation on the proper approval and the disclosure requirements on transactions entered into between the Corporation and its related parties.

Scope:

All Makati Medical Center (MMC) Board members, shareholders, officers, Medical Staff and employees

Definition of Terms: A list of terms and their definitions as used in the policy.

- 1. Related Party** – a person or entity that is related to the reporting entity. Related Parties include the reporting entity's directors, officers, stockholders, medical staff, employees 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 reporting entity. It also covers the reporting entity's subsidiary or affiliate companies.
- 2. Related Party Transaction or RPT** – a transfer of resources, services or obligations between the Makati Medical Center (MMC) and a Related Party, regardless of whether a price is charged, which 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.
- 3. Close Family Members** – persons related to the Corporation's directors, officers, medical staff, employees and shareholders, within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, grandparent, grandchild, parent-in-law, son/daughter-in-law, brother/sister-in-law, grandparent-in-law and grandchild-in-law of the Corporation's directors, officers, and stockholders.

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4. **Subsidiary** – an entity that is controlled by another entity.
5. **Affiliate** – an entity linked directly or indirectly to the reporting entity through any one or combination of any of the following:
 - 10.1 Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a corporation of at least ten percent (10%) or more of the outstanding voting stock of the Corporation or vice-versa;
 - 10.2 Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
 - 10.3 Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Corporation and the entity; or
 - 10.4 Management contract or any arrangement granting power to the Corporation to direct or cause the direction of management and policies of the entity, or vice-versa.

Policy:

It is the policy of the Makati Medical Center (the “Corporation”) that all related party transactions, as defined, are conducted: (a) at arm’s length basis, which would serve only to the best interest of the Corporation and accordingly, its stockholders; (b) fairly and with transparency; (c) with no particular group or individual who will benefit at the expense of any shareholder group; and (d) to ensure the transaction are properly approved and disclosed in accordance with applicable laws, rules, and regulations.

Guidelines:

I. Duties and Responsibilities of the Board

The Board shall have the overall responsibility in ensuring 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 Corporation’s shareholders and other stakeholders. Towards this end, the Board shall carry out the following duties and responsibilities:

1. To institutionalize this 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

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conducted on an arm’s length basis, and that no shareholder or stakeholder is unduly disadvantaged.

2. To approve all material RPTs that cross the materiality threshold and write-off of material exposure to related parties, as well as any renewal or material changes in the terms and conditions of material RPTs previously approved. Material changes include, but are not limited to changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenors and collateral requirement of the material RPT.
3. To establish an effective audit, risk and compliance system to:
 - 3.1 Determine, identify and monitor related parties and material RPTs;
 - 3.2 Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - 3.3 Identify, measure, monitor and control risks arising from material RPTs.

The system shall be able to define the related parties’ extent of relationship with the Corporation; assess situations in which a non-related party (with whom a company has entered into a transaction) subsequently becomes a related party and vice-versa; and generate information on the nature and amount of exposures of the Corporation to a particular related party. The system shall be subject to periodic assessment by the internal audit and compliance officer and shall be updated regularly for their sound implementation.

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

Senior management shall implement appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the Corporation’s policy and SEC’s regulations. All RPTs must comply with MMC policy on Third Party Risk Management and are considered as high risk transaction.

II. Coverage Materials RPTs

All transactions meeting the following threshold shall be considered material RPTs:

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1. Mergers and acquisitions between Related Parties;
2. Loans or advances to and from a Related Party exceeding a total of Ten Million Pesos (Php10,000,000.00) in a single or series of transaction(s), provided that the loans or advances to and from directors, including Close Family Member, at whatever amount, which shall be at arm's length and at market rate, shall be covered by this policy;
3. Guarantee and Suretyship agreements to and from a Related Party in an amount exceeding Five Million Pesos (Php5,000,000.00), obtained in a single or a series of transaction(s) within a period of three (3) years;
4. Contractual arrangement with a Related party for a service that is not in the ordinary course of business with fees exceeding Five Million Pesos (Php 5,000,000.00), provided that the engagement of services of the directors, including their Close Family Members, at whatever amount, which shall be at arm's length and at market rate, shall also be covered by this Policy.

The members of the Board, shareholders, and officers shall fully disclose to the Board all material facts related to material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Corporation. Such disclosure shall be made at the board meeting where the material RPT will be presented for approval and before completion or execution of the material RPT

III. Approval and Review of Related Party Transactions

The Compliance Officer is informed of all individual material RPTs for appropriate due diligence review and compliance with Third Party Risk Management policy. This shall be presented to the Audit & Risk Committee who in turn makes their recommendation to the Board. Final approval is obtained by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve the material RPT. In case that a majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for

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purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

Non-material RPT shall be reviewed and approved by the Compliance Officer and the President & CEO. All approved non-material RPT shall also be presented to the Audit & Risk Committee bi-annually for notation.

The Internal Audit (Audit Committee) shall conduct a periodic review of the effectiveness of the Corporation's system and internal controls governing material RPTs to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exception or breaches in limits, shall be communicated directly to the Audit Committee.

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

IV. Guidelines to ensure Arm's Length Terms

In the evaluation of Related Party Transactions, the Board shall ensure that the Related Party Transactions are for the best interest of the Corporation. As appropriate for the circumstances, the Board shall consider the following:

1. The Related Party's relationship to the Corporation and interests in the transaction;
2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
3. The benefits to the Corporation of the proposed RPT;
4. The availability of other sources of comparable products or services; and
5. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the term generally available to an unrelated party under similar circumstances. The Corporation should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

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V. Disclosure

Related Party Transactions are disclosed in the Corporation’s financial statements, annual reports and other filings in accordance with the relevant rules and issuance of the Securities and Exchange Commission and other applicable regulatory bodies. The disclosure includes, but is not limited to, the name of the Related Party, relationship with the Corporation for each RPT, the nature and value for each RPT.

VI. Whistleblowing Mechanism

This Policy shall be taken in conjunction with the MMC’s Whistleblowing Policy and consistent with the values and codes of conduct set by the Board. This Policy encourages all stakeholders to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable Material RPTs.

Legitimate material concerns shall be reported, investigated and addressed by an objective independent internal or external body, senior management or the Board itself. Violations of this Policy are covered by the Whistleblowing Policy and sanctions under applicable laws and shall be dealt accordingly.

VII. Remedies for abusive Related Party Transactions

The Board shall determine measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Corporation arising out of or in connection with abusive material RPTs according to the circumstances at hand.

Non-compliance with any of the provisions of this Policy may result in the nullification or revocation of any agreement or contract involved in the execution of the RPT.

The Board may also decide on the removal of the director who willingly violates this Policy in accordance with the provisions of existing laws, rules and regulation, subject to other legal remedies available.

VIII. This Policy shall not apply to the following:

1. Compensation of directors and executive officers of the Corporation;
2. Compensation of employees of the Corporation;

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3. The sharing of administrative services between the Corporation and a Related Party on a cost basis, where the cost of the services is identifiable and allocated to the parties involved on a fair and equitable basis;
4. Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids;
5. Any transaction with a Related Party for the provision of goods or services if the goods or services are sold or rendered based on a fixed or graduated scale which is publicly quoted or applied consistently to all customers or class of customers;
6. Share transactions such as dividends, repurchase, and rights offerings which are available to all shareholders on a pro-rate ownership basis; and
7. Other transaction similar to any of the foregoing.

Review:

The Board, the Audit & Risk Committee and Compliance Officer shall review and assess the adequacy and effectiveness of this Policy at least every three (3) years and recommend as it may deem appropriate for approval any changes it considers to the Board.

Effectivity:

This Policy shall take effect immediately upon approval by the Board. All existing policies, corporate rules and related implementing guidelines concerning the same matters covered by this Policy are deemed superseded. In the event of any inconsistency between the policy and guidelines contained herein and the terms of other existing policies, corporate rules and related implementing guidelines, the policy and guidelines contained herein shall prevail.

Approval, Amendment or Alteration of Policy

This Policy has been approved and adopted by the Medical Doctor's Inc. (MDI) Board of Directors. The Compliance Department, Leadership and the MDI Board of Directors has the overall responsibility to provide oversight on implementation, monitoring and periodic review (at least every 3 years) of this Policy.

This Policy shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by resolutions of the Board of Directors.

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Reference/s: MPIC Related Party Transaction Policy, MMC Whistleblowing Policy.

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