

**REVISED MANUAL ON CORPORATE GOVERNANCE  
OF  
MARY MEDIATRIX MEDICAL CENTER, INC.**

The Board of Directors and Management, i.e., officers and staff, of **MARY MEDIATRIX MEDICAL CENTER, INC.** (hereinafter referred to as the "Corporation" or the "Hospital") hereby commit themselves to the principles and best practices contained in this Revised Manual on Corporate Governance (the "Manual"), and acknowledge that the same may guide the attainment of their corporate goals.

**ARTICLE I - OBJECTIVE**

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

**ARTICLE II. DEFINITION OF TERMS**

The technical terms used in this Manual shall have the respective meanings as set forth below:

*A. Board of Directors* - refers to the collegial body that exercises the corporate powers of the Corporation, which is formed under the Corporation Code. It conducts all business and controls or holds all property of the Corporation.

*B. Corporate Governance* - refers to a system of stewardship and control to guide the Corporation in fulfilling their long-term economic, moral, legal and social obligations towards their shareholders and other stakeholders. Its purpose is to maximize the organization's long-term success, thereby creating sustainable value for its shareholders, other stakeholders and the nation.

*C. Code* - refers to the Code of Corporate Governance for Public Companies and Registered Issuers, SEC Memorandum Circular No. 24, Series of 2019.

*D. Corporation or the Hospital* - refers to Mary Mediatrix Medical Center, Inc.

*E. Corporation Code* - refers to the Revised Corporation Code of the Philippines.

*F. Executive Director* – refers to a director who is also the head of a department or unit of the Corporation or performs any work related to its day-to-day operations.

*G. Independent Director* - refers to a person other than an officer, employee or substantial shareholder of the Corporation, 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, and includes the more specific requirements for the same under SEC Memorandum Circular No. 16, Series of 2002. This also means that apart from his privileges 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.

*H. Management* - refers to the body given the authority to implement the policies determined by the Board in directing the course/business activities of the Corporation.

*I. Non-executive Director* – a director who is not the head of department or unit of the Corporation nor performs any work related to its day-to-day operations.

*J. Internal control* - refers to the process effected by the Corporation'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.

*K. Internal control system* - 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 Corporation is exposed.

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

*M. Internal Audit Department* – refers to a department or unit of the Corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the Corporation's operations.

*N. Internal Auditor* - refers to the top position within the organization responsible for internal audit activities. In a traditional internal audit ac-

tivity, this would be the internal audit director. In the case where the internal audit activities are obtained from outside service providers, the Internal Auditor is the person responsible for overseeing the service contract and the overall quality assurance of these activities, and follow-up of engagement results.

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

*P. Manual* - refers to this New Manual on Corporate Governance

*Q. International Standards for the Professional Practice of Internal Auditing (Standards)* - refers to the criteria by which the operations of an internal auditing department are evaluated and measured. They are intended to represent the practice of internal auditing as it should be, provide a framework for performing and promoting a broad range of value-added internal audit activities and foster improved organizational processes and operations.

*R. Related Parties* - covers the Corporation's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the covered entity. It also covers the Corporation's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

*S. Relation Party Transactions* - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

*T. SEC* - refers to the Securities and Exchange Commission.

*U. Stakeholders* - any individual, organization or society at large who can either affect and/or be affected by the Corporation's strategies, policies, business decisions and operations, in general. This included, among others, non-proprietary certificate holders, customers or patients, creditors, employees, suppliers, investors, as well as the government and the community of Batangas.

*V. Substantial Shareholder* – refers to any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Corporation's equity security.

## **ARTICLE III. COMPLIANCE SYSTEM**

**Section 1.** The compliance system of this Manual shall apply to the following: the Corporation's Compliance Officer, the Board of Directors, the Board Committees composed of the Executive Committee, the Management Committee, the Corporate Governance Committee, the Compensation Committee and the Audit Committee, the Officers, the Chief Executive Officer, and the Internal Auditor, and their respective plans of compliance are presented in Articles IV, V, VI, VII, VIII and IX of this Manual.

## **ARTICLE IV. COMPLIANCE OFFICER**

**Section 1. Compliance Officer.** To ensure adherence to corporate principles and best practices, the Board of Directors shall appoint a Compliance Officer who should have the rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation and should not be a member of the Board of Directors. He shall attend a training on corporate governance **every four (4) years**. He is primarily liable to the Corporation and its shareholders, and not to the Chairperson or President of the Corporation.

**Section 2. Duties of the Compliance Officer.** The Compliance Officer shall perform the following functions and duties:

- a.) Monitor, review, evaluate and ensure compliance by the Corporation, its officers and directors with the provisions and requirements of this Manual, relevant laws, rules and regulations and all governance issuances of regulatory agencies;
- b.) Appear before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;
- c.) Ensure the integrity and accuracy of all documentary and electronic submissions as may be allowed under the SEC rules and regulations;
- d.) Determine violation/s of the Manual and recommend penalty for violation thereof if necessary, for further review and approval of the Board of Directors;
- e.) 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 for the latter's deviation from the same;
- f.) Collaborate with other departments of the Corporation to identify, monitor and control compliance risks and work toward the resolution of the same; and
- g.) Ensure the attendance of board members and key officers to relevant trainings.

All correspondence relative to his functions as such shall be addressed to said Officer.

## **ARTICLE V. BOARD OF DIRECTORS**

**Section 1. Board of Directors.** Compliance with the principles of good corporate governance shall start with the Board of Directors (the “Board”) which shall provide an independent check on Management. The Board of Directors of the Corporation shall consist of such number as may be fixed in the Articles of Incorporation.

At all times, there should be at least two (2) members who are independent directors. It should be composed of a majority of non-executive (including independent directors) directors. However, a regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a two (2) year “cooling off period”.

Independent directors shall only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from being elected as such in the Corporation. The reckoning of the nine-year term is shall be from 2012.

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

The power and authority in the Board of Directors to manage and conduct the affairs of the Corporation are absolute so long as they act in accordance with their best judgment and in the absence of a dishonest purpose, or of fraud, bad faith, or negligence so gross as to amount to a breach of trust. The Board, unless restricted by the Articles of Incorporation or By-laws, has full control and management of the corporate business and property.

**Section 2. Board Diversity.** It is the policy of the Board to have a diverse set of members in age, gender, skills, competence and knowledge. The Board shall be composed of a combination of members with backgrounds or knowledge in the medical field, business development, finance, accounting, engineering and other fields which may have some benefit to the operation and objectives of the Corporation.

**Section 3. Other Specific Duties and Functions.** Without prejudice to the powers expressly conferred by the Revised Corporation Code of the Philippines, the Articles of Incorporation, By-laws, as well as the rules and

regulations of the Hospital, and in order to ensure a high standard of best practice for the Corporation and its stakeholders, the Board of Directors shall:

- a) Install a process of selection to ensure a mix of competent directors and officers and adopt an effective succession planning program including adopting a retirement policy for the Board and the key officers of Management.
- b) Be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Auditor Executive).
- c) Determine the Corporation's purpose, its vision and mission, and strategies to carry out its objectives, and to ensure that sound strategic policies and guidelines for major capital expenditures are in place to sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including business plans, operating budgets and Management's overall performance.
- d) Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices.
- e) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporation's CEO or Chief Financial Officer shall exercise oversight responsibility over this program.
- f) Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them accurately, effectively and sufficiently through an effective investor relations program.
- g) Adopt a system of internal checks and balances and an effective performance evaluation framework which includes the standard or criteria for assessments to ensure the Board's, committees' and its personnel's performance is at par with the standards set by the Board and Senior Management. A regular review of the effectiveness of such system must be conducted so that the decision making capability and integrity of corporate operations and reporting systems are maintained at a high level at all times.
- h) Adopt a sound Enterprise Risk Management framework to identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.

- i) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- j) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- k) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.
- l) Endeavor to provide appropriate technology and systems rating to account for available resources to ensure a position of a strong and meaningful competition.
- m) Properly discharge the functions of the Board by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly reflected in the minutes of the meetings of the Board.
- n) Keep the Board authority within the powers of the Corporation as prescribed in the Articles of Incorporation, By-laws, the rules and regulations of the Hospital, and in the existing laws, and implementing rules and regulations; conduct and maintain the affairs of the Corporation within the scope of its authority as prescribed in its Articles of Incorporation, By-laws, rules and regulations of the Hospital, and in the existing laws, rules and regulations.
- o) Adopt a Code of Business Conduct and Ethics which shall be disclosed and made available to the public through the Corporation's website, and ensure proper and efficient implementation and monitoring of compliance with the same and other internal policies.
- p) Appoint a Compliance Officer who shall have the rank of at least vice president or an equivalent position with adequate stature and authority in the Corporation and should not be a member of the Board of Directors.
- q) Appoint a Lead Director among the independent directors if the Chairperson of the Board is not independent. The Lead Director shall have the following functions to lead the Board in cases where management has clear conflicts of interest:

- i. Serve as intermediary between the Chairperson and the other directors when necessary;
  - ii. Convene and chair the meetings of the non-executive directors;
  - iii. Contribute to the performance evaluation of the Chairperson, as required.
- r) The non-executive directors shall have separate periodic meetings with the External Auditor and heads of the Internal Audit without the presence of executive directors present to ensure that proper checks and balances are in place within the Corporation.
- s) Align the remuneration of key officers and board 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.
- t) Have a formal board nomination and election policy that should include how it accepts nomination from minority shareholders and reviews nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the Corporation.
- u) Encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' meeting with sufficient and relevant information at least twenty-one (21) days before the meeting.
- v) Encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' meeting 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 five (5) business days from end of the meeting.
- w) Identify the Corporation's various stakeholders and prompt cooperation between them and the Corporation in creating wealth, growth and sustainability.
- x) Establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.
- y) Adopt a transparent framework and process that allow stakeholders to communicate with the Corporation to obtain redress for the violation of their rights.

**Section 4. Duties and Responsibilities of a Director.** A director's office is one of trust and confidence. He shall act on a fully informed basis, in

good faith, with due diligence and care and in the best interest of the Corporation and all shareholders and all other stakeholders. He shall act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress. He should notify the Board before accepting a directorship in another company. A director shall have the following duties and responsibilities:

- a) **To conduct fair business transactions with the Corporation and to ensure that personal interest does not conflict with interests of the Corporation.**

The basic principle to be observed is that a director should not use his position to make profit or acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.

- b) **To devote time and attention necessary to properly discharge his duties and responsibilities.**

A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of the Corporation's condition and be knowledgeable enough to contribute meaningfully to the Board's work. He should attend and actively participate in Board and Committee meetings, request and review meeting materials, propound questions, and request explanations.

- c) **To act judiciously.**

Before deciding on any matter brought before the Board of Directors, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

- d) **To exercise independent judgment.**

A director should view each problem/situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to the Corporation.

e) **To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-laws, the Hospital's rules and regulations, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies.**

A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.

f) **To observe confidentiality.**

A director should observe confidentiality of non-public information acquired by reason of his position as director; he should not disclose any confidential or non-public information to any person without the authority of the Board.

g) **To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.**

Directors stand in a fiduciary relationship to the Corporation and its shareholders, and should, therefore, exercise the utmost good faith in all transactions touching on their duties to the Corporation and its property. That duty is owed the Corporation and its shareholders whenever the actions of the director concern matters affecting the general well-being of the Corporation. As a fiduciary in this context, a director's first duty is to act in all things of trust wholly for the benefit of the Corporation. This encompasses a duty to disclose information to those who have a right to know the facts. The duty of the directors of complete honesty to their stockholders to disclose all material information applies to matters of corporate governance as well as to corporate transactions. Such requirement that director should disclose to the stockholders all material facts bearing upon a particular transaction comes under the duties of care and loyalty. In other words, a director of the Corporation owes the Corporation complete loyalty, honesty, and good faith.

The standard of care required of a director is the degree of care that an ordinarily prudent person would exercise in a like position under similar circumstances. A director shall perform his duties in good faith, in a manner the director reasonably believes to be in the best interests of the Corporation, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. The authority of the Directors is restricted to the management of the ordinary or regular business of the Corporation, unless a more extensive power is expressly conferred by the Articles of Incorporation and By-laws. When acting within their authority, directors are bound only to exercise good faith and use of their best judgment in the conduct of the business.

**Section 5. Internal Control Responsibilities of the Board.** The control environment of the Corporation is composed of: (i) the Board of Directors which ensures that the Corporation is appropriately and effectively managed and controlled; (ii) a Management that actively manages and operates the

Corporation in a sound and prudent manner; (iii) the organizational and procedural controls supported by an effective management information system and risk management reporting system; and (iv) the independent audit mechanisms to monitor the adequacy and effectiveness of the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The minimum internal control mechanisms for the Board of Directors' oversight responsibility may include:

- a) Defining the duties and responsibilities of the CEO;
- b) Selecting or approving an individual with appropriate ability, integrity and experience to fill the CEO role;
- c) Reviewing proposed senior management appointments;
- d) Ensuring the selection, appointment, and retention of qualified and competent Management;
- e) Reviewing the Corporation's personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and Management succession plan.

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

**Section 6. The Chairperson of the Board and the Chief Executive Officer.** The roles of Chairperson and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and a better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairperson and CEO upon their election.

**Section 7. The Chairperson.** There shall be a Chairperson of the Board of Directors who is under a duty to exercise his powers in utmost good faith. The following are the powers and duties of the Chairperson, among others, as may be assigned to him by the Board of Directors:

- a.) To preside over all meetings of the directors and the stockholders, regular or special;
- b.) To cast the deciding vote in case of a tie in the meeting of the Board of Directors;

- c.) To ensure that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issue that will significantly affect operations;
- d.) To guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- e.) To facilitate discussions on key issues by fostering an environment conducive for constructive debate;
- f.) To ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- g.) To assure the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- h.) To ensure that the performance of the Board is evaluated once a year and discussed or followed up on if necessary.

**Section 8. Qualifications of Directors.** In addition to the qualifications for membership in the Board provided for in the Corporation Code and other relevant laws, the members of the Board should possess the following qualifications:

- a) Holder of at least one (1) share of stock of the Corporation, which share shall stand in his name in the stock and transfer book of the Corporation;
- b) At least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- c) Possesses integrity and probity; and
- d) Should not be concurrently serving as director to more than ten (10) public companies and/or registered issuers; or five (5) public companies and/registered issuers if the director also sits in at least three (3) publicly-listed companies.

The Board may likewise provide for additional qualifications for membership in the Board which may include practical understanding of the business of the Corporation and previous business experience.

**Section 9. Permanent Disqualification of Directors.** The following are the grounds for the permanent disqualification of directors:

- a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- c) Any person finally convicted judicially of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d) Any person finally found by the SEC 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 Corporation Code, or any other law administered by the SEC or *Bangko Sentral ng Pilipinas*, or any rule, regulation or order of the SEC or *Bangko Sentral ng Pilipinas*.

- e) Any person earlier elected as independent director who becomes an officer, employee or consultant of this Corporation;
- f) Any person judicially declared to be insolvent;
- g) 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;
- h) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years, prior to the date of his election or appointment; and
- i) Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws.

**Section 10. Temporary Disqualification of Directors.** Any of the following shall be a ground for the temporary disqualification of a director:

- a) 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;
- b) Absence or non-participation without any valid reason 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;
- c) Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- d) An independent director whose beneficial equity ownership in the Corporation or its subsidiaries and affiliates exceeds 2% of the subscribed capital stock is temporarily disqualified from being a director of the Corporation, until his beneficial equity ownership reverts to the 2% limit;
- e) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final;
- f) A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an

Independent Director after a two (2) year “cooling off period;” and

- g) Persons appointed as Chairperson “Emeritus”, “Ex-Officio” Directors/Officers or Members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one (1) year “cooling off period” prior to his qualification as an Independent Director.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

**Section 11. Meetings of the Board.** The Board of Directors shall hold regular meetings at such time and place, and upon such notice as may be prescribed by resolution of the Board of Directors, in accordance with the Corporation’s By-Laws. The members of the Board of Directors shall attend regular and special meetings of the Board in person or through teleconference conducted in accordance with the rules and regulations of the SEC.

An independent director should endeavor to attend all the meetings of the Board of Directors. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

To monitor compliance with the attendance requirement, the Corporation shall submit to the SEC, on or before January 30 of every fiscal year, a sworn certification about the directors’ record of attendance in Board meetings. The said certification may be submitted through SEC Form 17-C or in a separate filing.

**Section 12. Quorum.** A majority of the number of directors fixed in the Articles of Incorporation of the Corporation shall constitute a quorum for the transaction of corporate business, and the decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board. Thus, half of the directors is not a quorum. Directors cannot attend or vote by proxy at Board meetings.

Board meetings conducted through the use of modern technology, such as teleconferencing and video-conferencing may be allowed in the light of technological developments and business globalization trend. However, participation of directors in meetings through tele-conferencing or video-conferencing may be deemed acceptable only when adequate safeguards have been accordingly set in place. Meetings of this nature should be properly recorded and the appropriate tapes and discs properly stored for safekeeping.

**Section 13. Compensation of the Members of the Board of Directors and Executive Officers.** The members of the Board of Directors shall not receive any salary for the performance of their duties as such. However, for every actual attendance of meeting of the Board, each director and executive officer shall be entitled to a per diem in an amount established by the Compensation Committee.

The compensation of the Executive Officers shall be in accordance with the policy and procedure to be established by the Compensation Committee. No director or Executive Officer shall participate in deciding on his/her compensation or per diem.

The Corporation's annual reports shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top (4) Executive Officers during the preceding fiscal year.

**Section 14. Indemnification of Directors and Officers.** To the extent permitted by law, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise (including employee benefit plans), or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges, expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any threatened, pending or completed action, suit or proceeding and any appeal therefrom, including but not limited to liability and expenses incurred on account of profits realized by him in the purchase and sale of securities of the Corporation, if and only if he acted in good faith and in a manner he reasonably believed to be in the best interest of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; the termination of any action, suit or proceeding by judgment, order, settlement, conviction or a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which are reasonably believed to be in the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

To the full extent permitted by law, the Corporation shall, upon request, pay costs, charges and expenses (including attorney's fees) incurred by a person entitled to indemnification pursuant to the immediately preceding section in defending a civil or criminal action, suit or proceeding; provided, however, that the payment of such costs, charges and expenses incurred by a director or officer in his capacity as a director or officer (and not in any other ca-

capacity in which service was or is rendered by such person while a director or officer) in advance of any final disposition of such action, suit or proceeding shall be made only upon receipt of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in these By-laws; such costs, charges and expenses incurred by other employees, agents and contractors may be so paid upon such terms and conditions, if any, as the Board of Directors deem appropriate.

## **ARTICLE VI. BOARD COMMITTEES**

**Section 1. Board Committees in aid of Corporate Governance.** To aid in complying with the principles of good corporate governance, the Board shall constitute the following committees: Corporate Governance, Audit and Compensation Committee.

**Section 2. Corporate Governance Committee.** The Corporate Governance Committee shall be composed of at least three (3) directors, majority of whom should be independent directors. The Chairperson of the committee should be an independent director. Said Committee shall promulgate the guidelines or criteria to govern the conduct of the nomination and election of the Board of Directors.

The nomination for Independent Directors shall be conducted by the Committee prior to a stockholders' meeting where the committee shall review and evaluate the qualifications of all persons nominated to the Board as Independent Directors. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.<sup>1</sup>

The Corporate Governance Committee shall consider the following guidelines in the determination of the nominees qualified to be elected to the Board:

- a.) The nature of the business of the Corporations of which he is a director;
- b.) Age;
- c.) Number of directorship/active memberships and officer ships in other corporations or organizations; and
- d.) Possible conflict of interest.

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

After the nomination, the Corporate Governance Committee shall prepare a Final List of Candidates for Independent Directors which shall contain all the information about all the nominees for Independent Directors, as re-

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<sup>1</sup> SEC Memo Circular No. 16, series of 2002.

quired under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, in accordance with SRC Rule 17.1(b) or SRC Rule 20, respectively, or such other reports the Hospital is required to submit to the SEC. The name of the person or group of persons who recommended the nomination of the Independent Director shall be identified in such report including any relationship with the nominee. Only the nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.<sup>2</sup>

The Corporate Governance Committee shall promulgate the rules and guidelines to govern the conduct of the nomination of regular directors at the stockholders' meeting and the election proper. Specific slots for independent directors shall not be filled-up by unqualified nominees. In case of failure of election for independent directors, a separate election during the same meeting to fill up the vacancy shall be held.<sup>3</sup>

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the SEC within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Corporate Governance Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.<sup>4</sup>

The establishment of a Corporate Governance Committee does not preclude the Board from establishing separate Compensation and/or Nomination and Election Committees, if deemed desirable or necessary.

**Section 3. Other Duties and Responsibilities.** The following shall also be the duties and responsibilities of the Corporate Governance Committee of the Corporation:

- a) Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity of operations and business strategy, as well as its business and regulatory environments;

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<sup>2</sup> SEC Memo Circular No. 16, series of 2002.

<sup>3</sup> SEC Memo Circular No. 16, series of 2002.

<sup>4</sup> SEC Memo Circular No. 16, series of 2002.

- b) Oversee the periodic performance evaluation of the Board and its committees as well as the executive management, and conducts an annual evaluation of the said performance;
- c) Ensure that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d) Recommend the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e) Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance; and
- f) Propose and plan relevant trainings for the members of the Board.

**Section 4. Compensation Committee.** The Compensation Committee shall be composed of at least three (3) non-executive directors, one of whom shall be an Independent Director, and shall collectively encompass general business skill and industry expertise. No member of the Committee shall be the spouse or relative within the third civil degree of consanguinity or affinity of any top senior management or top executive officer. Said Committee shall establish a formal and transparent procedure for developing a policy on the privileges of directors and the remuneration of top senior management or top executive officers who are receiving salaries from the Hospital and for fixing their compensation packages. It shall also provide oversight over compensation of other key or significant personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.

**Section 5. Duties and Responsibilities.** The following shall be the duties and responsibilities of the Compensation Committee of the Corporation:

- a.) Establish a formal and transparent procedure for developing a policy on the privileges and benefits of the directors and the compensation of senior management / executive officers who are receiving salaries from the Hospital and fixing their compensation packages, and provide oversight over compensation of other key/significant personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;
- b.) Designate amount of compensation, which shall be in a sufficient level to attract and retain officers who are receiving

compensation from the Corporation and who are needed to run the Hospital successfully;

- c.) Provide in the Corporation's annual reports and information statements a clear, concise and understandable disclosure of the benefits and privileges accorded to the directors and executive officers of the Corporation, the compensation of its senior management and significant employees for the previous fiscal year and the ensuing year; and
- d.) Review the existing Human Resources Development or Personnel Handbook of the Hospital, 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; in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

**Section 6. Audit Committee.** The Audit Committee shall be composed of at least three (3) non-executive directors of the Board, preferably with accounting and finance background, majority of whom shall be independent directors, as far as practicable. Each member shall have adequate understanding, or at least, competence to understand most of the Hospital's financial management systems and environment. The Chairperson of the Audit Committee should be an independent director. He shall be responsible for inculcating in the minds of the directors the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

**Section 7. Duties and Responsibilities of the Audit Committee.** The Audit Committee shall have the following duties and responsibilities:

- a) Recommends the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;
- b) Through the IA Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to: (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

- c) Oversees the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;
- d) Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- e) Monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;
- f) Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;
- g) Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- h) Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - i. Any change/s in accounting policies and practices
  - ii. Areas where a significant amount of judgment has been exercised
  - iii. Significant adjustments resulting from the audit
  - iv. Going concern assumptions
  - v. Compliance with accounting standards
  - vi. Compliance with tax, legal and regulatory requirements.
- i) Reviews the recommendations in the External Auditor's management letter;
- j) Performs oversight functions over the corporation's Internal and External Auditors and ensures their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into con-

sideration relevant Philippine professional and regulatory requirements;

- k) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- l) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders;
- m) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, Related Party Transactions (RPTs) are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- n) Evaluates all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied;
- o) Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:
  - i. The related party's relationship to the company and interest in the transaction;
  - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - iii. The benefits to the corporation of the proposed RPT;
  - iv. The availability of other sources of comparable products or services; and  
an assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- p) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include infor-

mation on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;

- q) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- r) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
- s) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures;
- t) Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the IA; and
- u) Performs the following functions of the Board Risk Oversight Committee in the absence thereof:
  - i. Develops a formal Enterprise Risk Management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
  - ii. Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee, and conducts regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks:
  - iii. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;

- iv. Advises the Board on its risk appetite levels and risk tolerance limits;
- v. Reviews at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation;
- vi. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders;
- vii. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- viii. Reports to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

## **ARTICLE VII. OFFICERS**

**Section 1. Election of Executive Officers.** The Board of Directors, at its organizational meeting, shall elect the executive officers of the Corporation, which shall consist of the Chairperson, President, Treasurer, Secretary, Assistant Secretary, Chief Financial Officer and such other officers as the Board of Directors shall deem necessary in the interest of the Corporation. The President and Treasurer shall be elected by the Board of Directors from among the qualified Regular Members.

The executive officers of the Corporation shall hold office for a period of one (1) year and until their successors are duly elected and qualified.

**Section 2. The President.** The following are the express powers and duties of the President as set forth in the By-laws who shall be the Chief Executive Officer of the Corporation and shall exercise the following functions:

- a.) To preside at the meeting of the stockholders in the event that the Chairperson is not present;
- b.) To envision, initiate and develop corporate objectives and policies and formulate long range projects, plans and programs

for the approval of the Board of Directors, including those for executive training, development and compensation;

- c.) To supervise and manage the business affairs and operations of the Corporation and manage human and financial resources prudently to ensure a proper balance, in accordance with the Corporation's strategic plan, upon the direction of the Board of Directors;
- d.) To implement the administrative and operational policies of the Corporation under his supervision and control;
- e.) To appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, and determine their salaries;
- f.) To oversee the preparation of the budgets and the statement of accounts of the corporation;
- g.) To represent the Corporation at all functions and proceedings;
- h.) To execute on behalf of the Corporation all contracts, agreements and other instruments affecting the interests of the Corporation which require the approval of the Board of Directors.
- i.) To make reports to the Board of Directors and stockholders and interfaces between the Board and the Corporation's employees;
- j.) To sign certificates of stock;
- k.) To determine the Corporation's strategic direction and formulate and implement its strategic plan on the direction of the business;
- l.) To communicate and implement the Corporation's vision, mission, values, and overall strategy and promote any organization or stakeholder change in relation to the same;
- m.) To have a good working knowledge of the Corporation's industry and market and to keep up to date with its core business purpose;
- n.) To direct, evaluate and guide the work of the key officers fo the Corporation, as well as build the corporate culture and motivate the employees of the Corporation;
- o.) To serve as the link between internal operations and external stakeholders; and

- k.) To perform such other duties as are incident to his office and/or are entrusted to him by the Board of Directors.

**Section 3. The Treasurer.** The Treasurer shall have the following duties and functions as prescribed in the By-laws:

- a) To keep full and accurate accounts of receipts and disbursements in the books of the Corporation;
- b) To have custody of, and be responsible for, all the funds, securities and bonds of the Corporation;
- c) To deposit in the name and to the credit of the Corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the Corporation which may come under his control;
- d) Together with the President, to sign all checks, drafts, bills of exchange, promissory notes and orders for payment of sums of money in the name and on behalf of the Corporation; and
- e) To exercise such powers and perform such duties and functions as may be assigned to him by the Board of Directors or the President.

In addition to the express duties and functions of the Treasurer as set forth in the By-laws of the Corporation, he shall present bi-monthly statements to the Board of Directors during the regular meetings of the board and annual financial statements during the annual stockholders' meeting of the Corporation. His books shall be open at all times to the inspection of any stockholder of record and/or his duly appointed auditor, and the Board of Directors.

**Section 4. The Corporate Secretary.** The Corporate Secretary shall be a citizen and resident of the Philippines and shall be elected by the Board of Director during the organizational meeting. He should not be a member of the Board of Directors and should be a separate individual from the Compliance Officer. He shall serve for one (1) year and until the next election of officers, unless, he resigns or is removed from office by the Board with or without cause. He shall attend a training on corporate governance **every four (4) years**. He shall be primarily responsible to the Corporation and its shareholders, and not to the Chairperson or President of the Corporation. The Corporate Secretary shall have the following duties and functions as prescribed in the By-laws:

- a.) To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

- b.) To keep record books showing the details required by law with respect to the stock certificates of the Corporation, including ledgers and transfer books showing all shares of the Corporation subscribed, issued and transferred;
- c.) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;
- d.) To attend to the giving and serving of all notices of the Corporation required by law or these by-laws to be given;
- e.) To certify to such corporate acts, countersigns corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.
- f.) To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election.
- g.) To work and deal fairly and objectively with all the constituents of the Corporation, namely, the Board of Directors, Management, stockholders, and other stakeholders.
- h.) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

In addition to the express duties and functions of the Corporate Secretary as set forth in the By-laws of the Corporation, the Corporate Secretary shall:

- i. Be loyal to the mission, vision and objectives of the Corporation;
- ii. Work fairly and objectively with the Board, Management and stockholders;
- iii. Have appropriate administrative and interpersonal skills;
- iv. If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;

v. Have a working knowledge of the operations of the Corporation;

vi. Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five (5) working days before the date of the meeting and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

vii. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;

viii. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and

ix. Submit to the Securities and Exchange Commission at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

x. Advise on the establishment of board committees and their terms of reference.

xi. Advise the Board on its roles and responsibilities.

xii. Facilitate the orientation of new directors and assist in director training and development, if possible.

xiii. Manage the process pertaining to the holding the Annual Stockholders' Meeting.

xiv. Monitor corporate governance developments and assist the Board in tailoring governance practices to meet the Boards needs and investor expectations.

xv. Serve as the focal point for investor communication and engagement on corporate governance issues.

**Section 5. The Assistant Corporate Secretary.** In the absence or disability of the Corporate Secretary, the Assistant Corporate Secretary shall act in his or her place and perform his or her duties. The Corporate Secretary may, subject always to his or her supervision and control, delegate any or all of his or her powers, duties, and functions to the Assistant Corporate Secretary. The Assistant Corporate Secretary shall also perform such other duties as may, from time to time, be assigned to him or her by the Board of Directors or the President.

## **ARTICLE VIII. ACCOUNTABILITY AND AUDIT EXTERNAL AND INTERNAL AUDITORS**

**Section 1. Accountability of the Board/Management.** The Board of Directors is primarily accountable to the shareholders, and Management is primarily accountable to the Board. The Board should provide the shareholders with a balanced and understandable assessment of the Corporation's performance, position, and prospects on a quarterly basis including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law. Management should be primarily responsible in making financial reporting and internal control in accordance with the following guidelines:

- i. Present a balanced and understandable assessment of the Corporation's position and prospects;
- ii. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
- iii. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
- iv. Maintain an effective system of internal control to safeguard stakeholders' investment and the Corporation's assets;
- v. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts; and
- vi. Require the Internal Auditor to render to the Audit Committee and senior management an annual report on the internal audit's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. The Internal Auditor's annual report shall likewise be made available to the stockholders of the Corporation. Internal auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing. Otherwise, the Internal Auditor shall disclose to the Board and senior management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.

**Section 2. External Auditor.** An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. The external auditor of the Corporation shall be recommended by the Audit Committee, shall be approved by the Board of

Directors, and shall be presented to the stockholders during the annual stockholders' meeting for ratification and confirmation of appointment. Such external auditor shall undertake an independent audit and shall provide an objective assurance on the way in which financial statements shall have been prepared and presented.

The external auditor cannot at the same time provide the services of an internal auditor to the same client. Other non-audit work should not be in conflict with the functions of the external auditor.

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

**Section 3. Resignation, Dismissal or Cessation from Service of External Auditor.** The reason/s for the resignation, dismissal, or cessation from service of an external auditor, and the date thereof, shall be reported in the Corporation's annual 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, which if not resolved to the satisfaction of the former auditor, would have cause making reference to the subject matter of the disagreement in connection with its report.

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

**Section 4. Internal Auditor.** The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

The Internal Auditor shall report to the Audit Committee.

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.

## **ARTICLE IX. COMMUNICATION/TRAINING PROCESSES**

**Section 1. Availability for Inspection.** This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days. It shall also be posted on the Corporation's website.

**Section 2. Training Process.** Funds shall be allocated by the Chief Financial Officer or its equivalent officer for the purpose of conducting an orientation programs for first-time directors and relevant continuing training for

all directors **at least every four (4) years** to inform them of developments in the business and regulatory environment of the hospital industry, including emerging risks relevant to the Corporation, and an introduction to the Corporation's business, Articles of Incorporation and By-Laws, and other policies. These trainings may include training on audit, internal controls, risk management, sustainability and strategy.

**Section 3. Requirement for a Director to Attend Seminar on Corporate Governance.** A director shall, before assuming his/her functions as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

## **ARTICLE X. REPORTORIAL OR DISCLOSURE SYSTEM OF CORPORATION'S CORPORATE GOVERNANCE POLICIES**

**Section 1.** The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the Corporation's Compliance Officer.

**Section 2.** All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes of ownership.

**Section 3.** Other information that shall always be disclosed include compensation (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.

**Section 4.** All disclosed information shall be released via the procedure for the Corporation announcements as well as through the annual report.

**Section 5.** The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

## **ARTICLE XI. SHAREHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST**

**Investors' Rights and Protection.** The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the Sections provided hereunder are for the guidance of all internal and external parties concerned, as governance covenant between the Corporation and all its investors, and shall cover the rights of the stockholders which the Board commits to respect

**Section 1. Voting Rights.** All stockholders of the Corporation shall have the right to vote on any matter requiring stockholder ratification or approval as provided under the Revised Corporation Code including but not lim-

ited to the election of the Board of Directors, and any amendments to the Corporation's By-Laws or Articles of Incorporation.

**Section 2.Cumulative Voting.** Pursuant to Section 24 of the Corporation Code, cumulative voting shall be used in the election of directors. A stockholder entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected. Provided, however, that no delinquent stock shall be voted.

**Section 3.Removal of Director.** Any director of the Corporation may be removed from office by the vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock, provided, that such removal shall take place either at a regular or special meeting called for the purpose, and in either case, after previous notice to stockholders of the Corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders of the Corporation for the purpose of removal of directors, or any of them, must be called by the Secretary on order of the President, or on written demand of the stockholders representing at least a majority of the outstanding capital stock. The vacancy resulting from removal pursuant to Section 28 of the Revised Corporation Code may be filled by election at the same meeting without further notice, or at any regular meeting or at any special meeting called for the purpose, after giving notice as prescribed in the Code. However, a director shall not be removed without cause if it will deny minority shareholders' representation in the Board.

**Section 4. Pre-emptive Right.** All stockholders of the Corporation are granted the first option to subscribe to any opening of the Corporation's unissued capital stock, or to any increase in authorized capital stock. The pre-emptive right shall only be denied when the stock is: (1) issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; (2) issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock, in exchange for property needed for corporation purposes; or (3) issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock, in payment of a previously contracted debt.

**Section 5. Power of Inspection; Books to be Kept.** The Corporation shall keep and carefully preserve a record of all business transactions, and minutes of all meetings of stockholders or members, and of the Board of Directors. The records of all business transactions of the Corporation, and the minutes of any meeting shall be open to the inspection of any director or stockholder at reasonable hours on business days, and he may demand, in writing, for a copy of excerpts from said records or minutes, at his expense.

Stockholders may be furnished with copies of the annual reports, including financial statements.

**Section 7. Right to Financial Statements.** Pursuant to Section 74 of the Revised Corporation Code, the Corporation shall furnish to the stockholders its most recent financial statement, which shall include a balance sheet as of the end of the last taxable year, and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the result of its operation. At the regular meeting of stockholders, the Board of Directors shall present to such stockholders a financial report of the operations of the Corporation for the preceding year, which shall include financial statements, duly signed and certified by an independent certified public accountant.

**Section 8. Right to Information.** The stockholders 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 Corporation's outstanding shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement where these are found must be distributed to the shareholders before the annual stockholders' meetings.

The minority shareholders shall be granted the right to propose the holding of a meeting in accordance with the provisions of the By-laws of the Corporation, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

The minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for, and to those relating to matters for which the Management 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".

**Section 9. Right to Dividends.** All stockholders of the Corporation shall have a right to dividends that may be declared by the Board out of the unrestricted retained earnings of the Corporation which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them.

**Section 10. Appraisal Right.** Pursuant to Section 80 of the Revised Corporation Code, stockholders of the Corporation shall have appraisal right under any of the following circumstances:

- i. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of 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;

ii. 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 Corporation Code;

iii. In case of merger or consolidation; and

iv. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

### **ARTICLE XIII. MONITORING AND ASSESSMENT**

**Section 1.** Each of the Standing Committees of the Corporation shall report regularly to the Board of Directors.

**Section 2.** The Corporate Governance Committee may establish a performance evaluation system to measure the performance of the Board of Directors and the top-level Management of the Corporation.

**Section 3.** The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report or in such report applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

**Section 4.** This Manual shall be subject to review in such frequency as may be determined by the Board of Directors.

**ARTICLE XIV.  
PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

**Section 1.** To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers, and staff in case of violation of any of the provisions of this Manual:

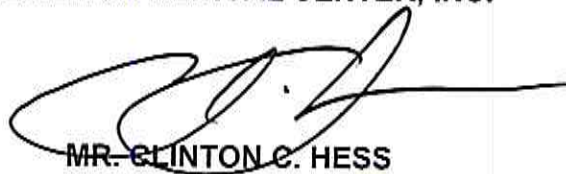
- i. In case of **first violation**, the subject person shall be reprimanded; and
- ii. Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall be determined by the Board of Directors depending on the gravity of the violation;
- iii. For **third violation**, the maximum penalty of removal from office shall be imposed; provided, however, that removal of directors shall be effected in accordance with Section 28 of the Revised Corporation Code.

**Section 2.** The Board of Directors may create a special committee which shall be responsible for determining violation/s of this Manual, and shall, after due notice and hearing, prepare an evaluation thereof, and shall recommend to the Board of Directors the imposition of the corresponding penalty for such violation. The decision of the Board of Directors shall be final and non-appealable.

The Corporation has duly caused this New Manual to be signed on its behalf by the undersigned Chairman of the Board of Directors, and its Compliance Officer, hereunto duly authorized.

**MARY MEDIATRIX MEDICAL CENTER, INC.**

By:



**MR. CLINTON C. HESS**  
Chairman of the Board



**JEAN MARIE L. UY-YAM**  
Compliance Officer

Date: January 8, 2024