

Manual

on

Corporate Governance

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ARTICLE I

DEFINITIONS AND FRAMEWORK OF GOVERNANCE AND ORGANIZATIONAL COMMITMENT TO GOOD GOVERNANCE

A. DEFINITION OF TERMS

- i) **Board of Directors** – the governing body elected by the stockholders/members that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- ii) **Conglomerate** – a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.
- iii) **Corporate Governance** – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and Senior Management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

Its purpose is to maximize the organization’s long-term success, thereby creating sustainable value for its shareholders, stakeholders and the nation.

- iv) **Director** – a person named as such in the Articles of Incorporation, or duly elected in subsequent meetings of the stockholders or those elected to fill vacancies in the Board of Directors.
- v) **Enterprise Risk Management** – a process, effected by an entity’s Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
- vi) **Executive director** – a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- vii) **Independent director** – a person who is independent of Management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his

responsibilities as a director.

- viii) **Internal Control** – a process designed and effected by the entity’s Board of Directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management of corporate information; and compliance with applicable laws, regulations and the organization’s policies and procedures.
- ix) **Management** – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.
- x) **Non-executive director** – a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- xi) **Non-Proprietary Right** – an interest, participation or privilege over a specific property of a corporation that allows the holder to use such property under certain terms and conditions. The holder, however, shall not be entitled to dividends from the corporation or to its assets upon its liquidation.
- xii) **Proprietary Right** – an interest, participation or privilege in a corporation which gives the holder the right to use the facilities and to receive dividends or earnings from the corporation. Upon the liquidation of the corporation, the holder shall have proportionate ownership rights over its assets.
- xiii) **Public Company** – A company with assets of at least Fifty Million Pesos (Php50,000,000.00) and having Two Hundred (200) or more stockholders holding at least One Hundred (100) shares each of equity securities.
- xiv) **Registered Issuer** – A company that: (1) issues proprietary and/or non-proprietary shares/certificates; (2) sells equity securities to the public that are not listed in the Exchange; or (3) sells debt securities to the public that are required to be registered to the SEC, whether or not listed in an Exchange.

APMC Bacolod, Inc. is a Registered Issuer.

- xv) **Related Parties** – covers the company’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 company.

It also covers the company’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.

- xvi) **Related 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 shall 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.
- xvii) **Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the company’s strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.
- xviii) **Significant Influence** – The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

B. FRAMEWORK OF GOVERNANCE

The governing rules for Corporate Governance are not drawn from any single document. The Revised Corporation Code of the Philippines lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code (Republic Act No. 8799), and the implementing rules and regulations, and the Code of Corporate Governance FOR PUBLIC COMPANIES AND REGISTERED ISSUERS (SEC Memorandum Circular No. 24 series of 2019) issued by the Securities and Exchange Commission (SEC). When the context allows and when appropriate, a term used herein shall have the meaning given to such term in the relevant and applicable laws and implementing rules and regulations.

The structure for corporate governance of Asia-Pacific Medical Center Bacolod, Inc. (APMC Bacolod, Inc., APMCB I or APMC Bacolod) is principally contained in the Corporation's Articles of Incorporation and By-Laws and their amendments. These constitutive documents lay down, among others, the basic structure of governance, minimum qualifications of directors, and the principal duties of the Board of Directors and officers of the Corporation. The function of this Revised Manual on Corporate Governance is to supplement and complement the Corporation's Articles and By-Laws by setting forth principles of good and transparent governance.

C. ORGANIZATIONAL COMMITMENT TO GOOD GOVERNANCE

The Board of Directors, Management, Officers and employees of APMC Bacolod commit themselves to the principles and best practices of governance contained in this Manual as a guide in the attainment of its corporate goals. The Corporation shall make a continuing effort to create awareness of good corporate governance within the organization. At the same time, the entire organization declares its continuing commitment to the Vision and Mission Statements and core values of APMC Bacolod made an integral part of this Manual.

1. Vision:

By 2030, APMC Bacolod will be recognized as an excellent healthcare facility with global standards in the Asia-Pacific region through holistic patient care, quality training, innovation, and research.

2. Mission:

To provide compassionate and complete healthcare services anchored on patient engagement.

3. Core Values:

- A – ADAPTABILITY - in a dynamic world, we embrace the advancement in healthcare technology.
- P – PURSUIT OF EXCELLENCE - we commit to engage in learning opportunities to enhance knowledge and mastery of skills.
- M – MUTUAL RESPECT - we value everyone for who they are and respect the uniqueness of every individual.
- C – COMPASSION - we act with benevolence towards our stakeholders and the people we serve.
- B – BENEFICIENCE - we advocate charity and equity for the greater good of the community.
- I – INTEGRITY - we are accountable to God and to our fellowmen, conducting ourselves with genuineness and transparency in upholding moral and ethical principles in everything that we do.

ARTICLE II

GOVERNANCE STRUCTURE

A. BOARD OF DIRECTORS

1. Mandate

The Board of Directors is the supreme authority in matters of governance and in managing the regular and ordinary business of the Corporation. Within their authority under the Corporation Code and other applicable laws and the By-laws of the Corporation, the directors acting as a Board have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

2. Size and Composition

i. Size

Pursuant to Section 10 of the Revised Corporation Code of the Philippines, the APMC Bacolod Board of Directors shall have fifteen (15) members who shall be elected individually by the Corporation's stockholders entitled to vote at the annual meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.¹

ii. Composition

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the operation of hospitals. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction. The Board shall ensure that each of these directors can add value and independent judgment in the formulation of sound corporate strategies and policies.²

In line with the best practice in corporate governance it is the Corporation's goal to have at least three (3) Independent Non-Executive Directors to be included as a member of the Board. The Independent Director(s) shall be identified in the Annual report.

3. Diversity

APMC Bacolod recognizes the benefits of having a diverse Board and its value

¹ Article III, Section 2 of APMCBI By-Laws

² 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 1.1

in maintaining sound corporate governance while achieving strategic objectives and sustainable growth as reflected in its Policy on Board Diversity³ hereto attached as Annex A.

APMC Bacolod does not have a target quota with respect to gender parity to uphold meritocracy and maintain balance in the composition of the Board in a manner that reflects the operating requirements of the Hospital, current resource levels for director aptitude and long-term interests of shareholders.

4. Independence

- i. The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to carry out proper checks and balances.⁴
- ii. The Board shall have at least three (3) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.⁵
- iii. The Board's independent directors shall serve for a maximum cumulative term of nine years, after which, the independent director shall be perpetually barred from reelection as such in the same company but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.⁶
- iv. The positions of Chairman of the Board and Chief Executive Officer or its equivalent position shall be held by separate individuals and each shall have clearly defined responsibilities.
- v. The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer or its equivalent are held by one person.⁷
- vi. A director with a material or potential interest in any transaction affecting the corporation shall fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction.

³ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 1.4

⁴ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 5.1

⁵ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 5.2

⁶ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 5.4

⁷ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 5.5

- vii. The Non-Executive Directors (NEDs) shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings shall be chaired by the lead independent director, if applicable.

5. Nomination of Directors

a. Nomination Process⁸

The Nominations and Election Committee (the "Committee") shall oversee the process for nomination which shall apply to nomination to both regular and independent directors and observe the following process:

- i. All shareholders, regardless of their shareholdings, shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code.
- ii. The nomination shall be in writing duly signed by the nominating stockholder or representative duly authorized in writing, with the written acceptance and conformity of the nominee. The nomination must indicate whether the nominee is intended to be an independent director and shall contain the nominee's age, educational attainment, and full disclosure of work and/or business experience and/or affiliations.
- iii. The prescribed Nomination Form may be used for convenience. In addition to the Nomination Form, the Nominees for Independent Directors shall also submit a Certificate of Qualification a format of which shall be provided by APMC Bacolod.
- iv. If there are not enough nominees for directors and/or independent directors, the Nominations Committee, may by majority vote nominate such number of nominees for the said position/s and include them in the final list to be submitted to the Board for approval.
- v. All nominations for directors to be elected by the stockholders of the Corporation shall be submitted in writing to the Corporate Secretary of the Corporation at the principal office of the Corporation not earlier than sixty (60) business days nor later than twenty (45) business days prior to the date of the regular or special meeting of the stockholders for the election of the directors. Nominations which are not submitted within such period shall not be valid. Only stockholders of record

⁸ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 2.5

entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated and elected a director of the Corporation.

- vi. After endorsement by the Corporate Secretary to the Nominations Committee, the Nominations Committee shall meet to pre-screen all nominees, and shall submit a Final List of Candidates to the Board of Directors thru the Corporate Secretary for its approval at least thirty (30) days prior to the schedule of the Annual Stockholders Meeting. The Nominations Committee shall pre-screen and shortlist all candidates nominated to become members of the board of directors in accordance with the list of qualifications and disqualifications as defined in the Company's Corporate Governance Manual with due consideration of the requirements of the Corporation Code, the Securities Regulation Code, the Revised Code of Corporate Governance and relevant SEC Circulars (such as the SEC Memorandum Circular No. 16, Series of 2002 and SEC Memorandum Circular No. 24, Series of 2019), as may be amended, relating to the board directors.
- vii. The list of the nominees for election as members of the Board, as determined by the Committee, shall be final and no other nomination shall be entertained or allowed after the final list of nominees is approved. No further nominations shall be allowed on the floor during the actual Annual Stockholders' Meeting. The Final List of Candidates shall contain all the information about all the nominees and shall be made to the SEC and to all stockholders through the filing and distribution of the Information Statement, or in such other reports APMCB I is required to submit to SEC. The nominator shall also be included in the report including any relationship with the nominee.
- viii. In case of vacancy in the Board other than removal of a director or expiration of term, the Committee shall determine and identify the qualified nominee and recommend to the Board, if the remaining directors still constitute a quorum, to elect such qualified nominee to fill the vacancy. Taking into consideration the requirements set forth in their respective Charters, the Committee shall identify and recommend directors to fill vacancies set forth in their respective charters. The Nominations Committee shall be guided by and shall ensure compliance with the SEC Memorandum Circular No. 16 Series of 2002 in the conduct of the nomination and election process.

b. Criteria For Nomination

i. Qualifications Of Directors

A director of APMC Bacolod shall have the following qualifications:

- 1) Ownership of at least two hundred (200) blocks or 2000 shares of the capital stock of the Corporation standing in his name in the books of the Corporation at the time of his election;⁹
- 2) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;
- 3) Relevant qualification, such as previous business experience, membership in good standing in relevant industry, and membership in business or professional organizations;
- 4) Integrity, probity and diligence and assiduousness in the performance of his functions;
- 5) Attendance of an accredited corporate governance seminar and other relevant trainings, as required by the DOH and/or SEC, within a period of six (6) months from date of election. However, the following shall be exempted from attending such seminars:
 - a. Filipinos with recognized stature and influence and reputation in the hospital industry and/or whose business practices stand as testaments to good corporate governance; and
 - b. Former Chief Justice and Associate Justices of the Philippine Supreme Court and legislators who authored corporate governance laws.

ii. Disqualifications of a Director

Permanent Disqualification

The following shall be considered as grounds for the permanent disqualification of a director:

- 1) Any person convicted by final judgment or order by 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

⁹ Article III, Section 8 of APMCBI By-Laws

- 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;
- 2) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, Bangko Sentral ng Pilipinas (BSP) 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 or as an affiliated person of any of them;
 - c. engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

The disqualification should also apply if:

- a. such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code of the Philippines, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP;
 - b. such person has otherwise been restrained to engage in any activity involving securities and banking; or
 - c. such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership,
- 3) Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
 - 4) Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or

procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or BSP;

- 5) Any person judicially declared as insolvent;
- 6) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority for acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
- 7) Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Revised Corporation Code of the Philippines and Securities Regulation Code committed within five years prior to the date of his election or appointment; and
- 8) 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.

Temporary Disqualification

The following shall be grounds for temporary disqualification of a director:

- 1) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;
- 2) Dismissal, termination or removal for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal, termination or removal;
- 3) If the beneficial equity ownership of an independent director (ID) in the corporation or its subsidiaries and affiliates exceed two percent (2%) of its subscribed capital stock. The disqualification from being elected as an ID is lifted if the limit is later complied with; and
- 4) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

iii. Qualifications of Independent Directors¹⁰

- 1) An Independent Director shall have the same qualifications to that of a regular Director except that his beneficial equity ownership in the APMC Bacolod or in its related companies, must not exceed two percent (2%), or less than 4,800 shares.
- 2) Independent Directors shall, apart from their fees and shareholdings, be independent from Management and free from any business or other relationship which would, or could reasonably be perceived to, materially interfere with the exercise of independent judgment in carrying out his responsibilities as a Director of the Corporation. For this purpose, an Independent Director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or controlling shareholder at the time of his election or appointment and/or re-election as a Director.

iv. Disqualifications of Independent Directors

No person enumerated hereunder shall qualify as an independent director. The following instances or causes shall likewise be cause for disqualification during an independent director's tenure:

- 1) If a director has been a senior officer or employee of APMC Bacolod unless there has been a change in the controlling ownership of the Company;
- 2) If the director has been in the two (2) years immediately preceding the election, a director of APMC Bacolod.; a director, officer, employee of the APMC Bacolod's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of APMC Bacolod's substantial shareholders and its related companies;
- 3) If the director has been appointed in APMC Bacolod, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
- 4) If the director owns more than two percent (2%) of the outstanding shares of APMC Bacolod, its subsidiaries, associates, affiliates or related companies;

¹⁰ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 5.3

- 5) If the director is a relative of a director, officer, or substantial shareholder of APMC Bacolod or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister, parent-in-law, son/daughter-in-law, and or brother-/sister-in-law;
- 6) If the director is acting as a nominee or representative of any director of APMC Bacolod or any of its related companies;
- 7) If the director is a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- 8) If the director is retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of APMC Bacolod, any of its related companies or substantial shareholder, within the two (2) years immediately preceding the date of his election;
- 9) If the director is engaged or has been engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with APMC Bacolod or any of its related companies or substantial shareholders, unless such transactions are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- 10) If the director is affiliated with any non-profit organization that receives significant funding from APMC Bacolod or any of its related companies or substantial shareholders;
- 11) If the director is employed as an executive officer of another Company where any of APMC Bacolod's executives serve as directors; and
- 12) If the director does not meet the attendance requirement as set forth under this code and/or in the Corporation's By-laws.

6. Election of Directors

- i. The conduct of the election of director/s shall be made in accordance with the standard election procedures prescribed in APMC Bacolod's by-laws which must be consistent with pertinent laws, rules and regulations of the SEC.
- ii. A holder of at least one (1) share of stock of APMC Bacolod shall have the right to be present and to vote, in every stockholder's meeting, in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been represented to the secretary.
- iii. At all stockholders' meeting, voting shall be by shares and not "per capita."

However, in the election of members of the Board of Directors, any stockholder may cumulate his vote as provided for in the Revised Corporation Code.

In the election of members of the Board of Directors, the fifteen nominees receiving the highest number of votes shall be declared elected.

- iv. All proxies must be in the hands of the Secretary not later than fifteen (15) days before the scheduled meeting. Based on the scheduled stockholders' meeting, the deadline of submission is on the FIRST SUNDAY OF APRIL on or before 5:00p.m. Such proxies filed with the Secretary may be revoked by the stockholder concerned either in an instrument in writing duly presented and recorded with the Secretary prior to a scheduled meeting or by his personal presence at the meeting. The decision of the Secretary on the validity of the proxies shall be final and binding until set aside by a court of competent jurisdiction.
- v. Voting for the election of members of the Board of Directors shall be by shares of stock, that is, one share entitles the holder thereof to one vote, two shares to two votes, etc., but in the election of members of the Board of Directors, any stockholder may cumulate his vote as provided for in the Corporation Law.
- vi. In the election of members of the Board of Directors, the fifteen (15) nominees receiving the highest number of votes shall be declared elected.

7. Election of Independent Directors

- a. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent directors are elected during the stockholders' meeting.

- b. Specific slot/s for independent directors shall not be filled-up by unqualified nominees.
- c. In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.
- d. In case of a tie, the Board shall employ any non-discretionary and non-discriminatory measure that is based on sheer luck or chance to determine the candidate who shall serve as a Director.

8. Powers of the Board

The corporate powers of APMC Bacolod shall be exercised, its business conducted and all its property controlled and held by, its Board of Directors.¹¹

9. Responsibilities of the Board of Directors

- a. The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders/members and all other stakeholders.¹²
- b. The Board shall oversee the development of and approve the company's business objectives and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength.¹³
- c. The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and Management to ensure the continuous and consistent growth of the company.
- d. The Board shall align the remuneration of key officers and board members with the long-term interests of the company/organization. It shall formulate a policy specifying the relationship between remuneration and performance. In this regard, no director or trustee should participate in the determination of his own per diem or compensation.
- e. The Board shall have the overall responsibility in ensuring that there is a *policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions*, particularly those which pass certain thresholds of materiality.
- f. The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO) or his/her equivalent, and control functions led by their

¹¹As mandated by Section 22 of the Revised Corporation Code

¹²2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 2.1

¹³ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 2.2

respective heads (Chief Compliance Officer, and Chief Audit Executive, as applicable).

- g. The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer or his/her equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management.
- h. The Board shall oversee that a sound enterprise risk management (ERM) framework (attached as Annex B) is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

10. Leadership

- a. The Board shall be headed by a competent and qualified Chairperson whose qualifications, roles and responsibilities shall be contained in the Board Charter.¹⁴
- b. In the absence of the Chairman of the Board, the Vice-Chairman shall assume and perform all powers and duties of the Chairman of the Board.
- c. There shall be a Lead Director among the elected Independent Directors.¹⁵

11. Board Governance

a. Board Charter

The Charter¹⁶ of the Board of Directors formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. It shall serve as a guide to the Directors in the performance of their functions. It is not intended to limit, enlarge or change in any way the responsibilities of the board as determined by its Articles of Incorporation, By-Laws and other applicable laws. Hence, the Board Charter of the hospital is incorporated in this Revised Manual as Annex C.

b. Orientation And Continuing Education

Within two months from election, an orientation program for first time directors shall be conducted by the *Corporate Governance Committee*. All directors shall also undergo an annual continuing training to keep it abreast of the updates in hospital administration and corporate governance.

¹⁴ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 1.2

¹⁵ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 5.6

¹⁶ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 2.11

The policy on the training of directors¹⁷, including an orientation program for first-time directors and relevant annual continuing training for all directors is anchored on the belief that all Directors will have more meaningful contributions to the Company if each is properly and suitably informed of the activities of the Company. This can be earliest achieved through a comprehensive orientation program for all directors upon joining the Board details of which are discussed in Annex D. of this Revised Manual of Corporate Governance.

c. Performance Evaluation

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees.¹⁸

The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.¹⁹

d. Access To Information

- 1) The directors shall attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.²⁰
- 2) Meeting documents shall be provided to the directors at least five (5) working days before the date of the meeting to ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

¹⁷ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 1.3

¹⁸ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 6.1

¹⁹ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 6.2

²⁰ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 4.1

B. DIRECTORS

1. Fiduciary Duties of Directors

The following are the fiduciary duties of directors:²¹

- a. To exercise utmost good faith in all transactions relating to their duties to the corporation and its property;
- b. To act for the benefit of the corporation and not for their own benefit;
- c. Not to profit as individuals by virtue of their position;
- d. To ensure that profits received by them from the company's property or business revert to the company and to hold the same as trustees for the benefit of the corporation and its stockholders;
- e. Not to acquire an interest adverse to that of the corporation, while acting for the corporation or when dealing individually with third persons.

2. Policies On Directorships

a. Policy on Multiple Board Seats²²

The Corporation shall ensure that adequate time and attention is given to the fulfillment of the Directors of their duties. The Independent Directors and Non-executive Directors shall hold no more than ten (10) board seats in public companies and/or registered issuers and Executive Directors shall hold no more than five (5) board seats in other companies outside the Corporation's group. However, the maximum shall be five public companies and/or registered issuers if the director also sits in at least three publicly listed companies. This is to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.

In the implementation of this policy, the Board may consider several directorships in related companies or companies in the same industry as one. The Board may also allow Executive Directors to hold directorships that are necessary or desirable in the pursuit of the Corporation's business or in furtherance of its corporate social responsibility.

b. Disclosure of Other Directorships

A director APMC Bacolod shall notify the Board before accepting a directorship in another company.²³

²¹Lopez, The Corporation Code of the Philippines: Annotated at 472-473

²² 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 4.2

²³ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 4.3

c. Interlocking Directorships

The Board shall regularly review interlocking board memberships to determine whether any common board memberships create real or possible conflicts of interest.

d. Term Limits of Independent Directors²⁴

- i. Independent Directors can serve for a maximum cumulative term of nine (9) years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the said position was relinquished or terminated.
- ii. After serving as Independent Director for nine (9) years, the Independent Director shall be perpetually barred from being elected as Independent Director in APMC Bacolod, but may continue to serve as regular director.

e. Remuneration Policy²⁵ For Directors and Officers

Per APMC Bacolod's by laws, each director shall receive a per diem allowance for his attendance at each meeting of the Board upon resolution of the Board. As compensation, the Board shall receive and allocate among the directors within their term of one year an amount of not more than ten percent (10%) of the net income before income tax of the incorporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper subject to the approval of stockholder representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

f. Succession Planning and Retirement Policy²⁶

With age often comes unparalleled wisdom and experience, skilled business judgment, invaluable industry and community relations and influence, and that the best interests of the APMC Bacolod are served by its being able to retain directors that make very meaningful contributions to the Board and the organization regardless of age. Henceforth, the retirement age of Directors is hereby set at 75 years of age. Other details of the retirement policy is discussed in Annex E.

²⁴ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 5.4

²⁵ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 2.4

²⁶ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 2.3

C. BOARD COMMITTEES

The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The Board committees shall be composed only of board members²⁷.

All the board-level committees have Committee Charters which state their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information which may serve as a basis for performance evaluation of each committee. Said Committee Charters are fully disclosed on the company website.²⁸

1. Audit Committee²⁹

An Audit Committee is hereby established to enhance the Board's oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations and to review all material related party transactions.

The committee shall be composed of three appropriately qualified non-executive directors, the majority of whom, including the Chairperson, shall be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee shall not be the Chairman of the Board or of any other committees.

2. Corporate Governance Committee³⁰

A Corporate Governance Committee is hereby established to assist the Board in the performance of its corporate governance responsibilities. It shall be composed of three (3) directors, all of whom shall be directors and majority of whom shall be independent, including the Chairperson.

3. Remuneration and Compensations Committee

A Remuneration and Compensation Committee is hereby established which shall be charged with studying and recommending an appropriate rewards system. It shall be composed of at least three (3) members, one of whom shall be an Independent Director. The Board may from time to time increase the membership of the Committee, and appoint additional members therein.

²⁷ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 3.1

²⁸ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 3.5

²⁹ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 3.2

³⁰ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 3.3

4. Nominations and Election Committee

A NOMINATIONS and ELECTION is hereby established which is charged the determination of the nomination and election process for the company's directors and defining the general profile of board members. It shall be composed of at least three (3) members, one of whom shall be an Independent Director. The Board may from time to time increase the membership of the Committee and appoint additional members therein.

The Board of Directors may create such other committees as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Corporation and to aid in good governance.

ARTICLE III

MANAGEMENT

Per APMC Bacolod's By-laws³¹, immediately after their election, the Board of Directors shall formally organize by electing the Chairman, the Vice-Chairman, the President, the Vice President, the Treasurer, and the Secretary, who must all be members of the Board of Directors. At said meeting, the Board may also appoint an Assistant Treasurer and Assistant Secretary, all of whom need not be directors of the corporation, and who shall be referred to as by-laws officers.

The Board may from time to time, appoint such other officers, as it may determine to be necessary or proper.

Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Secretary and President and Treasurer at the same time. He shall also exercise such powers and perform such duties as the Board of Directors may assign to him.

A. General Responsibilities of Management

Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with IT strategy and the business goals of the Corporation ; iv) a plan of succession that formalizes

³¹ Article 4 Section 1 of APMC Bacolod By laws

the process of identifying, training and selection of successors in key positions in the Corporation.

Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, it shall inform the Board regularly, promptly and comprehensively about any issues concerning the Corporation's strategy, risk management and compliance. Management shall likewise regularly update the Board of the implementation of the Corporation's strategy and explain variances from the approved plans and targets.

Management shall formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

1. The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders should be maintained;
3. On the basis of the approved audit plans, internal audit examination should cover at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules, and regulations;
4. The Corporation should consistently comply with the financial reporting requirements of the Commission;
5. The external auditor should be rotated or changed every five (5) years or earlier, or the signing partners of the external auditing firm assigned to the Corporation.

B. Duties and Responsibilities of the Executive Officers of the Corporation

The Executive Officers of the Corporation are the President and Chief Executive Officer, the Treasurer and/or the Chief Finance Officer, the Corporate Secretary and other executive positions which have been established by the Corporation through the Board of Directors. The Executive Officers shall be appointed by the Board of Directors. In addition:

The Board of Directors shall appoint (from time to time) one or more Senior Managing Directors and Managing Directors, and such other officers, agents and employees as provided for in the Corporation's By-Laws.

The Board of Directors may, in its discretion and in accordance with the By-Laws, elect a Vice Chairman of the Board from among its members.

1. President/Chief Executive Officer (CEO)

Minimum internal control mechanisms for management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Corporation's organizational and procedural controls. In addition to the duties imposed on the President/CEO by the Board of Directors, the President shall:

- i. has general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;
- ii. see that all orders and resolutions of the Board of Directors are carried into effect;
- iii. submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs;
- iv. report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to their notice;
- v. Implements the corporation's strategic plan on the direction of the business;
- vi. Communicates and implements the corporation's vision, mission, values and overall strategy as formulated by the board and promotes any organization or stakeholder change in accordance with the same;
- vii. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- viii. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- ix. Directs, evaluates and guides the work of the key officers of the corporation;
- x. Manages the corporation's resources prudently and ensures a proper balance of the same;
- xi. Provides the Board with timely information and interfaces between the Board and the employees;

- xii. Builds the corporate culture and motivates the employees of the corporation; and
- xiii. Serves as the link between internal operations and external stakeholders.

The President / CEO shall have such other responsibilities as the Board of Directors may impose upon him.

2. The Treasurer

The Treasurer of the Corporation shall have charge of the funds, securities, receipts and disbursements of the Corporation. He shall have the following functions:

- i. Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
- ii. regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;
- iii. ensure funds availability on a timely basis and at the most economical means;
- iv. optimize yields in temporary excess funds;
- v. provide relevant and timely capital market information;
- vi. ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

3. The Chief Finance Officer (CFO)

The Chief Finance Officer shall be the appointed by the Board of Directors. The CFO who may also be the Treasurer of the Corporation shall be responsible for the following:

- i. provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;

- ii. maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- iii. promote investor confidence in the Corporation by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with;
- iv. Strengthen internal controls by monitoring compliance with policies;
- v. recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The Chief Finance Officer shall have such other responsibilities as the Board of Directors may impose upon him.

4. The Secretary³²

The Corporate Secretary may not be a member of the Board of Directors. He/She shall be a separate individual from the Compliance Officer and shall annually attend a training on corporate governance.

The Corporate Secretary is primarily responsible to the corporation and its shareholders/members and not to the Chairperson or President of the Company and has, among others, the following duties and responsibilities:

- i. Assists the Board and the Board committees in the conduct of their meetings (i.e. agenda setting, preparation of annual schedule of meetings and board calendar);
- ii. Safekeeps and preserves the integrity of the minutes of the meetings of the Board, Board committees and shareholders/members, as well as other official records of the corporation;
- iii. Keeps abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
- iv. Works fairly and objectively with the Board, Management and shareholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders/members as well as other stakeholders;

³² 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 1.5

- v. Advises on the establishment of board committees and their terms of reference;
- vi. Informs 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. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- viii. Performs all required administrative functions;
- ix. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- x. Performs such other duties and responsibilities as may be provided by the Board and the Commission.

5. Compliance Officer³³

The Board shall be assisted in its duties by a Compliance Officer, who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

The Compliance Officer is a member of the company's Management team in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to the corporation and its shareholders/members, and not to the Chairperson or President of the company. He has, among others, the following duties and responsibilities:

- i. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- ii. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- iii. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

³³ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 1.6

- iv. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
- v. Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;
- vi. Collaborates with other departments within the company to properly address compliance issues, which may be subject to investigation;
- vii. Identifies possible areas of compliance issues and works towards the resolution of the same;
- viii. Ensures the attendance of board members and key officers to relevant trainings; and
- ix. Performs such other duties and responsibilities as may be provided by the Board and SEC.

ARTICLE IV

GOVERNANCE POLICY ON CONFLICT OF INTEREST

A. CODE OF BUSINESS CONDUCT AND ETHICS

1. The Company has a Code of Business Conduct and Ethics³⁴, a separate policy document which sets the standard for directors, officers and employees³⁵ of APMC Bacolod that guides them in arriving at the right decisions in the performance of their roles and responsibilities across various functions in the company and in handling relationships with all stakeholders.
2. The Code of Business Conduct and Ethics shall contain an anti-corruption policy³⁶ and a whistleblower policy.³⁷
3. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics by ensuring that internal controls are in place to ensure each Board Member's compliance.³⁸

B. RELATED POLICIES UNDER THE CODE OF BUSINESS CONDUCT AND ETHICS:

Directors, officers and employees shall always advance the interest of the

³⁴ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 7.1

³⁵ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 15.1

³⁶ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 15.2

³⁷ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 15.2

³⁸ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 7.2

Corporation over their personal interests. They are required to be loyal to the organization so much so that they may not directly or indirectly take undue advantage of their position in the Corporation. They must promote the common interest of all shareholders and other stakeholders, and the Corporation without regard to their own personal interests.

A conflict of interest exists when a director, officer or employee of the Corporation—

1. Supplies or is attempting or applying to supply goods or services to the Corporation;
2. Supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
3. Acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
4. Accepts gifts or invitations of any form from the supplier, customer or business partner of the Corporation, or from any third person or entity with existing or intended business dealings with Corporation, except when the gift or invitation is directly attributable to purely familial or personal relationships, only of nominal value, a simple promotional item or is part of the supplier's public relations program or part of business meetings or discussions;
5. Engages in a business or activity which competes with or works contrary to the best interests of the Corporation.
6. Uses material company information of which they may have knowledge and/or access by reason of their office in, or employment with, the Corporation to their personal advantage or the advantage of any third party to the prejudice of the Corporation;

If an actual or potential conflict of interest should arise on the part of Directors, the concerned Director shall not participate in the discussion of, and vote on, the matter where he is in conflict of interest. A Director who has a continuing conflict of interest of material nature should either resign or, if the Board deems appropriate, be removed from the Board.

A contract of the Corporation with one or more of its Directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present:

- i. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
- ii. The vote of such Director was not necessary for the approval of the contract;
- iii. The contract is fair and reasonable under the circumstances;

- iv. In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a Director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the Director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

Where a Director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the Director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the Director risked his own funds in the venture.

Directors, officers and employees who have personal or pecuniary interest on any enterprise with which the APMC Bacolod has an existing or intended transaction shall fully disclose the relevant facts of the situation to the Chairman of the Board in the case of the Directors, President and CEO, to the President in case of the Managing Directors, and to the Compliance Officer in the case of employees. All disclosures shall be submitted to the Human Resources Head. Any information disclosed under this rule shall be treated confidential except to the extent necessary to evaluate the situation and pre-empt the conflict of interest. The disclosure requirement provided above shall apply to transactions between the APMC Bacolod and any enterprise owned by, or in which there is pecuniary interest in the part of, any family or close personal relations of the Directors, officers and employees;

When the gift does not fall under any of the conditions set above, the Director, officer or employee concerned are encouraged to turn over the gift to appropriate committee for inclusion in the Corporation's Christmas party raffle;

Directors, officers and employees must immediately report any offer or gift of any value given to them or their immediate family with a view to get favors or to influence business recommendations, proposals or decisions affecting the Corporation or any of its related companies. The report shall be made to the Chairman of the Board in the case of the Directors, President and CEO, to the President in case of the Managing Directors, and to the Compliance Officer in the case of employees. All disclosures shall be submitted to the Human Resources Head;

The foregoing is without prejudice to the Corporation's existing Code of Conduct and Ethics for Directors, officers and employees.

ARTICLE V

COMPLIANCE SYSTEM AND INTERNAL CONTROL

APMC Bacolod shall have an adequate and effective internal control system and an Enterprise Risk Management framework in the conduct of its business, taking into account its size, risk profile, nature and complexity of operations.³⁹

A. COMPLIANCE OFFICE

The Compliance Officer oversees the implementation of the Company's compliance programs. The programs take into account the relevant rules and regulations that affect its operation, and the business risks that may arise due to non-compliance. By using regulatory and self-assessment compliance matrices, compliance measures are formulated to mitigate identified business risks and tested to ensure effectiveness.

B. INTERNAL AUDIT⁴⁰

The Company shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

The Internal Audit Group shall provide independent and objective assurance and advisory services to the Corporation designed to add value and improve on the organization's operations. It shall provide the Board, Management, the stockholders and other stakeholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

The Internal Audit Group performs its auditing functions faithfully by maintaining independence from the management and controlling shareholders.

The Internal Audit Group shall be headed by a Chief Audit Executive. The Chief Audit Executive shall preferably be a Certified Public Accountant and/or a Chief Internal Auditor and shall report to the Audit Committee of the Board of Directors.

The Internal Audit Group governs its work in adherence to The Institute of Internal Auditors' "Code of Ethics" and the Corporation's Code of Conduct and Ethics. The

³⁹ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 12.1

⁴⁰ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 12.2

Internal also conducts its activities in accordance with the International Standards for the Professional Practice of Internal Auditors and guided by the COSO framework of internal control. Otherwise, the Chief Audit Executive shall disclose to the Board and Management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.

The Internal Audit Group has the following specific duties and responsibilities:

- i. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting of the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- ii. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- iii. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- iv. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- v. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- vi. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- vii. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- viii. Monitors and evaluates governance processes.

C. EXTERNAL AUDIT

The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.⁴¹

⁴¹ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 9.1

- a) The External Auditor shall:
- i. perform fair audits independently from the Corporation, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Corporation's accounting information;
 - ii. check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
 - iii. attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;
 - iv. perform such other functions as may be approved by the Board or the Audit Committee in its engagement of the auditor, provided, however, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
- b) The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.
- c) The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor 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 caused making reference to the subject matter of the disagreement in connection with its report.
- d) If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall discuss his views with Management and Audit Committee and present his views in said reports.
- e) Should the External Auditor render any non-audit service to APMC Bacolod, the nature of such shall be disclosed in the Annual Report in the interest of managing conflict of interest.⁴²

⁴² 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 9.3

ARTICLE VI

DISCLOSURE AND TRANSPARENCY

As declared in its Code of Business Conduct and Ethics, APMC Bacolod adopts a policy of prompt and adequate disclosure of all material facts or changes in the affairs of the Company to give a fair and complete picture of the Company's financial condition, results and business operations.⁴³

All directors and officers of APMC Bacolod shall disclose/report to the company any of its dealings in the company's shares within five (5) business days from such dealings.⁴⁴

APMC Bacolod's Manual on Corporate Governance shall contain its corporate governance policies, programs and procedures and shall be submitted to the SEC and published in the company website.⁴⁵

ARTICLE VII

COMMUNICATION AND INFORMATION

A. Management's Responsibility for Information

Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:

1. Present a balanced and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
2. Explain the irresponsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
3. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
4. Maintain a sound system of internal control to safeguard stockholders' and other stakeholders' investment and the Corporation's assets;

⁴³ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 8.1

⁴⁴ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 8.2

⁴⁵ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 8.3

5. 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;
6. Require the Chief Audit Executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.

Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

B. The Investor Relations Function

There shall be an Investor Relations Office⁴⁶ within the Corporation, which shall be tasked with:

1. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;
2. Formulation of a clear policy on communicating or relating relevant information to Corporation stockholders and other stakeholders and to the broader investor community accurately, effectively and sufficiently
3. Preparation of disclosure documents to the Securities and Exchange Commission, and Dissemination of this Manual and the conduct of an orientation program for the Board and Management.

The Investor Relations Division shall report to the Corporate Secretary who shall act as the Chief Information Officer of the Corporation for purposes of reporting and disclosures to the SEC.

C. Sustainability Reporting

APMC Bacolod shall have a clear and focused strategy on the disclosure of non-

⁴⁶ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 13.5

financial information. APMCBIs strategic (long-term goals) and operational objectives (short-term goals) as well as impacts of a wide range of sustainability issues, with emphasis on the management of environmental, economic, social and governance (EESG) issues of its business which underpin sustainability⁴⁷

D. Website

APMC Bacolod shall have a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.⁴⁸

E. Publication of the Manual on Corporate Governance

This Manual shall be submitted to and made available at the Securities and Exchange Commission. It shall also be available for inspection by any stockholder and other stakeholders of the Corporation at its principal office during reasonable hours on a business day and published in the website.

ARTICLE VIII

STOCKHOLDER'S RIGHT AND PROTECTION OF MINORITY INTERESTS

A. Shareholders' Rights⁴⁹

The company treats all shareholders /members fairly and equitably, and recognizes, protects and facilitates the exercise of their rights.

1. Voting Right

All shareholders, including minority shareholders, have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code.

2. Pre-emptive Right

A pre-emptive right is the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.

⁴⁷ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 10.1

⁴⁸ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 11.1

⁴⁹ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 13.1

3. Right of Inspection

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.

4. Right to Information

Upon request and for a legitimate purpose, a shareholder shall be provided 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 shares, dealings with the Corporation, relationships among Directors and key officers, and the aggregate compensation of Directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission.

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

In accordance with existing law and jurisprudence, 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 should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

5. Right to Dividends

Shareholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct the corporation to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for a special reserve for probable contingencies.

6. Appraisal Right

In accordance with the Corporation Code, shareholders may exercise appraisal rights under 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; and
- iii. In case of merger or consolidation.

7. Right to Propose Meeting

Pursuant to the provisions of the Revised Corporation Code, shareholders shall have a Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting, provided the items are for legitimate business purposes.

The Notice of Annual and Special Shareholders' Meeting shall be sent with the Preliminary Information Statement to the Stockholders at least 25 days before the meeting.⁵⁰

The result of the votes on matters taken during the most recent Annual or Special Shareholder's Meeting shall be publicly available the next working day. The Minutes of the Annual and Special Shareholders' Meeting shall be available on the company website within five (5) business days from the date of meeting.⁵¹

B. DUTIES TO STAKEHOLDERS

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. The following are among the stakeholders of APMCB: Patients, physicians, employees, creditors, the Bacolod Community, the Bacolod City Government, the Department of Health, the Food and Drug Administration and other regulatory bodies not expressly mentioned herein.

⁵⁰ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 13.2

⁵¹ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 13.3

Where the rights and/or interests of the aforementioned stakeholders are at stake, they shall have the opportunity to obtain prompt effective redress for the violation of their rights.⁵²

The Board shall establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of APMCBI stakeholders.⁵³

ARTICLE IX

PENALTIES FOR NON-COMPLIANCE

APMCBI shall establish an evaluation system to determine and measure compliance with this Manual.

Violation thereof or non-compliance shall be subject to penalty as maybe determined by the Board of Directors ranging from reprimand to removal from office.

ARTICLE X

REVIEW AND AMENDMENT OF MANUAL

The provisions of this Manual and the enforcement thereof shall be subject to yearly review unless otherwise stated by the Board.

All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.

This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

⁵² 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 14.1

⁵³ 2019 Code of Corporate Governance for Public Companies and Registered Issuers, Recommendation 14.1

ARTICLE XI

ADOPTION AND EFFECTIVITY

This Manual was adopted by the Board of Directors on September 17, 2022. It shall be effective immediately as have been properly established and aligned with the Corporation's Policies and Regulations as well as its By-laws, thoroughly disseminated and duly approved. Amendments to comply with regulatory issuances of the Securities and Exchange Commission shall be deemed adopted and effective upon effectivity of the relevant regulatory issuance.

Pursuant to the requirement of the Securities and Exchange Commission, this Revised Manual on Corporate Governance is signed on behalf of the registrant by the undersigned thereunto duly authorized, in the City of Pasig City, Metro Manila on 22 September 2022.

SIGNATURES



FERJENEL G. BIRON, M.D.
CHAIRMAN OF THE BOARD



MAYLENE B. VILLANUEVA
COMPLIANCE OFFICER