

PROFESSIONAL SERVICES, INC

CHARTER OF THE BOARD OF DIRECTORS

This Charter of the Board of Directors (“Board Charter”) sets forth the key values and principles of the Board of Directors (the “Board”) of Professional Services, Inc. (“PSI” or the “Corporation”) in accordance with the Corporation’s thrust to strengthen its corporate governance and culture.

Section 1. PURPOSE OF THE BOARD CHARTER

- 1.1.** The Board Charter shall complement and supplement the Corporation’s Articles of Incorporation and By-laws, Manual of Corporate Governance, the Revised Corporation Code of the Philippines, issuances of the Securities and Exchange Commission, and other applicable laws, rules and regulations.
- 1.2.** The Board Charter shall formalize and provide the overview of the roles, responsibilities and accountabilities of the Board and its members in carrying out its fiduciary duties. The Board Charter shall delineate the powers and function of the Board and its Committees from those of the Management. Further, the Board Charter shall govern the relationship between the Board and the Board Committees.

Section 2. AUTHORITY OF THE BOARD

- 2.1.** The Board of PSI is the supreme authority in matters of governance and in managing the business of the Corporation. Consistent with the Revised Corporation Code, the Corporation’s Articles and By-laws and other applicable laws, rules and regulations, the Board shall conduct all business, control all properties of the Corporation, and exercise all corporate powers except such powers reserved to the stockholders.

Section 3. COMPOSITION OF THE BOARD

- 3.1.** **Number of Directors** – The Board shall be composed of fifteen (15) members, three (3) of whom shall be Independent Directors.¹

¹ By-Laws, Article III Section 1; Manual on Corporate Governance, Section 1(1)(A); Manual on Corporate Governance Section 1(5)

- 3.2. Board Competencies** – The Board shall be composed of directors with a collective working knowledge, experience and expertise that is relevant to the Corporation’s industry, as well as its nature as a public company. The Board will endeavor that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively to enable the Board to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.²
- 3.3. Board Diversity** – The Corporation recognizes that diversity among its directors will foster critical discussion and promote balanced decision-making of the Board by utilizing the differences in perspective of its directors. It views diversity at the Board level, which includes difference in skills, experience, gender, sexual orientation, age, religion, education, race, business and other related expertise, as an essential element in maintaining an effective Board for strong corporate governance. Since the Corporation belongs to the healthcare industry, it recognizes the important role of doctors with appropriate and relevant skills and experience that can contribute to the diversity of perspective in the Board.³
- 3.4. Committees** – The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.
- 3.5. Positions** – The membership of the Board shall provide and optimum combination of executive and non-executive directors (which shall include independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors, in addition to the prescriptive requirements for qualification under the Revised Corporation Code, Securities Regulation Code and other relevant laws, possess such qualifications and good standing that would enable them to effectively participate in the deliberations of the Board.⁴
- 3.6. Board Profile** – The Board, in consultation with the Corporate Governance Committee, shall review its size and composition, taking into consideration the nature of its business, the evolving requirement of the Corporation and the best practices of corporate governance. Further, in determining the optimum composition of the Board and in filling vacancies, the Nominations Committee will consider all aspects of diversity in order to maintain an appropriate balance of skills, background, experience, and knowledge on the Board.⁵

² Manual on Corporate Governance, Section 1(1)(A)

³ Manual on Corporate Governance, Section 1(D)

⁴ Manual on Corporate Governance, Section 1(1)(A)

⁵ Manual on Corporate Governance, Section 1(D)

3.7. Independence – The Board shall endeavor to exercise an objective and independent judgment on all corporate affairs. Majority of the Board’s composition shall be non-executive directors who shall possess the necessary qualification to effectively participate and help secure objective and independent judgment on corporate affairs and to carry out proper checks and balances.⁶ A non-executive director is a director who has no executive responsibility and does not perform any work related to day-to-day operations of the Corporation.

Additionally, the Board shall have at least three (3) independent directors, or such number as to constitute at least twenty percent (20%) of the members of the Board, whichever is higher.⁷ An Independent Director is a person who, apart from his or her fees and shareholdings, is independent of Management, and is free from any business or other relationship with third parties or stockholders, which could, or could reasonably be perceived to, materially interfere with his or her exercise of independent judgment in carrying out his or her responsibilities as a director.

Section 4. QUALIFICATIONS AND DISQUALIFICATIONS OF DIRECTORS

4.1. Qualifications of Directors – In addition to the qualifications enumerated in the Revised Corporation Code, the Securities Regulation Code, and other relevant laws, regulations and issuances, the members of the Board shall have the following qualifications⁸:

- (a) College education or equivalent academic degree;
- (b) Practical understanding of the business of the Corporation;
- (c) Membership in good standing in relevant industry, business or professional organizations;
- (d) Holder of at least one (1) share of stock of the Corporation;
- (e) Has sufficient previous experience in management preferably related to the business of the Corporation;
- (f) At least twenty-one (21) years old;

⁶ Manual on Corporate Governance, Section 1(5)

⁷ Manual on Corporate Governance Section 1(5); Revised Corporation Code, Section 22; By-Laws, Article III Section 1

⁸ Manual on Corporate Governance Section 1(2)(B)

- (g) Assiduous and open-minded;
- (h) Able to provide expertise to arrive at a decision to the Corporation;
- (i) Up to date on issues relating to the Corporation; and
- (j) Proven to possess integrity and probity.

4.2. Disqualifications of a Director – A person shall be disqualified from being a member of the Board if he or she possesses any disqualifications enumerated in the following:

- (a) Disqualifications under Section 26 of the Revised Corporation Code (*see Annex A*);
- (b) Disqualifications under Article III Section 1a of the By-laws of the Corporation (*see Annex B*);
- (c) Disqualifications under Section 1(2)(C) of Manual on Corporate Governance, as revised (*see Annex C*);

A disqualified director can be removed by the Securities and Exchange Commission on its own initiative or upon a verified complaint especially in relation to those convicted of violations of the Revised Corporation Code and Securities Regulation Code offenses such as fraud, deceit, and crimes like graft and corruption.

Section 5. QUALIFICATIONS OF AN INDEPENDENT DIRECTOR

5.1. Qualifications – The Board shall ensure that the Independent Director possess all the qualifications and none of the disqualifications for a director. In addition, the Manual on Corporate Governance of PSI provides the following qualification⁹ of an Independent Director as follows:

- (a) Is not, has not been or has not become an officer, employee or consultant of the Corporation including its affiliates and subsidiaries;
- (b) Is not, and has not been in the two (2) years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer,

⁹ Manual on Corporate Governance, Section 1(5)(A)

employee of the Corporation's substantial stockholders and its related companies;

- (c) Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairperson "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 or her election;
- (d) Must be the owner of at least one (1) voting share of the Corporation;¹⁰
- (e) Is not a relative of a director, officer, or substantial stockholder of the Corporation or any of its related companies or of any of its substantial stockholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- (f) Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- (g) Is not 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;
- (h) Is not retained, either in his or her personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial stockholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his or her election;
- (i) Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he or she is a partner, director or substantial stockholder, in any transaction with the Corporation or any of its related companies or substantial stockholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his or her independent judgment within the two (2) years immediately preceding the date of his or her election;

¹⁰ SEC Memorandum Circular No. 16 Series of 2002

- (j) Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial stockholders;
- (k) Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors; and
- (l) Must possess integrity and probity and must be assiduous.¹¹

5.2. Term Limit – The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from reelection as such in the Corporation but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation wants to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek stockholders' approval during the annual stockholders' meeting.

5.3. Disclosure Requirement – To further promote full disclosure of the qualifications of independent directors, the Independent Directors shall disclose through a Certification their affiliations in another company or organization, any pending criminal or administrative investigations or proceedings, and/or positions held in government-owned-and -controlled corporations with the required permission or consent from the head of the department or agency for those in government service, as applicable. The Independent Directors must certify their qualification and commitment to function as such. The said Certification shall be submitted to the Office of Compliance Officer for disclosure to relevant regulatory bodies with the Corporation's Information Statement, before the election of the Independent Director(s).

Section 6. NOMINATION AND ELECTION

The Directors shall be elected by the Corporation's stockholders entitled to vote at the annual meeting in accordance with the By-laws and the Corporation's established procedure for annual stockholder's meeting.

6.1. Nomination of Directors – Each stockholder shall have the right to nominate any director who possesses all the qualifications and none of the disqualifications set forth.¹² The list of names of the nominees to the Board, together with the written consent of the nominees, shall be submitted to the Nominations Committee through the Office of the

¹¹ SEC Memorandum Circular No. 16 Series of 2002

¹² Revised Corporation Code, Section 23

Corporate Secretary at such date and manner in accordance with the guidelines set by the Committee.

- 6.2. Required Vote** – The vote required for the election of Directors is plurality of vote, and every stockholder is entitled to cumulate his or her votes. Each share of voting stock entitles the registered stockholder to one vote.
- 6.3. Ground for Disqualification for Nomination** – No person shall be eligible for nomination or election to the Board if he or she possesses any of the disqualifications set forth.
- 6.4. Term of Office** – Directors shall be elected for a term of one (1) year. Each director shall hold office until the successor is elected and qualified. A director who ceases to own at least one (1) share of stock of the Corporation shall cease to be a director.¹³
- 6.5. Term Limits for Independent Directors** – Independent Directors may serve for a maximum cumulative term of nine (9) years, after which, the independent director shall be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation wants to retain an independent director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek stockholders’ approval during the annual stockholders’ meeting.¹⁴
- 6.6. Filling of Vacancies** – In case of vacancy or vacancies in the Board other than by removal or expiration of term, due to resignation, disqualification, cessation of directorship, death or other cause, the vacancy or vacancies may be filled by the vote of at least majority of the remaining Directors, if still constituting a quorum, upon the nomination and endorsement of the Nomination Committee. Otherwise, said vacancy must be filled by the stockholders in a regular meeting called for that purpose.¹⁵ A director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

Section 7. BOARD MEETINGS

- 7.1. Regular Meetings** – The Organizational meeting of the Board shall be held, without any previous notice, immediately after the regular annual stockholders meeting in the office of the Corporation or, by order of the Board, at such places as may be fixed by the said

¹³ Revised Corporation Code, Section 22

¹⁴ Manual on Corporate Governance, Section 1(5)

¹⁵ Revised Corporation Code, Section 28

Board. Thereafter, the Board may hold regular meetings at such times or intervals as the Board may fix by resolution.¹⁶

- 7.2. Special Meetings** – Special meetings of the Board may be called at any time or place by: (a) the Chairperson; (b) the President; (c) by any three members of the Board; (d) by unanimous written consent of all members; or (e) by the presence of all members at such meetings.¹⁷
- 7.3. Quorum** – A quorum at any meeting of the Board shall consist of a majority of the entire membership of the Board, and a majority of those present shall be necessary to decide any matter that may come before a meeting.¹⁸ This quorum is necessary to transact corporate business, and every decision reached by at least a majority of the directors constituting a quorum, except for the election of officers which shall require a vote of a majority of all the members of the Board, shall be valid as a corporate act.¹⁹
- 7.4. Attendance** – Members of the Board are directed to attend all Board meetings. Directors who cannot physically attend or vote at Board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate. Directors cannot attend or vote by proxy at Board meetings.²⁰
- 7.5. Notice of Meeting** – Notice, agenda and accurate information materials shall be delivered to the members of the Board ten (10) days before the date of the meeting but in no case less than five (5) working days before the date of the meeting, in accordance with the By-laws.²¹ Sending of such notice, agenda and accurate information materials shall be the responsibility of the Corporate Secretary.²²
- 7.6. Chairperson of the Meeting** – Board meetings shall be presided by the Chairperson of the Board, or in his or her absence, the President, or in their absence, by a presiding director as appointed by majority of the directors present during the meeting.
- 7.7. Matters for Discussion in Meetings** – In any Board meetings, matters not included in the distributed meeting agenda may be discussed and decided by the Board only if there are no objections posed by any member of the Board.

¹⁶ By-Laws, Article III Section 3

¹⁷ By-Laws, Article III Section 4

¹⁸ By-Laws, Article III Section 6

¹⁹ Revised Corporation Code, Section 52

²⁰ Revised Corporation Code, Section 52

²¹ By-Laws, Article III Section 5

²² Manual on Corporate Governance, Section 1(1)(G)

7.8. Minutes of the Meeting – The Office of the Corporate Secretary shall take minutes and records of the Board meetings. Minutes shall be signed by the individual appointed to take the notes during the meeting, attested by the Chairperson of the meeting, and signed by all of the directors present.

7.9. Other Sessions – Non-executive directors, including the independent directors, may meet without the presence of any executive directors, at least once a year.

Section 8. DUTIES AND RESPONSIBILITIES OF THE BOARD

8.1. To ensure a high standard of best practice for the Corporation and its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:²³

- (a) The Board members shall act on fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all stockholders and all other stakeholders;
- (b) Implement a process for the selection its members and those of Management to ensure a combination of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly motivated management officers with the appropriate balance and mix of skills, knowledge, experience, gender and age;
- (c) The Board shall oversee the development of and approve the Corporation’s business and strategy, and monitor its implementation, in order to sustain its long-term viability and strength. It shall periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management’s overall performance;
- (d) 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 Corporation. This shall include adopting a retirement policy for directors and key officers;
- (e) The Board shall provide strategic policies and guidelines to the Corporation on major capital expenditures;

²³ Manual on Corporate Governance, Section 1(2)(A)

- (f) Align the remuneration of key officers and Board members with the long-term interests of the Corporation. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. In this regard, no director shall participate in the determination of his or her own *per diem* or compensation;
- (g) Have a formal and transparent Board nomination and election policy that shall include how it accepts nominations from its stockholders and reviews the qualifications of nominated candidates. The policy shall include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a director. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the Corporation;
- (h) Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices;
- (i) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. The Corporation's Chief Executive Officer or Chief Financial Officer shall exercise oversight responsibility over this program;
- (j) Ensure that there is a policy and system governing related party transactions, between and among the Corporation and its 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 and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material related party transactions, which guarantee fairness and transparency of the transactions;
- (k) Be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer and control functions led by their respective heads (Chief Risk Officer, Compliance Officer, and Chief Audit Executive, as may be applicable)
- (l) Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

- (m) Oversee that an appropriate internal control system is in place, including setting-up a mechanism for monitoring and managing potential/actual conflicts of interest of board members, Management and stockholders. A regular review of the effectiveness of such systems shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness. The Board shall also adopt an Internal Audit Charter;
- (n) Oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks. The Enterprise Risk Management framework shall guide the Board in identifying business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies;
- (o) 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;
- (p) Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration;
- (q) Have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as guide to the directors in the performance of their functions and shall be made publicly available;
- (r) Review the Corporation's purpose, its vision and mission and strategies to carry out its objectives, including its programs on service development, risk management, occupational and patient safety, quality improvement, professional staff development and research;
- (s) Establish an effective performance evaluation framework, which includes the standards or criteria for assessment, that will ensure that the Management, including the Chief Executive Officer or his or her equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management; and
- (t) Evaluate its performance of the above duties and functions at least once a year using certain performance framework.

Section 9. DUTIES AND RESPONSIBILITIES OF THE CHAIRPERSON AND EXECUTIVE OFFICERS

9.1. Chairperson of the Board – The Board shall be headed by a competent and qualified Chairperson, whose roles and responsibilities shall be contained in the By-laws of the Corporation.²⁴ The Chairperson of the Board shall, when present, preside at all meetings of the Board which shall render advice and counsel to the President. As much as practicable, the Chairperson of the Board and the President must be individuals not related by affinity or consanguinity to each other. In relation to the Board, the duties and responsibilities of the Chairperson may include, among others, the following:²⁵

- (a) Make certain that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the Corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect the operations;
- (b) Guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- (c) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- (d) Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- (e) Assure the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- (f) Ensure that performance of the Board and its members are evaluated at least once a year and discussed or followed up, when necessary.

9.2. President – The President must be a director of the Corporation²⁶ and shall be elected by the Board. He or she shall likewise assume and perform the duties and responsibilities of the Chief Executive Officer.²⁷ The positions of Chairperson and President shall be held by different individuals.

²⁴ Manual on Corporate Governance, Section 1(1)(B)

²⁵ Manual on Corporate Governance, Section 1(1)(B)

²⁶ By-Laws, Article V Section 2, Revised Corporation Code, Section 24

²⁷ Manual on Corporate Governance, Section 1(1)(E)

Except when otherwise directed by the Board, the President shall sign and execute all authorized contracts or other obligations in the name of the Corporation. The President, together with the Corporate Secretary, shall also sign all certificate of shares of capital stocks of the Corporation. The President, who is the Chief Executive Officer, may, upon approval of the Board, delegate all or part of his or her duties and powers to the Executive Vice President or to any director designated by the Board for the said purpose.²⁸

9.3. Executive Vice President – The Executive Vice-President shall be elected by the Board of Directors from among its members. He or she shall be vested with all the powers and authority and shall perform all the duties of the President during the absence or disability of the latter for any cause.²⁹ The positions of Chairperson and Executive Vice President shall be held by different individuals.

9.4. Corporate Secretary – The Corporate Secretary is an officer of the Corporation. The Corporate Secretary must be a citizen and a resident of the Philippines.³⁰ Considering his or her varied functions and duties, he or she must possess administrative, interpersonal skills and legal skills. The Corporate Secretary shall be elected by the Board³¹ and shall be primarily responsible to the Board of Directors and its stockholders, and not to the Chairperson or President of the Corporation. The Corporate Secretary shall be a separate individual from the Compliance Officer, and shall have the following duties and responsibilities:³²

- (a) Keep full minutes of all meetings of the Stockholders and Directors;
- (b) Be ex-officio secretary of the Board of Directors;
- (c) Attend all sessions of the Board and record all votes and minutes of all proceedings in a book to be kept for that purpose;
- (d) Give or cause to be given, notice of all meetings of the stockholders of the Corporation and of the Board of Directors, and shall perform such other duties as may be prescribed by the Board or President under whose supervision he or she shall be;
- (e) Countersign the certificates of stock and shall keep a register of all outstanding certificates in the manner required by the Corporation law;

²⁸ By-Laws, Article V Section 2

²⁹ By-Laws, Article V Section 3

³⁰ Revised Corporation Code, Section 24

³¹ By-Laws, Article V Section 4

³² By-Laws, Article V Section 4a

- (f) Attest the seal of the Corporation when affixed by the President thereof; and
- (g) Submit to the Securities and Exchange Commission at the end of every fiscal year or at such time as the Commission may prescribe and annual certification as to the attendance of the Directors during Board meetings.
- (h) Additionally, pursuant to the Manual on Corporate Governance³³, the Corporate Secretary shall:
 - i. Assist 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. Safekeep and preserve the integrity of the minutes of the meetings of the Board, Board Committees and stockholders, as well as other official records of the Corporation;
 - iii. Keep 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. Work fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and its stockholders as well as other stakeholders;
 - v. Advise on the establishment of Board Committees, their composition and their terms of reference;
 - vi. Inform members of the Board of the agenda of their meetings and ensures that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval. For this purpose, he or she shall aspire to send the notice, agenda and accurate information materials to the members of the Board ten (10) days before to the date of the meeting but in no case less than five (5) working days before the date of the meeting, in accordance with the By-laws;
 - vii. Perform all required administrative functions;

³³ Manual on Corporate Governance, Section 1(1)(G)

- viii. Oversee the amendment or revision of the By-laws and ensures that they conform with regulatory requirements; and
- ix. Perform such other duties and responsibilities as may be provided by the Board and the SEC.

9.5. Assistant Corporate Secretary – The Board provides for an election of Assistant Corporate Secretary, who shall have the same qualifications with the Corporate Secretary, and who shall perform the duties and functions of the Corporate Secretary in the absence of the latter.³⁴

9.6. Treasurer – The Treasurer must be a resident of the Philippines.³⁵ The Treasurer shall be elected by the Board and need not be elected from within its members.³⁶ In consonance with the By-laws³⁷, the Treasurer shall have the following duties and responsibilities:

- (a) Keep full and accurate accounts of receipts and disbursements and other commercial transactions in the books belonging to the Corporation;
- (b) Deposit all money and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated from time to time by the Board to handle its banking transactions;
- (c) Disburse the funds taking proper vouchers for such disbursements;
- (d) Render to the President and Directors at the regular meetings of the Board and at such other times as he or she may be required, an account of all his or her transactions as Treasurer and of the financial conditions of the Corporation; and
- (e) Pursuant to the Manual of Corporate Governance, the Treasurer shall be in-charge of the funds of the Corporation.³⁸

Section 10. BOARD COMMITTEES

10.1. Creation of Board Committees – The Board shall have the prerogative and power to create and establish Board Committees to the extent possible to support the effective

³⁴ By-Laws, Article V Section 4a

³⁵ Revised Corporation Code, Section 24; Manual on Corporate Governance, Section 1(1)(F)

³⁶ By-Laws, Article V Section 5; Manual on Corporate Governance, Section 1(1)(F)

³⁷ By-Laws, Article V Section 5

³⁸ Manual on Corporate Governance, Section 1(1)(F)

performance of the Board's functions, in accordance with the By-laws and Manual of Corporate Governance.

- 10.2. Composition** – Board Committees shall be composed of Board members and corporate officers carefully and particularly chosen for their field of expertise which is aligned to the functions of the particular Committee.
- 10.3. Delegation of Responsibilities** – The Board may delegate part of its power and duties to any of its Committees. The powers and duties of each Board Committee shall be defined in specific committee charters duly approved by the Board.
- 10.4. Reporting** – Board Committees shall present and submit reports to the Board to inform and update the Board of any developments, accomplishments or other relevant matters in relation to their delegated function and duties.
- 10.5. Board Committee Charters** – Each Board Committee shall be governed by a charter duly approved by the Board. Each committee charter shall provide the composition of the Board Committee, qualifications of the members, powers, duties and responsibilities and functions delegated by the Board, and other necessary provisions.
- 10.6. Board Committees** – Consistent with By-laws and pursuant to the Manual of Corporate Governance, the Board shall constitute the following committees: Executive Committee³⁹; Nomination Committee⁴⁰; Compensation and Remuneration Committee⁴¹; Audit Committee⁴²; Quality and Operations Committee⁴³; Staff Development and Research Committee⁴⁴; Corporate Governance Committee⁴⁵; Board Oversight Committee⁴⁶; and other committees that the Board may deem appropriate in attaining the objectives and purposes of the Corporation.
- 10.7. Functions** – The delegated functions and relationship of the Committees to the Board and to the Management are summarized in Annex D.

Section 11. COMPENSATION OF THE BOARD

³⁹ By-Laws, Article IV Section 1(a); Manual on Corporate Governance, Section 1(3)(A)

⁴⁰ By-Laws, Article IV Section 2(a); Manual on Corporate Governance, Section 1(3)(B)

⁴¹ By-Laws, Article IV Section 4(a); Manual on Corporate Governance, Section 1(3)(C)

⁴² By-Laws, Article IV Section 3(a); Manual on Corporate Governance, Section 1(3)(D)

⁴³ Manual on Corporate Governance, Section 1(3)(E)

⁴⁴ Manual on Corporate Governance, Section 1(3)(F)

⁴⁵ Manual on Corporate Governance, Section 1(3)(G)

⁴⁶ Manual on Corporate Governance, Section 1(3)(H)

- 11.1. Remuneration** – Each director shall be entitled to receive a reasonable *per diem* every meeting of the Board. Additionally, the Board shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the Corporation. The levels of remuneration of the Corporation shall be sufficient to be able to attract and retain the services of qualified and competent directors. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.⁴⁷
- 11.2. Limit** – In no case shall the total yearly compensation of directors exceed ten percent (10%) of the net income before tax of the Corporation during the preceding year. No director shall participate in deciding on his or her own *per diems* or remuneration.⁴⁸
- 11.3. Disclosure** – The Corporation’s annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors.⁴⁹
- 11.4. Insurance** – The Corporation shall secure directors and officers liability insurance from reputable insurance company that will cover claims made against them, collectively or individually, while serving on the Board of Directors and/or as an officer. The insurance policy must be designed to protect the people who serve as directors or officers of a company from personal losses if they are sued by the organization’s employees, vendors, customers or other parties, while in the performance of their duties.

Section 12. ORIENTATION AND TRAINING PROGRAMS FOR DIRECTORS⁵⁰

- 12.1. Training** – To promote effective Board performance and continuing qualification of the directors in carrying out their duties and responsibilities, the Corporation shall ensure training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.
- 12.2. Orientation Program** – The orientation program ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorship, and throughout their tenure. First-time directors shall attend at least eight (8) hours of orientation program covering SEC-mandated topics on corporate governance

⁴⁷ Manual on Corporate Governance, Section 1(2)(G)

⁴⁸ Revised Corporation Code, Section 29

⁴⁹ Manual on Corporate Governance, Section 1(2)(G); Revised Corporation Code, Section 29

⁵⁰ Manual on Corporate Governance, Section 1(1)(C)

and includes an introduction to the Corporation's business, Articles of Incorporation and By-laws and Code of Business Conduct and Ethics.

- 12.3. Annual Continuing Training Program** – The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation. Directors shall attend at least four (4) hours of annual continuing training on any matters relevant to the Corporation, which could include training on audit, internal controls, risk management, sustainability and strategy.

Section 13. ANNUAL PERFORMANCE EVALUATION OF THE BOARD AND KEY OFFICERS⁵¹

- 13.1. Performance of the Board** – The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its performance as a body and assess whether it possess the right mix of backgrounds and competencies.
- 13.2. Performance of the Individual Members and Committees** – The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees.
- 13.3. Criteria** – 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 shall allow for a feedback mechanism from the stockholders.
- 13.4. Disclosure** – The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Corporation's annual report.

Section 14. SUCCESSION PLANNING FOR MANAGEMENT

- 14.1.** The Board shall evaluate potential successors and approve management succession strategies and plans for the President/CEO and other executive officers of the Corporation. The President/CEO should, at all times, make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

⁵¹ Manual on Corporate Governance, Section 1(6)

Section 15. MISCELLANEOUS PROVISIONS

- 15.1. Disclosure of Interest** – Each director shall disclose to the Board any conflict of interest he or she may have. A director with material interests in business or activities that is antagonistic or competitive as determined by the Board shall be disqualified from membership of the Board.
- 15.2. Policy on Multiple Board Seats** – Directors shall devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Corporation’s business. The non-executive directors of the Board shall not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorship shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly listed companies.⁵²
- 15.3. Access to Information** – The Board shall have reasonable access to all relevant information and records of the Corporation pursuant to their functions.
- 15.4. Confidentiality** – Directors shall keep confidential any and all information contained in the confidential reports or discussions, nor shall he or she use or take advantage of his or her knowledge of such information for his or her personal benefit or gain.
- 15.5. Influence of Former Directors** – Former Directors shall not be allowed to exercise influence over the operations of the Corporation. The confidentiality rule applicable to the incumbent Directors shall continue to apply to former Directors.
- 15.6. Technical Assistance** – The Board may invite to its meetings members of Management and other persons including independent experts and it may deem appropriate or desirable.

Section 16. CHARTER REVIEW

- 16.1.** This Board shall review this Charter at least once a year and as often as deemed necessary. Any amendments and revisions to this Charter must be reviewed and approved by the Board before dissemination to the members and posting to the Corporation’s website.

⁵² Manual on Corporate Governance, Section 1(4)

Section 17. ADOPTION AND EFFECTIVITY

- 17.1.** This Charter shall take effect immediately upon approval by the Board and shall apply prospectively. Amendments to comply with regulatory issuances of the Securities and Exchange Commission shall be deemed adopted and effective upon the effectivity of the regulatory issuances.

This Charter of the Board of Directors was approved by the Board of Directors on 17 December 2021. This shall form part of the Revised Manual on Corporate Governance of the Corporation.

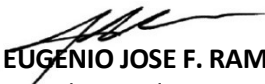


NORMAN P. SERAPIO
Compliance Officer

ATTESTED BY:



JOSE XAVIER B. GONZALES
Chairman



EUGENIO JOSE F. RAMOS
President and CEO

Annex A

Disqualification of Directors under Section 26 of the Revised Corporation Code

The following persons shall be disqualified from being a member of the Board:

- (a) A person convicted of final judgment for an offense punishable by imprisonment for a period of six (6) years, within five (5) years prior to the election or appointment as such;
- (b) A person convicted of final judgment for violation of the Revised Corporation Code, within five (5) years prior to the election or appointment as such;
- (c) A person convicted of final judgment for violation of Republic Act No. 8799, otherwise known as "The Securities Regulation Code" within five (5) years prior to the election or appointment as such;
- (d) A person found administratively liable for any offense involving fraudulent acts, within five (5) years prior to the election or appointment as such;
- (e) A person found liable for violations or misconduct similar to those enumerated in paragraphs (a) to (d) above, by foreign court or equivalent foreign regulatory authority, within five (5) years prior to the election or appointment as such.

The foregoing is without prejudice to qualifications or other disqualifications, which the Securities and Exchange Commission, the primary regulatory agency, or the Philippine Competition Commission may impose in its promotion of good corporate governance or as a sanction in its administrative proceedings.

Annex B

Disqualification of Directors under Article III Section 1a of the Corporation By-Laws

No stockholder shall qualify or be eligible for nomination or election to the Board of Directors if he or she is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

- (a) If the stockholder is an officer, manager or controlling person of, or the owner (either of record or beneficially) of at least five percent (5%) of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least majority of its outstanding capital stock) engaged in a business which the Board, by at least two-thirds vote, determines to be competitive or antagonistic to that of the Corporation; or
- (b) If the stockholder is an officer, manager or controlling person of, or the owner (either of record or beneficially) of five percent (5%) or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Corporation, when in judgment of the Board, by at least two-thirds vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or
- (c) If the Board, in the exercise of its judgment in good faith, determines by at least majority vote that the stockholder is the nominee of any person set forth in (i) or (ii) above.

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relationship.

Annex C

Disqualification of Directors under Section 1(2)(C) of the Manual on Corporate Governance

Permanent Disqualification. The following shall be grounds for permanent disqualification of a Director:

- (a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) 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 (iii) arises out of the person's 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: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) 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.
- (c) The disqualification shall also apply if (i) such person is the subject of an order of the SEC, *Bangko Sentral ng Pilipinas* ("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 SEC or BSP; (ii) such person has otherwise been restrained to engage in any activity involving securities and banking; or (iii) such person is 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;
- (d) 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;

- (e) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Revised Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
- (f) Any person judicially declared as insolvent;
- (g) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (e) above;
- (h) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code committed within five (5) years prior to the date of the person's 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.

Temporary Disqualification. The following shall be grounds for temporary disqualification of a Director:

- (a) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- (b) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his or her incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- (c) Dismissal or termination for cause as director of any corporation covered by this Manual. The disqualification shall be in effect until he or she has cleared himself

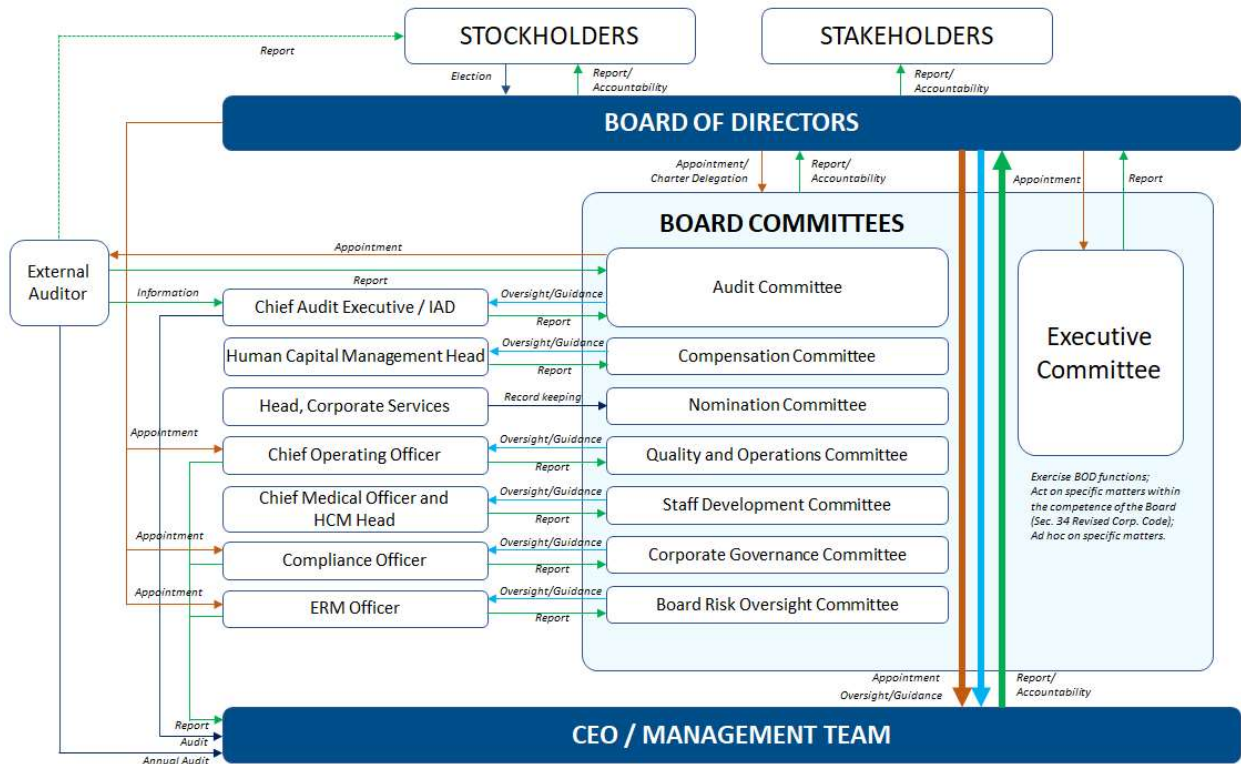
or herself from any involvement in the cause that gave rise to his or her dismissal or termination.

- (d) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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 or she fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

Annex D Board Committees

The diagram below depicts the relationship of the Board Committees to the Board of Directors and to the Management.



The following summarized the functions delegated to the Board Committees.

- (1) **Executive Committee** – The Executive Committee may act, by majority vote of all its members on matters within the competence of the board, as maybe delegated to it as herein provided or on a majority vote of the Board, except to those exclusively reserved for action by the Board under the law. The Executive Committee shall act on the day-to-day operations of the Corporation, approve the purchase, acquisition and/or disposal of ordinary, incidental and necessary equipment, supplies and materials needed by the Corporation in furtherance of its primary purpose. It shall also act on the appointment and/or designation of senior officers as recommended by the President of the Corporation.
- (2) **Nomination Committee** – The Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board

approval, assess the effectiveness of the Board's processes and procedures in the election or replacement of directors, and pre - screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the approved guidelines.

- (3) **Compensation and Remuneration Committee** – The Compensation and Remuneration Committee shall establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.
- (4) **Audit Committee** – The Audit Committee shall assist to enhance the Board's oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.
- (5) **Quality and Operations Committee** - The Quality and Operations Committee shall establish a formal and transparent procedure for developing a policy on Quality and Operations for the Corporation focusing on the Internal Business Process, the Patient as Customer as well as the Shareholders' Perspective.
- (6) **Staff Development and Research Committee** – The Staff Development and Research Committee shall establish a formal and transparent procedure for developing a policy on Staff Development and Research focusing on Learning and Growth Perspective as well as Physician and Customer Perspective.
- (7) **Corporate Governance Committee** – The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.
- (8) **Board Risk Oversight Committee** – The Board Risk Oversight Committee shall be responsible for the oversight of a Corporation's Enterprise Risk Management System to ensure its functionality and effectiveness.