



(Formerly: Allia Care Experts - ACE) Medical Center - Aklan Inc.

RELATED PARTY TRANSACTION POLICY

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I. Statement of Policy

This Policy of the Board sets out APMCAI's approach to Related Party Transactions (RPT).

APMCAI may enter into RPTs from time to time when these are in the best interests of the Company. When the Company enters into RPTs, they should be:

1. on an arm's length which must be for valuable consideration and on terms no less favourable than any such terms offered by unrelated third parties;
2. with sufficient documentation; and
3. subject to appropriate oversight of the Committee.

Any RPTs entered into by APMCAI must at all times comply with the requirements of the Revised Corporation Code, its Articles of Incorporation and By-laws, Manual of Corporate Governance, Committee Charter and other related laws, rules and regulations of the Philippines and this Policy.

II. Objectives of this Policy

1. Provide general guidelines on what constitutes RPTs;
2. Manage Conflict of Interest situations and comply with Philippines regulatory and good governance practices; and
3. Ensure that the appropriate process for approval of the transaction has been observed.

III. Scope of Policy

All RPTs as defined in this document in connection with the Company.



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IV. Definition of Terms

- a. **Board** - means the board of directors of the Company.
- b. **Company** - means Asia Pacific Medical Center (APMC) – Aklan Inc. or APMCAI
- c. **Code** - means the APMCAI Code of Business Conduct.
- d. **Committee** - means the Audit Committee of the Company.
- e. **Conflict of Interest** - means a situation when a Related Party appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of the Company. It is not required that there be an actual conflict, it is sufficient that conflict be seen to exist by an impartial observer.
- f. **Control** – a person or an entity controls the company if and only the person or entity has all of the following:
- Power over the company
 - Exposure, or rights, to variable returns from its involvement with the company; and
 - The ability to use its power over the company to affect the amount of the company’s returns.
- g. **Director** means a member of the Board of Directors of the Company.
- h. **Management Committee** means the governing body of the Company composed of the President and other officers of the Company having authority and responsibility for planning, directing, controlling or implementing the activities or transactions of the Company, directly or indirectly.
- i. **Material Related Party Transactions**- any related party transaction/s, either individually, or in aggregate over a twelve (12) month period with the same related party, amounting to ten percent (10%) or higher of a company’s total consolidated assets based on its latest audited financial statement.
- j. **Materiality Threshold** - ten percent (10%) of the company’s total consolidated asset based on its latest financial statements.
- k. **Immediate Family Member** - means with respect to any Person, the relative of such Person up to the second degree of consanguinity or affinity.
- l. **Manual** - means the Company’s revised Manual of Corporate Governance pursuant to SEC Memorandum Circular No. 24 Series of 2019 issued on 19 December 2019.



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m. **Person** means an individual, corporation, partnership, joint venture, unincorporated association, trust or other juridical entity or any Governmental Authority

n. **Related Party** means with respect to the Company:

- a) Person/s that has or have control or joint control over the Company;
- b) Person/s that has or have significant influence over the Company;
- c) Person/s that is or are controlled by or under common control with the Company;
- d) The Directors and/or members of the Management Committee of the Company; and
- e) Any Immediate Family Member of a Director or member of the Management Committee of the Company.

o. **Related Party Transactions (RPT)** means a transfer of resources, services or obligations between APMCAI and a related party, regardless of whether a price is charged or outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

p. **Reporting Entity** means a person or Company preparing the financial statements. For purposes of this Policy, the Reporting Entity shall be the Company.

q. **Related Party Registry** is a record of the organizational and structural composition, including any change thereon, of the company and its related parties.

r. **Stakeholders** mean the shareholders, members of the Board of Directors, officers and employees of the Company.

s. **Significant Influence** means the power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

t. **Substantial Stockholder** means is any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity or security.

IV. DUTIES AND RESPONSIBILITIES

A. Board of Directors

The board of directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the company's shareholders and other stakeholders.



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Towards this end, the board of directors shall carry out the following duties and responsibilities:

1. To institutionalize a comprehensive policy on the management of material RPTs to ensure effective compliance with existing laws, rules and regulations at all times and that material RPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.

2. To approve all material RPTs that cross the materiality threshold and write-off of material exposures to related parties, as well as any renewal or material changes in the terms and conditions of material RPTs previously approved.

3. To establish an effective audit, risk and compliance system to:

- Determine, identify and monitor related parties and material RPTs;
- Continuously review and evaluate existing relationships between and among businesses and counterparties; and
- Identify, measure, monitor and control risks arising from material RPTs.

The system shall be able to define the related parties' extent of relationship with the company; assess situations in which a non-related party (with whom a company has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the nature and amount of exposures of the company to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the policies shall be subject to periodic assessment by the internal audit and compliance officers and shall be updated regularly for their sound implementation. The policy and the system shall be made available to the SEC and audit functions for review. Any change in the policies and procedures shall be approved by majority of the board of directors and ratified by the majority stockholders constituting a quorum.

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

B. Senior Management

Senior management shall implement

- appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis.
- Measures to monitor exposures to related parties on an ongoing basis to ensure compliance with the company's policy and SEC's regulations.



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C. Finance

The Finance Department shall carry out the following functions:

- Report quarterly all RPTs to the Audit Committee;
- Monitor aggregate RPTs on an ongoing basis in case transactions meet and exceed the materiality threshold covering the same related party, to ensure compliance with this policy and SEC regulations;

V. Related Party Transactions Categories

This policy distinguishes between Exempt RPTs, Material RPTs and Prohibited RPTs.

Exempt RPTs

4.1 Exempt RPTs are RPT transactions of a non-material nature that only require reporting to, and ratification by, the Committee provided that such transactions meet the criteria otherwise set out in this Policy.

The following types of transactions are considered Exempt RPTs:

- a) Transactions in the ordinary course of business (whether individually or recurring transactions) that do not exceed ten (10%) of the company's total assets based on its latest audited financial statement per contract or transaction;
- b) Any payment of the company to its employees and management;
- c) Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as a Director of another company or business unit that is a party to the transaction including APMCAI and its Affiliates;
- d) Transactions between the Company and other APMC hospitals in connection with:

the funding of operations of the Company's business units and projects, or other transactions with the objective of providing shared services and facilities (including IT, back office support, business service centers, finance, accounting and related reconciliation services or similar) or other commercial services designed to maximize operational efficiency, provided that any such arrangement does not exceed (either individually or in the aggregate) PHP 50m in any 12 month calendar period; and



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e) Transactions between the Company and a joint venture company where both the Company and its joint venture partner have approved the transaction.

4.2 It is acknowledged that by virtue of the Company's business, ordinary course operations (see paragraph 5.1 (a)) includes the purchase of electricity, pharmaceuticals and equipment and those purchased from the ACEMC group.

4.3 Each Exempt RPT must be duly recorded by the Chief Financial Officer and may then be implemented provided that such transactions are subsequently reported to the Board on a regular basis.

This recording and reporting process does not apply to transactions under paragraph 4.1 (b) which shall be handled according to the rules established by the Corporate Governance Committee of the Board.

Material RPT

For the purposes of this Policy, a Material RPT is a transaction among Related Parties and the Company (or its Subsidiaries):

- a) with a total contractual value of more than ten (10%) of the company's total assets based on its latest audited financial statement, regardless of how the payment terms of the contract are structured (one-off, recurring, phased); or
- b) in which a Director or a member of the Management Committee is personally involved
- c) either individually or in aggregate over a twelve (12)-month period with the same related party; or
- d) is otherwise not an Exempt RPT.

All Material RPTs, supported by a formal submission paper, must be submitted to the Committee for consideration and approval prior to the transaction. The submission for consideration and approval may be done through an actual meeting of the Committee or through a memo circulated to the members thereof. The Committee is entitled to reasonably request any further supporting documentation in order to determine whether the Material RPT under review is in the best interests of the Company (and otherwise complies with the relevant sections of this Policy).

When a Material RPT is submitted to the Committee for review and approval, the presence of at least two (2) independent directors is necessary to constitute a quorum of the Committee. In the case that a member of the Committee is affected by the RPT to be considered, this member shall not participate in the decision-making process



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on the respective topic and he/she shall be replaced in such process by another member of the Board in order to achieve a quorum.

The Committee must notify all Directors of any RPTs approved and the basis for such approval.

Abusive material RPTs refer to the material RPTs that are not entered at arm's length and unduly favour a related party.

Prohibited RPTs

Notwithstanding any provision of this Policy to the contrary, the following RPTs are prohibited and must not be entered into by the Company or its Subsidiaries:

- a) loans and/or financial assistance to any Director; or
- b) loans and/or financial assistance to any employee (including the Management Committee), except when allowed pursuant to an established Company policy and under the supervision and according to the rules set by the Corporate Governance Committee of the Board.

Section VII. Guidelines in ensuring arm's length terms

- The company ensures that no preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances.
- Before the execution of the material related party transaction, the board of directors shall appoint an external independent party to evaluate the fairness of the terms of the material RPTs.

An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers.

- Effective price discovery mechanism may also be employed to ensure that transactions are engaged into at terms that promote the best interest of the company and its shareholders. The price discovery mechanism may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.



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Section VIII. Approval of material RPTs

- All individual material RPT's shall be approved by least two-thirds (2/3) vote of the board of directors, with at least a majority of the independent directors voting to approve the material RPT.
- In case that a majority of the independent directors' vote is not secured the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital.
- For aggregate RPT transactions within a twelve (12) month period that breaches the materiality threshold of ten percent (10%) of the company's total consolidated assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.
- Director/s with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

Section IX. Disclosure Requirements for RPTs and Conflict of Interest

The Company and Related Parties to whom this policy applies must comply with all disclosure requirements of RPTs mandated under applicable law, rules and regulations in the Philippines and Philippine Financial Reporting & Accounting Standards.

All proposed Material Related Party Transactions will be disclosed to the Audit Committee and all transactions will be reviewed by the Committee to ensure that a conflict of interest does not exist or that an improper assessment of such transaction is not made and that all information necessary is properly documented.

The members of the board, substantial shareholders, and officers is responsible for providing written notice to the Chief Financial Officer (CFO) of any potential RPT involving him or her or his or her Immediate Family Member, including any additional information about the transaction that may reasonably be requested by the Company as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the company.

Such facts shall also be disclosed to the Board during the meeting where the material RPT will be presented for approval and before the completion or execution of the material RPT.

The Office of the CFO, by itself, or in consultation with the Compliance Office, as appropriate, will determine whether the notified transaction does, in fact, constitute a RPT requiring compliance with this Policy. If there is still any doubt, the matter should be referred to the Committee.



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In addition, each Director, each member of the Management Committee and each employee is required to complete annually a questionnaire relating to any RPTs (and those of their Immediate Family Members) and notify the Committee (in the case of Directors and members of the Management Committee) or the General Counsel (in the case of an employee) of any Conflict of Interest.

The Audit Committee will be provided with the details of each new, existing or proposed Material Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party. In recommending approval of a Material Related Party Transaction to the Board, the Audit Committee will consider the following factors to the extent relevant to the Material Related Party Transaction:

- whether the terms of the Material Related Party Transaction are fair, on “arm’s length” terms, and in the best interest of the Corporation and its shareholders, as a whole;
- whether there are business reasons for the Company to enter into the Material Related Party Transaction;
- whether the Material Related Party Transaction would impair the independence of an outside director; and
- whether the Material Related Party Transaction would present an improper conflict of interests for any director or executive officer of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or Related Party, the direct or indirect nature of the director's, executive officer's or Related Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Committee deems relevant.

Any member of the Audit Committee who has an interest in the transaction under discussion will abstain from voting, but may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee's discussions of the Material Related Party Transaction. Upon completion of its review of the transaction, the Audit Committee may determine to permit or to prohibit the Material Related Party Transaction.

A Material Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy, provided that, the Board shall ratify the transaction.



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Section X. Whistleblowing Policy

It shall be the duty of all stakeholders to communicate confidentially legitimate concerns of a suspected or actual, illegal, unethical and or questionable Material Related Party Transactions.

A. Protection against Retaliatory Acts

The whistleblower or any one believed, suspected or intends to be one the (“Whistleblower”) shall be protected from retaliatory action or reprisal. Retaliatory action or reprisal refers to negative or obstructive responses or reactions to a disclosure of a suspected or actual illegal, unethical and or questionable Material Related Party Transactions. This includes but is not limited to (1) administrative or criminal proceedings commenced or pursued , reprisals or threats against the Whistleblower or those who support the Whistleblower whether they are employees of the Company, shareholders or the Whistleblower’s relatives; (2) forcing or attempting to make the Whistleblower or his supporters in the Company, to resign, retire or transfer; (3) discriminatory actions behind policies and procedures, reprimand, punitive transfers , undue poor performance reviews, withdrawal of essential resources, undue reports and/or the attachment of unfair personnel file notes: workplace ostracism, questions and attacks on motives, accusations of disloyalty and dysfunction, public humiliation, and the denial of work or promotion, (4) any other act , whether attempted or otherwise that may obstruct, mislead, frustrate any investigation.

The aggrieved Whistleblower shall be entitled to the provisional remedy of injunction against any retaliatory action in the workplace, prejudicial conduct or discriminatory treatment by reason of the said Whistleblower’s intended or actual disclosure.

B. Bribery

Any act of giving the Whistleblower money or something else of value or any form of enticement, inducement to dissuade the Whistleblower from disclosing, testifying or fully cooperating with the investigation, shall constitute bribery.

Bribery shall be a prohibited act. The whistleblower shall be encouraged and given full support by the Company in cases the Whistleblower takes legal action against one who commits bribery.

The company reserves its rights to pursue any legal action against anyone who commits acts of bribery.

C. Process of Reporting and Investigating

1. Reporting

Any stakeholder has the obligation to report any information, act, or omission that in his judgment violates, violated, or will violate this policy on material related party transaction. Reporting shall be in the following manner:

- a. For acts involving Directors of the Company, he shall report to any independent director;
- b. For acts involving officers of the Company with the rank Vice President or higher, he shall report to the Chairman
- c. For all acts involving employees below Vice President level, he shall report to the Compliance Officer of the Company.

The responsible persons to whom the report was made have the duty to act on the report immediately by creating an investigating team. The investigating team shall be guided by the following guidelines in conducting the investigation.

1. It shall procure an Affidavit from the Whistleblower who must voluntarily supply the information, facts and attendant circumstances surrounding the reported act or omission. He shall be accorded ample opportunity to accomplish Sworn Statement.
2. The identity of the Whistleblower and information disclosed by him shall be confidential. Evidence adduced shall be secured by the Company.

D. Evaluation of Disclosure

1. The Whistleblower should have personal knowledge of facts and information covered by the disclosure;
2. The information given by the Whistleblower contains sufficient particulars including evidence that may be in his possession that is relevant to the matter under investigation.
3. The investigating team shall assess the truthfulness of the reports in terms of evaluation of the relevance of the evidence submitted, its truthfulness and veracity and accuracy, whether the disclosure varies or contradicts in material respects the details contained in official information and authentic documents determined to be truthful;
4. Call on other personnel or experts in aid of the investigation;



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5. Determine the existence of prima facie case before conducting a full blown investigation;
6. Submit a written report with recommendation to the Board if the subject of disclosure involves a director, to the Chairman, if an officer with the rank of Vice President or higher is involved, to the Compliance Officer for employees below the rank of Vice President is involved.

XI. Noncompliance and sanctions

Non-compliance with any provision of this Policy, in particular, the reporting, approval and disclosure requirements, may result in the invalidation of an RPT contract.

Any officer or employee of the Company who has knowledge of any violation of this Policy must report this to the General Counsel/Corporate Secretary who must in turn report all violations of this Policy to the Committee.

The Committee has the authority to recommend to the Board the invalidation of any contract in violation of this Policy.

This Policy shall be without prejudice to the provisions of the Code, the Manual and all related and relevant policies of the Company as well as applicable law and regulations in the Philippines which shall be observed and shall apply to the fullest extent possible.

The Board shall implement policies and measures that would cut losses and allow recovery of losses or opportunity costs incurred by the company arising out of or in connection with abusive material RPTs.

Directors, Officers or personnel who have been remiss in their duties in handling material RPTs in accordance with company policies will result in disciplinary action, after conduct of proper investigation. In all cases and at all times, OV shall observe due process and procedures.

(N.B. Pursuant to Sections 26 & 27 of the Revised Corporation Code, an interested director or officer of a corporation shall be disqualified from being a director, trustee or officer of any corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive material RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the SEC.)

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XII. Review of the Policy

This Policy must be reviewed by the Board from time to time in order to reflect the requirements of applicable law, rules and regulations in the Philippines.

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

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

XIII. Effectivity

This Policy takes effect upon a resolution of the Board.