

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE		Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy		Effective Date: September 9, 2021	Page 1 of 15
Issued by: Compliance Department	☒ New	Supersedes	
Approved by: <i>(original document signed)</i> Oct/07/2021 Atty. German Q. Lichauco II Date Signed Corporate Secretary (MMM/DD/YYYY)		<i>(original document signed)</i> Oct/11/2021 Manuel V. Pangilinan Date Signed Chair, MDI Board of Directors (MMM/DD/YYYY)	

Makati Medical Center recognizes that, from time to time, interaction with Third Parties (as defined below) is essential in efficiently conducting the Company's business. In so doing, MMC's interactions and dealings should always be characterized by honesty, integrity, transparency, and the highest standards of ethics and good behavior. Thus, MMC adopts this Third-Party Management Policy (the "Policy") to reinforce its commitment to the highest ethical standards and best practices of professional conduct in terms of the Company's dealings with Third Parties in the course of its business operations.

Objective:

The purpose of this Policy is to define roles, responsibilities, and processes for assuring Third-Party entities (e.g., vendors, consultants, contractors, service providers, etc.) comply with the Company's internal governance requirements.

The scope of this Policy is to define the processes associated with the management of Third-Party relationships that the Company does business with. It articulates the compliance requirements in relation to dealings and interactions with Third Parties by the Company, its directors, officers, medical staff, trainees, executives, employees, and consultants (hereafter, "Hospital Staff").

This Policy aims to assist the MMC in managing risks associated with Third Parties by:

- Defining the fundamental principles governing the management of Third-Party risks;
- Clarifying Company's expectations of Hospital Staff on what they must know and adhere to before making any commitments with Third Parties; and
- Establishing roles and responsibilities of the key stakeholders involved in the management of Third-Party risks.

Adherence to this Policy ensures that Third-Party risks are managed in a holistic and consistent manner that enhances the MMC's capability to build and protect value for its stakeholders and advances the broader interests of society as a whole.

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 2 of 15

Scope:

This Policy applies to and shall be implemented by all Hospital Staff.

The scope of this Policy extends across all of the MMC's business dealings. Adherence to this Policy will ensure that Hospital Staff are compliant with laws, which in turn will reduce the risk of MMC incurring criminal liability or suffering reputational damage. It is the responsibility of each Hospital Staff to be aware of and remain compliant with this Policy.

Definition of Terms: For purposes of this policy,

1. **BUSINESS OWNER** – refers to the person or department that has responsibility over the project or transaction that requires the engagement of a Third Party and who has the authority to direct the engagement, agree to and sign the contract, and is the main point of contact for MMC.
2. **HOSPITAL STAFF** - refers to any individuals hired by MMC for salaries and/or benefits provided in regular amounts at stated intervals in exchange for services rendered personally for MMC's business on a regular basis and who does not provide such services as part of an independent business. This includes MMC's officers, executives, supervisors, rank and file, temporary staff, casual employees, project employees.
3. **GOVERNMENT OFFICIAL** - all officers or employees of a government department, agency, or instrumentality; permitting agencies; customs officials; candidates for political office; and officials of public international organizations (*e.g.*, the Red Cross). This term also includes officers or employees of government-owned or controlled commercial enterprises such as state-owned or controlled universities, airlines, oil companies, health care facilities, or other vendors. The term also includes family members and close associates of such individuals (*e.g.*, it is not permissible to give a lavish gift to the sibling, spouse, or child of a government official if a gift to the latter would be prohibited under this Policy). This term also includes healthcare professionals (HCPs) who are practicing in government hospitals or any department, agency, or instrument of a government, when any of the following instances apply: (i) the HCP has an official decision-making role, (ii) the HCP has responsibility for performing regulatory inspections, government authorizations or licenses, or (iii) the HCP has the capacity to make decisions with the potential to affect the business of MMC.
4. **HIGH RISK THIRD-PARTY** – refers to consultants, contractors, service providers, vendors, etc. whose engagement with the Company is of such frequency, nature, and scale that renders the

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 3 of 15

Company's operation vulnerable should there be breach, violation, and or abuse of trust on the part of such Third-Party. High Risk Third Parties include but are not limited to:

- 4.1 those that deal with the most business-critical operations or the most sensitive data of MMC,
 - 4.2 Third Parties to whom MMC depends on to run its operations,
 - 4.3 Third Parties that deal with Government on behalf of the Company and has access to MMC's sensitive corporate information or handles its financial transactions and there is high risk of information loss,
 - 4.4 Third Parties that are owned by a Government Official or someone related to a Government Official,
 - 4.5 Third Parties that have been associated with allegations of improper payments or corruption in the past,
 - 4.6 Third Parties that do not cooperate with the MMC's screening process, and
 - 4.7 When a customer/Government Official pressures the Company to retain a particular Third Party.
5. **THIRD-PARTY** - an individual, entity, organization and/or its representatives that has existing and/or intended business dealings with MMC. This includes prospective or existing suppliers, contractors, consultants (including, Healthcare Providers), buyers, dealers and customers. This also covers associates (former classmates, co-workers, co-fraternity members, co-members in closed knit associations such as masonry/lodge, etc.) who are also prospective or existing suppliers, contractors, buyers, dealers or customers. This also covers partners in Corporate Social Responsibility (CSR) activities, grants, sponsorships, foundations and other similar organizations.
 6. **THIRD-PARTY DUE DILIGENCE REVIEW** – refers to the act of ensuring and documenting that there is: (i) business reason to engage the Third Party, (ii) selection process, (iii) background check using the Third-Party Due Diligence Questionnaire and Certification (See Annex "A"), including checking whether the Third-Party is on the Company prohibited list (if any), check and resolution of any conflicts of interest, and due diligence is refreshed as appropriate to maintain adequate oversight of Third Parties.
 7. **THIRD-PARTY RISK ASSESSMENT** – the process by which the Business Owner or the Procurement Department conducts an assessment relative to the engagement of a Third-Party and ensures

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 4 of 15

that the following steps are complied with: (i) conduct of Third-Party Due Diligence Review, (ii) ensure that appropriate Anti-Bribery and Anti-Corruption (ABAC) contractual clauses are added to contracts and purchase orders, (iii) conduct compliance training to Third Parties, and (iv) monitoring of Third Parties and reporting breaches.

8. **THIRD-PARTY RISK MANAGEMENT ("TPRM")** - The process by which the Company manages interactions with Third Parties for the purpose of assessing and monitoring the ongoing risk that each Third-Party relationship represents.

Guidelines:

A. No indirect payments through Third-Party.

Anti-corruption laws prohibit indirect payments made through a Third-Party, including giving anything of value to a Third-Party while knowing that value will be given to a Government Official for an improper purpose. Therefore, Hospital Staff should avoid situations involving Third Parties that might lead to a violation of this Policy.

B. Precautionary measures must be adopted when dealing with Third Parties.

Hospital Staff who deal with Third Parties are responsible for taking reasonable precautions to ensure that the Third Parties conduct business ethically and in compliance with this Policy. Such precautions may include:

- conducting an integrity due diligence review of a Third-Party, and every 3 years for low risk third party vendors, and every year for high risk third party vendors, when relationship is continued.
- inserting appropriate anti-corruption compliance provisions in the Third-Party's written contract (depending on the circumstances, such provisions could include representations, warranties, covenants, and may require the agent to undergo training),
- requiring the Third-Party to certify that it has not violated and will not violate this Policy and any applicable anti-corruption laws during the course of its/his/her business with the Company, and

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 5 of 15

- monitoring the reasonableness and legitimacy of the goods and services provided by and the compensation paid to the Third-Party during the engagement.

C. More detailed due diligence and pre-approval of Company's Compliance Officer required when dealing with High Risk Third Parties.

Prior to engaging third party, appropriate due diligence is conducted depending on the assessed risk of the potential vendor / third party.

For low risk vendors (criteria based on exclusion from high risk third parties), due diligence may include simple on-line search about the vendor to check for any adverse news or litigations.

Hospital Staff retaining High Risk Third Parties, including Third Parties that will be representing the Company before governmental entities must conduct a more detailed due diligence and must discuss the engagement with and seek prior written approval from the MMC's Compliance Officer prior to hiring the High Risk Third-Party. Any doubts regarding the scope of appropriate due diligence efforts in this regard should be resolved by contacting and consulting with the MMC's Compliance Officer. For high risk vendors, due diligence may include onsite visits / inspection.

In engaging third parties that requires government interaction, the following must be complied with, in addition to due diligence and approved contract that contains ABAC and US FCPA provisions:

- rationale for getting third parties and specific services to be provided
- risk mitigation measures, as relevant
- review of fair market value for services rendered
- payment terms and requirement of supporting documentation for payments to be made

D. Awareness of red flags when dealing with Third Parties.

In addition, once a Third-Party is engaged, Hospital Staff who deal with Third Parties must always be aware of potential red flags. Red flags are certain actions or facts which should alert a company that there is a possibility of improper conduct by a Third-Party. A red flag does not mean that something illegal has happened, but rather that further investigation is necessary. Red flags are highly fact-dependent, but some examples of red flags are:

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 6 of 15

- Unusual or excessive payment requests, such as requests for over-invoicing, up-front payments, ill-defined or last-minute payments, success fees, unusual commissions, or mid-stream compensation payments;
- Requests for payments to an account in a country other than where the Third-Party is located or is working on behalf of the Company;
- Requests for payment to another Third-Party, to a numbered account, or in cash or other untraceable funds;
- Requests for political or charitable contributions;
- Where the Third-Party is related to a Government Official or has a close personal or business relationship with a Government Official;
- Any refusal or hesitancy by a third party to disclose its owners, partners, or principals;
- The Third-Party uses holding companies or other methods to obscure its ownership, without adequate business justification;
- The Third-Party expresses a desire to keep his representation of the Company or the terms of his retention secret; or
- The Third-Party has little experience in the industry but claims to “know the right people.”

E. Discounts, Rebates or Commissions granted for Third-Party

When engaging Third Party for a business transaction that may require discounts in hospitalization cost, rebates for referrals or service, or commissions, as practiced in the industry, and consistent with business and medical code of ethics, percentage of discount, rebate or commission is recommended by the Division Head and approved by the Chief Finance Officer and Chief Executive Officer.

F. Immediate reporting of potential improper conduct by Third-Party.

If Hospital Staff have reason to suspect that a Third-Party is engaging in potentially improper conduct, they shall report the case to the Compliance Officer immediately. MMC shall conduct an investigation and stop further payments to the Third-Party if MMC's suspicions are verified through the investigation.

G. Stakeholders in the Management of Third-Party Risks and Their Roles and Responsibilities

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 7 of 15

Stakeholder name	Information on role/ responsibility
Business Owner / Department	IV. Holds relationship with Third Parties and is responsible for the business impact of the transaction with Third Parties, other than those falling within the jurisdiction and authority of the Procurement Department. V. Assumes and owns any risk(s) identified with the Third Party. VI. Carries out tasks such as initiating the Third-Party due diligence and Risk Assessment process, providing data for information or queries, lead remediation activities to address identified risks, and liaising with relevant parties to ensure that specific contract clauses required are included in the contract with the Third-Party. VII. Ensures that all contracted services or transactions covered by contracts are renewed on time, prior to expiration and that no services or transactions with third party will be conducted without a covering approved contract / memorandum of agreement.
Procurement Department	VIII. Holds relationship with Third Parties and is responsible for the business impact of the transaction with Third Parties falling within the scope of its authority. IX. Assumes and owns any risk(s) identified with the Third Party. X. Carry out tasks such as initiating the Third-Party Risk Assessment process.

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 8 of 15

	XI. Ensures that relevant provisions of this Policy are incorporated and taken into account in bidding procedures or tender for procurement.
Compliance Department	XII. Liaises with Business Owners and the Procurement Department to support and ensure the proper functioning of TPRM, support in managing Third-Party risk, oversee the Third-Party Risk Assessment procedure for their risk area and ensure that relevant compliance standards and requirements are contained in the Policy. XIII. Provides oversight on ABAC training to and obtain Third-Party Compliance Affirmation on an annual basis (See Annex "B") to Third Parties.

H. Principles for a Third-Party Management Policy

Principles	Details/ more information on the principles
Maintain risks at an acceptable level	XIV. Work with Third Parties who conduct business in a manner that is consistent with MMC's values and standards. XV. A robust and risk-based assessment process should be in place to ensure that Third Parties operate to the same standards as MMC. In this way, MMC maintains risks at an acceptable level.
Business owns the risk	XVI. Business Owner owns and manages the risks identified with the Third Party. XVII. Compliance with the Third Party Risk Assessment procedure supports the Business Owner in this process by identifying, assessing, remediating and monitoring risks.

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 9 of 15

Use the Third Party Risk Assessment procedure	XVIII. The Third Party Risk Assessment procedure enables Third Party risk assessments to be managed through a risk-based approach in a single, mandatory process and system. The framework is scalable and flexible to enable the inclusion of additional risks over time. XIX. Business Owner would initiate the Third Party Risk Assessment procedure and the outcome of the risk assessment determines whether a commitment can be made or if additional steps (e.g. remediation) are first required with the Third Party.
No Assessment, no contract	XX. No transaction with the Third Party can be made before the risk assessment is completed. XXI. If a “No-Go” (or Red flag/unacceptable/unmitigatable) criterion is identified during the risk assessment, no contract with the Third Party will be possible.
Remain vigilant	XXII. Third Parties are monitored on an ongoing basis throughout the entire relationship through Third Party audits and subsequent remediation actions, if applicable. XXIII. Effective monitoring also requires the Business Owner to share with the stakeholders any relevant information that they become aware of which may have an impact on the risk classification of the Third Party. XXIV. A re-assessment of the Third Party is triggered every three years at the latest - or earlier in certain circumstances (e.g., where the contract is extended or renewed or the nature of our relationship with the Third Party changes significantly). For High Risk

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 10 of 15

	Third Parties, re-assessment should be made on an annual basis.
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I. Implementation of TPRM Policy

Third Party Risk Assessment requires the following processes:

- I. **Vendor Selection** – procurement process through bidding procedures and price comparison.
- II. **Vendor Screening** – Evaluation of Third-Party will be undertaken through: (i) requiring the filling up and submission of the Company's Third-Party Due Diligence Questionnaire and Certification (See Annex "A"), and (ii) risk assessment, by assigning the appropriate risk rating (low, normal, high). Based on the results of the due diligence / risk assessment, the Company will determine whether to engage in a business relationship with the Third Party.

The risk assessment will take the following into consideration:

- The information asset(s) being accessed.
- Type of access needed, such as physical access to offices, logical access to databases and information systems.
- Value, sensitivity, and criticality of the information.
- Accessibility needs of the Third-Party.
- Legal and regulatory requirements and other contractual obligations.
- Fair market value for services to be rendered.

III. **Contracting** – Third-Party entities will not be engaged by the Company until:

- The due diligence / risk assessment has been completed and the information has been analyzed to determine if risks are acceptable.
- The remediation of all risks (findings) that are determined to be unacceptable.
- Completion of background checks.

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 11 of 15

- Third Party personnel have read the organization's relevant policies and procedures and signed the Third-Party Compliance Affirmation (See Annex "B").

IV. ABAC training and certification upon onboarding

- Business owners must familiarize themselves with this Policy. They shall also be trained in line with the hospital-wide compliance training. If required, additional training to High Risk Third Parties, may be undertaken by the Compliance Department.
- Training must be provided to Third Parties for them to familiarize with the applicable policies and procedures.

V. Regular Monitoring

- Business Owners, in coordination with the Procurement Department / Human Resources Management and Development and Compliance Department, will establish and carry out the monitoring of Third Parties by using surveys, questionnaires and inspections to review the compliance of Third Parties on an ongoing basis. Year-to-year comparisons can flag potential lapses in security control environments.
- Breaches of the Company policies and guidelines or local laws will result in remedial, corrective or disciplinary actions up to and including termination of engagement or business relationship with Third Parties. Actual or suspected incidents of misconduct should be reported. The Company guarantees non-retaliation and confidentiality, to the extent legally possible, for good-faith reports of such breaches.
- All Hospital Staff are encouraged to report suspected violations of law, rules and regulations, policies and procedures related to their work. This includes reporting misconduct by other Hospital Staff with whom they do business. MMC is committed to non-retaliation and will maintain, as appropriate, confidentiality and anonymity with respect to all disclosures.

VI. Refresh Due Diligence upon renewal of contract or due diligence expiry date, whichever is earlier.

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 12 of 15

- Due Diligence should be conducted prior to renewal of contract or every year for high risk third party transactions or every 3 years for normal to low risk transactions.

VII. Retention of Records and Documents

All engagements of Third Parties must be fully documented through the Third-Party Engagement Documentation Form (attached herein as Annex "C"). The relevant documentation must include the following:

- How and from whom the need for acquisition originated;
- Approval by which the purchase and/or engagement was authorized;
- How the cost or compensation was determined and approved;
- Business justification for selecting the prospective Third-Party;
- The expertise and resources that the prospective Third-Party brings to the role that they propose to undertake;
- Third-Party Risk Assessment and due diligence report and background checks shall be documented thoroughly by the Business Owners and the Compliance Department; and
- All records for proof of supply or performance of the goods/services by the Third-Party.

The Business Owner shall maintain all records pertinent to the engagement of the Third-Party as enumerated above and such other pertinent supporting documentation for the entire duration of the engagement and for a period of no less than five (5) years from the termination of the engagement.

J. Consequences of Violations

Any Hospital Staff who fail to comply with this Policy shall be, upon notice and hearing, subjected to penalties and sanctions as may be determined by the Legal and Compliance Department and the Company President. Third Parties found to have defied this Policy shall also be penalized.

K. Effectivity

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 13 of 15

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

L. Approval, Amendment or Alteration of Policy

This Policy has been approved and adopted by the Medical Doctor's Inc. (MDI) Board of Directors.

The Compliance Department, Leadership and the MDI Board of Directors has the overall responsibility to provide oversight on implementation, monitoring and periodic review (at least every 3 years) of this Policy.

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

M. Training

Upon initial roll-out of the Policy, all current personnel, trainees and medical staff should be trained and complete attached form and deliver the completed forms to Human Resources / Medical Services / Medical Education and Research in an envelope labeled "Employee Policy Training Certification."

New personnel, trainees and Medical staff should be trained immediately upon hiring and complete this form and kept in their respective 201 file in Human Resources, Medical Services or Medical Education.

N. Responsibilities:

Compliance Department regularly reviews, and modify as necessary, this policy at least every 3 years and recommend to Leadership and MDI Board of Directors any modification.

Human Resources - Learning and Development Department / Department Manager or Quality, Safety and Compliance Officer of concerned department in coordination with Compliance

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 14 of 15

Department provides regular training and annual refresher course to hospital personnel and third party services within their area of responsibility.

Managers and supervisors are responsible in ensuring that all their staff are aware and implement this policy consistently. In the review of any violation of this policy, managers and supervisors may be held liable for failure to instruct adequately their subordinates or for failure to detect noncompliance with applicable policies and legal requirements, where reasonable diligence would have led to the discovery of any violations or problems and prevent loss for the company.

Required Education:

All appropriate MMC personnel will be trained through policy distribution, or video recording and subsequent Q&A on implementation of this policy.

Attachment:

Annex A: Third Party Due Diligence Questionnaire and Certification

Annex B: Third Party Compliance Affirmation

Annex C: Third Party Engagement Documentation Form

Review:

This policy will be reviewed every three (3) years or earlier by the Compliance Officer or as recommended by the Senior Leadership or MDI Board of Directors.

Reference/s:

MPHHI Government Interaction policy

Signatories:

(original document signed)

Author (s) **Mary Milagros D. Uy, MD**
Compliance Officer

Hospital Policies and Procedures Manual

CORPORATE GOVERNANCE	Document Code: MMC-HPP-GLD-024	Rev. Code : 00
Third-Party Management Policy	Effective Date: September 9, 2021	Page 15 of 15

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Reviewed and Recommended for Approval

(original document signed)

Atty. Pilar Nenuca P. Almira
President and CEO

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