



"Pamilya ay Nakaseguro, Benepisyo ay Sigurado"

CORPORATE GOVERNANCE MANUAL (Revised Edition)

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PART I

INTRODUCTION

1.1. Brief History of the Organization

KGI started in Kalookan, Zambales and Malate by lending only to families wishing to improve their lives by building their business to source their daily needs. While multiplying the members, one of the problems facing the institution is the death of the member while it still has a loan. The management then started to seek on how to provide risk protection to its members and their dependents. Thus, the KGI implemented MMF or the Members Mutual Fund. The MMF became the response to cover the remaining loan balance of the members and no need to pay more by his family.

Over the years, KGI continually enhanced and increased the benefits of the members in MMF. Until not only the debt left by members of the MMF were answered but also a small amount were given to his family members to bury him/her properly. Further, a portion of their hospitalization were also covered by their contribution to MMF.

In 2008, KGI began to study about Mutual Benefit Association, a more stable institution that can provide the members and their legal dependents a benefit in case an unforeseen event come to their lives. An institution that is guided by the Insurance Commission (IC) and the Securities and Exchange Commission (SEC) and ensures that the institution meets the benefits promised to its members.

Due to Joint IC-CDA-SEC Memorandum Circular No. 01-2011 of the Insurance Commission, the management and Board of Trustees of KGI decided to establish its own MBA through the help of RIMANSI, a Non—Government Organization who helps microfinance institutions to have their own MBA, in preparing the documents and doing assessment for KGI to be able to register KGI's MBA to SEC and have the license to operate to the Insurance Commission. In 2010, RIMANSI and KGI had the Memorandum of Agreement and completed the required documents to become a full MBA.

In September 23, 2011, KGI Mutual Benefit Association, Inc. was registered to the Securities and Exchange Commission with certification number CN201117039, and also received its license from the Insurance Commission granted on the 14th of February, 2012 with license number 2012-2-0.

With the help of a thorough study of the actuary for providing proper benefits for members and staff, the management is searching for other benefits to increase service and to meet their other insurance needs that will match in times of crisis.

At this time, KGI and KGI MBA is committed to its mission and its true concern for the poor family. The program continues to grow and continuing serving the poor people through micro-financing and micro-insurance program.

1.2 Vision, Mission, Goals, Core Values

1.2.1 Association's Vision:

By 2028, KGI MBA is one of the 5 leading Mi-MBA's in Luzon.

1.2.2 Association's Mission:

Protect low-income Filipino households from life-cycle risks.

1.2.3 Goals & Objectives:

That the purpose for which such association is formed is to advance the interests and promote the welfare of the poor in particular and the interest and welfare of the Philippines in general. Specifically the association shall seek:

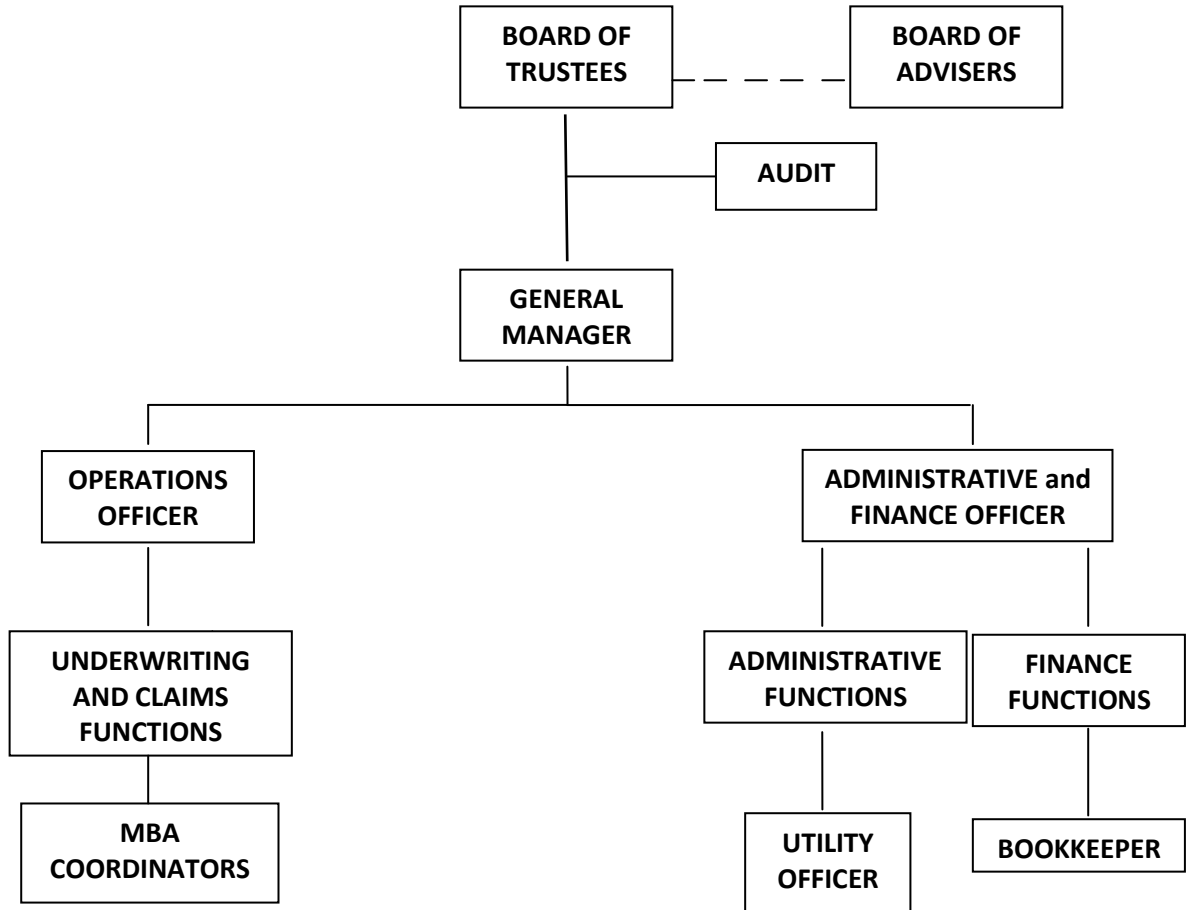
- 1.2.3.1 To extend financial assistance to its members, spouse, children and parents in the form of death benefits, sickness benefits, provident savings and loan redemption assistance;
- 1.2.3.2 To ensure continued access to benefits/ resources by actively involving the members in the management of the association that will include implementation of policies and procedures geared towards sustainability and improved services

1.2.4 Core Values

Love
Team-work
Respect
Integrity
Service
Excellence

1.3 Organizational Structure

Organizational Structure



1.4 Overview of Programs

1.4.1 FINANCIAL

BASIC LIFE INSURANCE PROGRAM (BLIP)

Basic Life Insurance Program (BLIP) is a life insurance coverage for the members and his/her legal dependents. The weekly contribution for this product is Php50.00 and has the following benefits:

1. Natural or Non-accidental Death Benefit;
2. Accidental Death Benefit; and
3. Total and Permanent Disability

product has a rider called Hospital Bill Reimbursement Benefit (HBRB) that gives a minimal financial assistance to the member and hi/her legal dependents in case of hospitalization and confinement for more than 24 hours.

CREDIT LIFE INSURANCE PLAN (CLIP)

Credit life insurance aims to give full loan protection to member-borrowers and also to protect its microfinance partner KGMI by ensuring 100% collection of loans extended to the members in case of death. The premium is based on the principal amount and term of loan of the member.

EQUITY VALUE REFUND

A member is entitled to an equity value equivalent to at least fifty per centum (50%) of his/he total gross contributions paid and an annual interest credited to the fund. Upon reaching the termination age of sixty five (65) years old, in case of death, termination or resignation, the member shall be entitled to payment of the member's equity value.

1.4.2. NON-FINANCIAL

RELIEF ASSISTANCE

In line with the association's goal of providing assistance and security to its members without additional contribution, relief goods were given to all members who are victims of natural disaster like:

- a. Earthquake
- b. Flood
- c. Landslide
- d. Volcanic Eruption
- e. Fire
- f. Typhoon

1.5 Commitment to Good Corporate Governance

KGI MBA, Inc. is committed in the promotion of corporate good governance within its organization and among its stakeholders. Together with the Board of Trustees and Management, KGI MBA will remain steadfast in monitoring the performance of the organization, strive to make good and sound decisions, and will hold its governing board accountable for its execution in achieving our corporate goals.

The Corporate Governance Manual shall serve as its guide in ensuring the organizations practice of good governance, sustainability and its continuous commitment to its stakeholders in providing efficient and innovative programs and services for the growth of the community in which we operate.

1.6 Objective of the Manual

This Manual is primarily intended to implement the objectives of the Code of Corporate Governance issued by the Insurance Commission (IC) for the enhancement of the corporate accountability of Association's Trustees, management and employees and promote the interests of the stakeholders specifically those of the policyholders, claimants and clients.

This Manual also institutionalizes the principles of good corporate governance in the entire organization. It provides general guidelines that would ensure that the Association's Management continues to enhance the value of the KGI-MBA as it competes in an increasingly global market place.

The Association's Board of Trustees and Management, employees, and policyholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management, and will therefore undertake every effort necessary to create awareness within the organization of the importance of good corporate governance.

1.7 Definition of Terms

Corporate Governance – the framework of rules, systems and processes in the association that governs the performance by the Board of Trustees and Management of their respective duties and responsibilities to the stakeholders;

Association- as referred to in this Manual is KGI-Mutual Benefit Association Inc.

Board of Trustees– the governing body elected by the member's that exercises the corporate powers of the KGI-MBA, conducts all its business and controls its properties;

Management – the body given the authority by the Board of Trustees to implement the policies it has laid down in the conduct of the business of the association;

Independent Trustee–is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a trustee;

General Manager – a person given responsibility for all the phases of the association’s day-to-day business operations, subject to the policies and guidelines by the Board of Trustees.

Internal control – the system established by the Board of Trustees and Management for the accomplishment of the association’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;

Internal control system – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;

Internal audit – an independent and objective assurance activity designed to add value to and improve the corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;

Internal Auditor – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

PART II
GOVERNANCE
STRUCTURE

2.1 The Board of Trustee

The Board of Trustees shall be the governing body of the Association. A Trustee's office shall be a position of trust and confidence. They shall act in a manner characterized by transparency, accountability, fairness and for the best interest of the members and stakeholders. Trustees shall primarily responsible for approving and overseeing the implementation of the Associations' policies and procedures, action plans corporate governance and corporate values. They shall also be responsible in overseeing the performance of senior management towards attainment of the Association's short and long-term strategic objectives.

2.1.1 Composition and Election of the Board of Trustees

The Board of Trustees of KAZAMA Grameen (KGI) - Mutual Benefit Association (KGI-MBA) Inc. shall consist of seven (7) members namely the following: five (5) trustees shall be elected by the active members with existing loans funded by KAZAMA Grameen, Inc. (KGI); (2) independent trustees, to be elected by the active members with existing loans funded by KAZAMA Grameen, Inc. (KGI).

The member-representatives to the Board are elected annually from among and by the Branch Coordinators, who are elected by KGI MBA members from among the center chiefs covered by KGMI branch office. With the exception of the independent members, the members of the Board elect from among themselves KGI MBA's President, Vice President, Treasurer, and Secretary.

The Board of Trustees are elected during the Annual General Meeting (AGM) thru proxy voting. (*Annex A Selection and Election Process*)

2.1.2 Multiple Board Seats

Members of the Board of Trustees shall exercise due discretion in accepting and holding board positions in other organizations, to ensure that in holding such other positions, their capacity to diligently and efficiently perform the duties and responsibilities as part of KGI MBA's BoT is not compromised. The KGI MBA BoT may allow its member-trustees to hold up to a maximum of five (5) full-time board positions in other organizations. A trustee should notify the Board where he is an incumbent director/trustee before accepting a directorship in another company.

A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations.

2.1.3 Qualifications of Trustee

Except in the case of its two (2) independent members, the following are the minimum qualifications for election as a member of the KGI MBA BoT:

The trustees to be elected:

- a. Must be of legal age;
- b. Recognized active beneficiary of KGI MBA or any of its affiliates;
- c. Has consistently performed very satisfactorily for at least the last three (3) years of his/her membership;
- d. Has an on-going business funded by loan from KGMI or any of its affiliates;
- e. Must be an active MBA Coordinator for at least two (2) years at the time of nomination as BoT member;
- f. Must possess leadership skills and competence necessary to execute the duties of a trustee;
- g. Has no pending administrative, civil, or criminal case; and
- h. Willing to perform the functions of a trustee without any remuneration

2.1.4 Disqualifications of Trustees

No member convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code of the Philippines committed within five (5) years prior to the date of his/her election or appointment, shall qualify as a Trustee or Officer. In addition, a member whose membership has been terminated due to various reasons, and/or has resigned from membership with KAZAMA Grameen, Inc. (KGI) or any of its affiliates, shall also be disqualified from being a Trustee or Officer.

Those provided for under existing laws, rules and regulations shall likewise be adopted with regard to the permanent and temporary disqualification of Trustees in as far as they are applicable to KGI MBA.

2.1.5 Duties, Functions & Responsibilities of the Board

2.1.5.1 General Responsibility

It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stakeholders.

The Board of Trustees is primarily responsible for the governance of the Company. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

The Board should establish the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the mechanisms for effective monitoring of the Management's performance.

The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

A trustee's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, integrity, and fairness, and in the best interest of the association.

2.1.5.2 Specific Duties and Function

To ensure a high standard of best practice for the Company and other stakeholders, the Board shall:

- a. Adopt a process of selection that encourages diversity and ensures a mix of competent directors and officers, without regard to gender, race, or religion;
- b. Oversee the implementation of compensation plans and professional development programs for officers and succession planning for senior management;
- c. Oversee Management's formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans and policies and periodically evaluate Management's overall performance;
- d. Ensure that the Company complies with all relevant laws, regulations and endeavor to adopt best business practices;
- e. Identify the Company's stakeholders in the community in which it operates or are directly affected by its operations and oversee Management's formulation and implementation of the Company's policy on communicating or relating with them through an effective investor relations program and other appropriate communication programs;
- f. Provide oversight with regard to enterprise risk management;
- g. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- h. Ensure that the Company establishes appropriate policies and procedures in accordance with this Revised Manual and applicable laws and regulations, including, but not limited to, conflict of interest and related party transactions;
- i. Consider the creation and maintenance of an alternative dispute resolution system in the Company that can amicably settle differences or conflicts between the Company and its stakeholders, and
- j. Constitute Board Committees, that it deems necessary to assist the Board in the performance of its duties and responsibilities;

- k. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing law, rules and regulation.

2.1.5.3 Term of Office

The elected members of the Board of Trustees shall serve beginning immediately following their election for the term of three (3) years until their successors have been elected, except for a newly elected member succeeding a resigned member who will only serve for the unexpired term of the outgoing member. No other member shall serve as member of the Board of Trustees for more than two (2) consecutive terms.

The Board of Trustee who will retire from his/her position or have completed his/her tenure will be awarded and recognized by giving a plaque/certificate of recognition for his invaluable service to the association and a token of appreciation during the annual general assembly.

2.1.5.4 Internal Control Responsibilities of the Board

The control environment of the association consists of:

- (a) the Board which ensures that the corporation is properly and effectively managed and supervised;
- (b) a Management that actively manages and operates the corporation in a sound and prudent manner;
- (c) the organizational and procedural controls supported by effective management information and risk management reporting systems;
- and
- (d) an independent audit mechanism is in place to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

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

- a. Definition of the duties and responsibilities of the General Manager who is ultimately accountable for the KGI MBA's organizational and operational controls;
- b. Selection of person who possesses the ability, integrity, and expertise essential for the position of General Manager;
- c. Evaluation of proposed senior management appointments;
- d. Selection and appointment of qualified and competent management officers; and,

- e. Review of the association's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- f. Establish a mechanism for monitoring and managing potential conflicts of interest of Management, Board members, and stakeholders;
- g. Approve the Internal Audit Charter; and
- h. Establish an effective performance management framework that will ensure that the Management, including the General Manager, and personnel's performance is at par with the standards set by the Board and Senior Management.

The minimum internal control mechanisms for the Board is to ensure that separation of duties are performed in accordance to the defined control environment of the association.

2.1.5.5 Disclosure of RPT and Other Conflict of Interest

Board members and officers shall at all times avoid any actual or potential conflict of interest with the organization. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

If a conflict of interest situation arises, or a situation arises which may give reason to assume that a conflict may arise, the Audit Committee, has a duty to report the matter forthwith to a level in the association that allows the internal audit to review the question and determine an appropriate course of action to fulfil its mandate.

2.1.5.6 Vacancy in the Board

In case an office becomes vacant due to death, resignation, retirement, disqualification, incapacity or any other cause, of the incumbent, the Board of Trustees, a majority vote, may elect/appoint a successor, who shall hold office for the unexpired term.

2.2 Board Meetings

2.2.1 Quorum Requirements

The Trustees should attend and actively participate in all meetings of the Board, Committees, and General Assemblies in person or through tele-/video-conferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the trustee should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

In all regular or special meeting of members, at least fifty percent (50%) of all members of good standing plus one (1) must be present or represented by proxy in order to constitute a quorum. A member may be represented by a proxy, through a written notice to the Secretary. The authorization shall be valid only on the date of the meeting indicated thereon. If no quorum is constituted, the meeting shall be adjourned until the requisite number of members shall be present.

2.2.2 Regular and Special Meetings

The Board of Trustees shall meet regularly once every two (2) months at the main office of KGI-MBA unless otherwise previously agreed upon by the members of the Board of Trustees. A special or emergency meeting of the Board of Trustees may be called by the President or the Secretary upon request of a majority of the incumbent members of the board and at least three (3) days' notice to all members of the board. Notice of any meeting of the board is in writing.

The non-executive trustees shall have separate periodic meetings with the External Auditor and heads of the Internal Audit, Compliance and risk functions without any executive trustees present to ensure that proper checks and balances are in place within the association. The meetings should be chaired by the Lead Independent Trustee.

2.2.2.1 Notice of Meeting

Notices for regular meetings shall be sent by the Secretary by personal delivery, by mail or e-mail at least two (2) weeks prior to the date of the meeting to each member at his last known post office address. The notice shall state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called.

Notices for special meetings may be made by written notice at least five (5) days before the meeting. The written notice shall contain the particular matters to be discussed. Only matters specified in the notice of special meeting can be the subject of motions or deliberations at such meetings.

2.2.3 Participation in Meetings through Remote Communication

Trustees 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. However, directors or trustees who cannot attend or vote by proxy at board meetings, If a trustee intends to participate in a meeting through remote communication, he/she shall notify in advance the Presiding Officer and the Corporate Secretary of his/her intention. The Corporate Secretary shall note such fact in the Minutes of the meeting. The **Guidelines on the Board**

Meeting and election of Trustees through Remote Communication

attached as Annex C of this manual act as a guide when meeting through remote communication.

2.2.4 Orientation and Continuing education for the Board

The Board as a group and as individual trustees should have sufficient knowledge relevant to the Association's core activities to provide effective governance and oversight.

For first time Trustees, it is critical to receive the training they need in order to be an effective member of the Board and help lead the organization in the right direction. An in-house orientation program for first-time trustees will begin immediately after they are elected and before their first Board meeting to better familiarize themselves with the association's businesses, stakeholders, regulatory environment, and governance practices through the following topics:

- a. Briefing on the qualifications, roles, and responsibilities of BoT members as part of the election process for BoT members and the Corporate Governance Manual;
- b. KGI MBA Articles of Incorporation and ByLaws;
- c. Compliance/reportorial requirements of KGI MBA to regulatory agencies;
- d. Matters on handling/attending Board Meeting

As required, all new Board members shall undergo within 6 months after election/appointment training on Anti Money Laundering Act (AMLA) and Good Governance.

This is intended to familiarize the new directors on their roles and responsibilities in the Board and Committees, the organization's strategic plans, organizational structures, business activities, compliance programs, Code of Conduct and Business Ethics, and Corporate Governance Manual.

All trustees are also encouraged to participate in continuing education programs at the Association's expense to maintain a current and effective Board for a duration equal to or longer than what is required by Law and regulations.. The continuing education program should be able to meet the specific needs of the company and the individual directors and aid any new director in effectively performing his or her functions. It could include, but should not be limited to the following strategies:

- a. Dissemination of reading materials and other background documents in advance of scheduled BoT meetings;
- b. Regular updates on emerging regulatory or governance matters through the KGI MBA website and/or during BoT and committee meetings;
- c. Providing access to relevant seminars, trainings, conferences, webinars,

- and similar educational opportunities on Board governance;
- d. Board site visits to KGMI office/s and partner organizations to meet with staff and members, and discuss improvement in operations; and,
- e. Attendance in committee meetings (of which they are not members) for more in-depth discussion on policies or issues being considered.

2.3 Board Appointments and Re-elections

The Board of Trustees shall be elected every three years by majority of its members during its annual meeting.

The independent trustee shall be elected by the majority of its members upon the nomination of the Nomination Committee of the Board of Trustees. Notwithstanding the foregoing, for the duration that the Association is under conservatorship of the Insurance Commissioner, the independent trustee shall be appointed by, and shall serve at the pleasure of the Insurance Commissioner.

2.4 Code of Ethics and Conduct

Members of the board, management, officers and employees are committed to adhere to ethical business conduct/corporate governance rules and principles as follows:

- a. Dealings of the Association with any of its trustees, officers, and their related interests shall be in the regular course of business and upon terms not less favourable to the Association than those offered to others to avoid insider abuses and unfair competitive advantage.
- b. The Board of Trustees and the created committees must be able to perform their duties with a high degree of independence; Board of Trustees, officers and employees shall not engage in any act or omission which may be considered as conducting business in an unsafe and unsound manner;
- c. Every member of the organization should promote the good reputation of the Association in dealing with members and other parties that transact business with the institution (e.g. ensuring payment of claims within the 1-3-5 day target);
- d. The Board of Trustees and the management shall at all times fully disclose material information dealings such as acquisition or disposition of asset, board changes, related party transactions, corporate strategy and off balance sheet transactions;
- e. The Association office's facilities shall not be used in the furtherance of any criminal activity;

- f. Members of the board and senior management shall disclose material interest in transactions affecting or which may affect the Association;
- g. The board shall review all material transactions that are not done in the ordinary course of business;
- h. Board of Trustees, officers and employees shall not enter into business transactions where conflict of interest may arise;
- i. Board of Trustees, officers and employees shall not accept material benefits from someone doing business with the Association; and
- j. The board shall put in place a system for imposition of sanctions and/or penalties for violation of the code/standards.

2.5 Remuneration of the Members of the Board and Officers

The General Manager, Administrative Officer, Chief Accountant and Auditor shall receive such salary and/or benefits as may be fixed by the Board. The members of the Board of Trustees of KGI MBA as defined in its constitution and ByLaws shall not be entitled to any compensation or remuneration for their services rendered, except for any actual reimbursements of monitoring and transportation expenses incurred in the performance of their duties and responsibilities.

2.6 Succession Planning

The association recognizes the importance of succession planning for its BoT and managers to ensure continuity in its smooth operations and future growth. KGI MBA's BoT and management provide effective stewardship to the association, and it is thus critical that any gap in KGI MBA's governance structure resulting from the resignation, retirement, or removal from office of the incumbent is addressed in a timely manner. Succession planning should also ensure that the people tapped to fill such vacancies possess the competencies required by the position.

2.6.1 Process of Succession Planning

KGI MBA's regular succession planning shall have these processes:

- a. Regularly review terms and status of incumbent KGI MBA Board members and managers, and identify positions which would require replacements or filling up within the plan's time frame;
- b. Identify KGI MBA's key leadership vulnerabilities based on a systematic and comprehensive sustainability audit - evaluating performance vis-à-vis its plans, and develop strategies to address identified vulnerabilities;
- c. Outline the competency requirements of identified positions, assess existing competency levels of the association's pool of potential internal candidates, and recommend required training to address gaps;

- d. Review/recommend enhancements to the process for identifying the suitable candidates and filling up any vacancy in the KGI MBA's Board and management (anticipated and unplanned), including possible transition arrangements with elected and appointed successors;
- e. Review and update the statement of roles, functions, and qualifications of BoT members and the job descriptions and qualifications of KGI MBA managers and employees in light of strategic directions/plans;
- f. Define internal and external communication strategies to inform KGI MBA's members and partners on any agreed programmatic transition process.

2.6.2 Planning Implementation

The incumbent Board of Trustees, in coordination with the Nomination, Election and Governance Committee when necessary, shall lead the implementation of the said succession planning by performing the following roles and/or tasks:

- a. Discuss and define details of the succession planning process as provided herein, decide on the time frame for such a process, and assign roles and responsibilities;
- b. Review the drafted succession plan and proposed actions to align it with KGI MBA's plans, and recommend steps to enhance such alignment;
- c. Discuss and approve finalized/updated succession plan, including proper action on proposed policies and next steps.

2.7 The Board Committees

The Board shall constitute the proper committees to assist it in good corporate governance.

2.7.1 Risk Oversight & Audit Committee

The Risk Oversight & Audit Committee shall consist of at least three (3) trustees, who shall preferably have accounting and finance experiences and shall serve for three years, or co terminus with the Board of Trustees. The committee shall meet at least quarterly. The chair of the Audit Committee should be an independent trustee. The committee Charter is attached to this manual as Annex D.

2.7.2 Nomination, Election and Corporate Governance Committee

The Nomination, Election and Corporate Governance Committee shall be composed of at least three (3) members of the Board of Trustees, one of them must be an independent. The committee Charter is attached to this manual as Annex E.

2.7.3 Remuneration and RPT Committee

The Remuneration and RPT Committee composed of three (members), one of which is an independent board. The committee Charter is attached to this manual as Annex F.

2.7.3.1 Material and Related Party Transaction Policy

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders.

- a. Every Related Party Transaction shall be subject to the approval of the Board.
- b. The Audit Committee shall review the proposed significant Related Party Transaction submitted by management as per its terms and reference and the materiality and fairness of the transactions to ensure that these are conducted or resolved in the best interest of KGI MBA and its members. In case a member who has a potential interest in any Related Party Transactions shall not remain present at the meeting when such Related Party Transaction is considered.
- c. The Audit Committee shall be responsible for the review and approval of any material or significant RPTs or conflict of interest issues involving members of the Board, Management and stakeholders and to review and check.
- d. All Related Party Transactions should not exceed the threshold limit set by the Insurance Commission for Mutual Benefit Association.
- e. Transactions with Related Parties which are in the ordinary course of business of the company and on arm's length shall be periodically disclosed to the Board/Audit Committee.
- f. Transactions being entered with the Related Parties even though being in the ordinary course of business of the company shall be done in fair and at arm's length terms to protect the best interest of the Association, its members and stakeholders and conducted in accordance with the principles of honesty, transparency and fairness.
- g. It shall be the responsibility of Management to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

2.7.4 Other Board Committees

The Board may also organize the following committees:

- 2.7.4.1 An Executive Committee which shall consist of not less than three (3) and not more than five (5) to be chosen by the Board of Trustees from among themselves to monitor the operations and finances of KGI-

MBA to ensure that decisions of the Board are executed by management; and, where urgent circumstances require, to act for and in behalf of the Board on such matters subject to such guidelines and limitations duly approved by the Board. The concurrence of at least a majority of the members of the Executive Committee shall be necessary to make an Executive Committee decision valid. All business transactions by the Executive Committee shall be subject to confirmation by the Board of Trustees at its next scheduled meeting;

2.7.4.2 Other Special Committees such as Finance, Personnel Committee and other committees it may deem necessary, with not less than three (3) nor more than five (5) members each with such specific duties as it may deem proper. Ad hoc committees may be created by the Board as the need arises.

2.8 Officers of the Board

The officers of the KGI-MBA shall be composed of a President, Vice President, Board Secretary, and Treasurer. They shall be elected by the Board of Trustees from among themselves. The term of office of the officers shall be co-terminus with the Board which elected/appointed them, unless sooner removed from office by a majority vote of all the members of the Board of Trustees. The officers of KGI-MBA may be removed from office for a cause, including nonfeasance or misfeasance of duties, violation of these By-laws, conduct detrimental to the interest of the Association, incompetence and/or loss of confidence.

2.8.1 The **President** shall be the Chairman of the Board. She/he shall preside in all meetings of the members of the association. She/he shall execute all resolutions of the Board of Trustees. She/he shall be charged with directing and overseeing the activities of the association. She/he shall submit to the Board as soon as possible after close of each fiscal year, and to the members of each annual meeting, a complete report of the activities and operations of the association for the fiscal year under her/his term.

2.8.2 The **Vice President**, if qualified, shall exercise all powers and perform all duties of the president during the absence or incapacity of the latter and shall perform duties that maybe assigned by the Board of Trustees.

2.7.3 The **Secretary** shall give all notices required by these by-laws and keep the minutes of all meetings of the members of the Board of Trustees in a book kept for the purpose. She/he shall keep the seal of the association and affix such seal to any paper or instrument requiring the same. She/he shall have custody of the members' register and the correspondence files of the association. She/he shall perform all such other duties and work as the Board of Trustees may from time to time assign to her/him.

2.7.4 The **Treasurer** shall have charged of the funds, receipts and disbursements of the association. She/he shall keep all moneys and other valuables of the

association in such banks as the Board of Trustees may designate. She/he shall keep and have charge of the books of accounts. She/he shall also perform such other duties and functions as may be assigned to her/him from time to time by the Board of Trustees. She/he shall post a bond in such amounts as may be fixed by the Board of Trustees.

2.9 The Board of Advisers

The Board of Advisers is a five-member body whose main task is to assure policy and operating coordination between KGI MBA and KGI. This board has informal yet important day-to-day contact with KGI MBA management, and frequent interaction with the MBA President. The Board of Advisers also provides significant formal oversight of the MBA and the Trustees in terms of management, policies, regulatory compliance and governance.

2.10 The Independent Trustees

Independent Trustees shall be a person who, who is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of any independent judgment in carrying out his responsibilities as a director in the Association.

Term limits for independent trustees shall be in accordance with IC Circular Letter 2018-36 dated June 26, 2018, ***Rules on Number of Seats, Qualifications and Term Limits of Independent Directors***

The Independent Trustee who served the maximum period of nine (9) years shall be barred from any re-election in KGI MBA. In the event that KGI MBA wants to retain an independent director in the same capacity after nine years, the board will submit to the Insurance Commission a formal written justification and seek stakeholder's approval during the annual shareholder's meeting.

2.11 The Management

The **Management** is headed by the **General Manager**. All principal policies and directions governing the organization, management and operation of the Association shall be formulated and implemented by the Management, subject to Board approval when required by existing laws. The General Manager shall have the charge of the day to day operations of KGI-MBA and exercise the following functions:

1. To supervise and manage the business affairs and activities of KGI MBA under the direction of the President and Board of Trustees;
2. To implement the administrative and operational policies of KGI MBA;
3. To oversee the preparation of budgets and the statements of accounts of the association;
4. To Coordinate the work of the various operating divisions and services, maximize the productive inputs of their personnel and continually work to upgrade the

- quality of service to members;
5. To coordinate with the different standing committees of KGI MBA;
 6. To conduct such studies and submit recommendations to the Board of Trustees in matters related to investment, the use of facilities and development projects including the examinations of contracts entered into by KGI MBA;
 7. To attend and render a report in the quarterly meeting of the Board of Trustees and;
 8. To perform other duties and responsibilities assigned by the President and the Board of Trustees.

2.12 Compliance System

KGI-Mutual Benefit Association Inc. (KGI-MBA) is committed to comply with the Philippine government and the Insurance Commission rules and regulations governing all licensed Mutual Benefits Associations and Insurance Companies. Hence, pursuant to IC Circular Letter No. 10-2002 dated June 27, 2002 a Compliance System has been developed.

2.12.1 The Compliance Officer

To ensure the Association's adherence to the guidelines on corporate governance set herein, the President of the Board shall designate a Compliance Officer. He shall have direct reporting responsibilities to the President of the Board/Governance Committee, and shall be tasked to perform the following duties:

- 2.11.1.1 Monitor compliance with the provisions and requirements of this Manual;
- 2.11.1.2 Determine violations of the Manual and recommend appropriate sanctions and/or penalties for violation thereof, for further review and approval of the Corporation's Board of Trustees;
- 2.11.1.3 Identify, monitor, and control compliance risks;
- 2.11.1.4 Appear before government agencies, if necessary; and
- 2.11.1.5 Annually prepare and submit to the Office of the Insurance Commission (IC) a Corporate Governance Scorecard as required by the Code of Corporate Governance before deadline set by IC.

2.13 The External Auditor

The Association is in compliance with Insurance Commission Circular No. 29-2009 dated November 10, 2009 in the selection of external auditors.

- a. Only external auditors accredited by Insurance Commission are being engaged;
- b. The external auditor shall be changed or the lead and concurring partner shall be rotated every five years or earlier.

- c. No external auditor may be engaged if he or any member of his immediate family had or has committed to acquire any direct or indirect financial interest;
- d. The external auditor and the members of the audit team do not have any claim with the Association;
- e. The external auditor is not currently engaged nor was engaged during the preceding year in providing the following services to the Association:
 - i. Internal audit functions;
 - ii. Information systems design, implementation and assessment;
 - iii. Other services which could affect his independence.
- f. The external shall be appointed by the Board of Trustees during the Annual General Meeting.

2.14 The Internal Auditor

KGI MBA's Internal Audit service is provided by its partner MFI. The Internal Audit, headed by the Internal Audit Manager, provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations. The Internal Audit shall provide the Board, Management and stakeholders with reasonable assurance that the company's key organizational and procedural controls are effective, appropriate, and complied with. The Internal Audit shall be guided by the International Standards on Professional Practice of Internal Accounting and shall have the following duties and responsibilities:

- a. To audit the books and records of KGI-MBA from time to time for the purpose of establishing the authority and propriety of payments made and to verify to the correctness of the same to the Board of Trustees;
- b. To audit the financial transaction and operating practices of KGI-MBA and certify to the correctness of the annual financial reports of the Treasurer and/ or Chief Accountant;
- c. To adopt a system of pre audit and post audit of payments to review and pass upon the propriety of payments to be made or made by KGI-MBA and withhold or suspend payment thereof when appropriate;
- d. To check and review the utilization or disposition of consumable assets and equipment of KGI-MBA with the view of maximizing their utilization and avoiding wastage and pilferage;
- e. To recommend measures or changes in the financial policies, system or procedures of KGI-MBA to maximize its income, reduce its expenditures and improve its services to its members;
- f. Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the corporation; and
- g. To perform other duties as may be assigned by the President, the General Manager and the Board of Trustees.

2.14.1 The Internal Audit Manager shall oversee and be responsible for the internal audit activity of the association, including that portion that is outsourced to a third party service provider (if any). The Internal Audit Manager, in order to achieve

necessary independence to fulfil his/her responsibilities, directly reports to the Risk Oversight and Audit Committee and administratively to the President. The following are the responsibilities of the Internal Audit Manager:

- a. Periodically review the Internal Audit Charter and present it to the management and the Risk Oversight and Audit Committee for approval;
- b. Establish a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the association's goals;
- c. Spearhead the performance of the internal audit activity to ensure it adds value to the organization;
- d. Report periodically to the Risk Oversight and Audit Committee on the internal audit activity's performance relative to its plan; and
- e. Present findings and recommendations to the Risk Oversight and Audit Committee and give advice to the management and the Board on how to improve internal process.

2.15 Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the association. S/he should:

- a. Be responsible for the safekeeping and preservation of the integrity in the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- b. Be loyal to the mission, vision and objectives of the corporation;
- c. Work fairly and objectively with the Board, Management and stakeholders;
- d. Have appropriate administrative and interpersonal skills;
- e. If s/he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his/her duties and responsibilities;
- f. Have a working knowledge of the operations of the association;
- g. Inform the members of the Board, in accordance with the bylaws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him/her from doing so; and
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members.

2.16 The Lead Independent Trustee

To ensure that the Independent Trustee shall be free to express and advocate Independent views and perspectives and that abuse of power and authority and potential conflict of interest are avoided, the Board of Trustees shall additionally designate a Lead Independent Trustee from the Independent Trustees, which Lead Independent Trustee shall have sufficient authority to lead te board in cases where management has clear conflict of interest.

The Lead Independent Trustee shall have, among others, the following functions:

- a. Serve as an intermediary between the President/Chair and the other trustees when necessary;
- b. Convene and chair meetings of the non-executive trustees; and
- c. Contribute to the performance evaluation of the President/Chair, as required.

The Lead Independent Trustee shall perform such other responsibilities as the Board of Trustees may assign to him.

PART III

MEMBERS

3.1. Qualifications for Membership

3.1.1. Applicants must be at least 18 years old but not more than 60 years old as of the enrolment date.

3.1.2. He/she must be an active member of KAZAMA Grameen, (KGI) Inc.; personnel and staff of Microfinance Institution and Mutual Benefit Association and other organized groups accredited.

3.1.3. Able to meet all of the requirements stated in the prescribed application form

3.2 Rights of Members

The Board shall respect the rights of the members as provided for in the Corporation Code and Constitution and By-Laws of the KGI-MBA, namely:

3.2.1 To exercise the rights to vote on all matter relating to the affairs of the association (Voting Right);

3.2.2 To be eligible to any elective or appointive office of the association;

3.2.3 To participate in all deliberations/meetings of the association;

3.2.4 To avail of all the facilities of the association;

3.2.5 To examine all the records or books of the association during business hours (Power of Inspection)

3.3. Duties and Responsibilities of the Members

A member shall have the following duties and responsibilities:

3.3.1 To obey and comply with the by-laws, rules and regulations that may be promulgated by the association from time to time;

3.3.2 To attend all meetings that may be called by the Board of Trustees;

3.3.3 To pay membership dues and other assessments of the association;

3.3.4 To participate in the governance and to protect the fund of the association; and

3.3.5 Continuously give suggestions and comments on how to better run the association.

In order to remain in good standing, a member must not be in arrears in the payment of membership dues and other contributions.

3.4 Voting Rights

All members shall have the right to participate and vote in the Annual General Meeting including the right to elect, remove and replace directors, vote on

certain corporate acts in accordance with the Corporation Code such as changes or amendments to the organization's ByLaws and Articles of Incorporation, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code , issuance of additional shares and appointment of the external auditor.

Members shall be entitled to one vote, and they may vote whether in person or by proxy, which shall be in writing and filed with the Secretary of the association before the scheduled meeting.

3.3 Power of Inspection

All members shall be allowed to inspect corporate books and records including minutes of Board meetings and performance reports in accordance with the Corporation Code, and shall be furnished with annual reports, financial statements, without costs or restrictions.

3.4 Right to Information

The members shall be provided, upon request, with information about the organization's governance board members and partnerships made with other organization.

The members shall have access to any information relating to matters for which the management is accountable. They shall also be allowed to propose items in the agenda of meetings, provided that the suggested item is valid, legitimate and related to the organization's business.

The association will regularly publish annual reports, periodicals and other related information materials. All announcements, revision of policies and procedures approved by the Board should be disseminated through issuance of circulars or memorandums or advisories and will be posted in conspicuous places in all branches of partner institution or affiliates. The same should also be uploaded to the association's website.

3.5 Other Member's Benefits

The MBA shall align unassigned surplus to the following:

- a) enhancing equity value;
- b) developing operating systems;
- c) research and development;
- d) member education and training; e) community development services, and
- f) product development.

Community development may include medical mission activity, environmental protection programs, community-based learning system and support to other related activities identified by the community.

3.6 Annual General Meeting

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

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

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

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

PART IV

STAKEHOLDERS

4.1 The Role of Stakeholders

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

4.1.1 The rights of stakeholders that are established by law or through mutual agreements are to be respected.

4.1.2 Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.

4.1.3 Performance-enhancing mechanisms for employee participation should be permitted to develop.

4.1.4 Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.

4.1.5 Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.

4.2 Identification and Definition of Stakeholders

4.2.1 Members

The members play a vital role in the success of the association and the reason for being of the association. The sustainability of the association also relies on their active participations in all the affairs of the institution from the planning and implementation of its program and services.

The association commits to provide services to all members at its best. It will continue to pursue the implementation of activities that will contribute to development of its individual members such as continuing education. It will provide necessary support or allocate resources to education program before and during their membership.

The association will also create an environment that will encourage members to err out their concerns. It will establish a suggestions box situated in each branch of partner MFI for the member to bring out their concerns.

4.2.2 Employees

The progress and success of the association depends on its human resources and that only through carefully selected, well-trained, results-oriented, and dedicated employees can the association achieve its objectives.

Individuals hired by the association to work as full-time under a contract of employment duly notarized upon signing, has recognized rights and duties as stated in the MBA's Personnel Manual. The Association shall address to the Labor Laws that will protect the well-being of the employees. Specific policies on the protection and promotion of employees well-being is presented in the employee's manual.

The association has existing policies and programs for employees covering, among others in the Personnel Manual, the following: (a) health, safety and welfare; (b) training and development; and (c) reward/compensation for employees, to encourage employees to perform better and motivate them to take a more dynamic role in the association.

4.2.3 Board

The Board is the governing body and primarily responsible for ensuring good governance in association. The Board formulates the strategic direction and monitors the performance of the management. It also ensures that the systems are in place for transparency and accountability.

The Board should conduct fair business transactions with the Association and ensure that personal interest does not compromise his/her impartiality and does not bias Board decisions. He/She should address and fully disclosed to the Board any conflicts of interest that may arise and should not participate in the decision making that can involve his/her personal interest.

The association is committed to strengthening its Board by providing continuing education through participation in conferences and seminars.

4.2.4 MFI Partners

MFI partners are the primary source of the Association's membership, and in the establishment of good relationship to members. They are the fund mobilization partners of the association and play the important role especially in the collection of premiums and contributions.

The association is committed to provide the following support to its partner MFI and its affiliates:

- 1) Ensure fast service and continued access to micro insurance benefits and other services of the MBA.

- 2) Establish and implement approved guidelines pertaining to MFI and other related parties.
- 3) Conduct products and services orientation and technical services to partner organizations.
- 4) Conduct fair business transactions and ensure that the interest does not conflict with the interest of MFI Partners.
- 5) Provide incentives through service fee
- 6) With partner MFI/affiliates execute a service agreement/management contract defining the roles and responsibilities of the contracting parties

4.2.5 Suppliers/Contractors

The Association engages the assistance of suppliers and/or contractors to provide services that the association will need for its daily operations. As part of its value chain, the Association will monitor its engagements with suppliers and contractors to make sure that they practice good governance and protects the environment. The Association will only engage suppliers/contractors that meet these standards.

To ensure that engagements with suppliers/contractors will be impartial and transparent; the Association will conduct a bidding process for projects with contracts amounting to more than One Hundred Thousand Pesos (PhP 100,000) where minimum of three (3) suppliers shall submit their proposal and business profile to the management for background check and validation of proposal.

The association shall appoint a bidding committee to lead the bidding and selection process. All decisions on the selection of suppliers shall be presented and approved by the board.

Selected supplier/contractor shall be issued a legal contract/agreement that will be notarized to make the engagement binding. The procurement process to be followed are the following:

- 1) Project Specification. The association through the appointed committee should define the specific description of the project/materials to be procured. The specified project or materials should be presented to the Board for approval.
- 2) Request for Bids. The approved project specification should be posted in the association website. In addition, the association will also send out invitation to Bid.
- 3) Bidding. The invited bidders should submit sealed Bid to the office of the association
- 4) Reviewing the Bid. On the designated date, the association through the designated officer will conduct a review and come up with recommendation.

- 5) Awarding of the Contract. The contract will be awarded to the lowest bidder.

For procurement of projects/materials below One Hundred Thousand Pesos, the association through its Administrative Officer, will conduct canvass to at least three (3) suppliers by request for quote as per specification.

4.2.6 Community of Operations

In any business, there is a need for the support of the community where it operates. The Association acknowledged the significant role of the community in achieving its vision mission particularly in helping people become less vulnerable.

The Association will strengthen its relationship with the community by sharing information about its programs and services. Such services will include but not limited to Calamity Assistance Program, Education Assistance, Livelihood Training Program and other project identified by the community where the association is operating. Moreover, the association should participate in the implementation of development project undertaken by its partner MFI and its affiliates.

4.2.7 Environmental Sustainability

The Association's business operation does not directly affect the environment. However, it is still committed to do its part in promoting environmental sustainability through various initiatives within the office, among its directors and employees and with its stakeholders.

4.2.8 Regulatory Agencies

Regulatory agencies are essential in any industry as they provide the framework to which an association should legally operate. These policies, guidelines and circulars issued by the regulatory agencies promote fairness and increase the level of confidence of the members, implementers and other stakeholders.

The Association shall ensure full compliance to the requirements, policies, circulars, memoranda, and guidelines issued by regulatory agencies such as the Insurance Commission, Securities and Exchange Commission, Bureau of Internal Revenue, Local Government Units and other government agencies.

The association shall appoint/designate a person who will act as Compliance Officer to ensure compliance to the above-mentioned agencies.

4.3 Diversity Policy

In line with KGI MBA's commitment to the principles of good governance, the association shall actively work to ensure that in its engagement with stakeholders mentioned above, in every aspect of its operations, and at all levels of the organization, there will be no discrimination on the basis of ethnicity, race, age, language, ability, sex, sexual or gender identity, sexual orientation, family status, income, and political and/or religious affiliation. The association shall make every effort to promote full participation and access of diverse individuals to its services, employment, and governance structures. Such a diversity policy shall be implemented through the following:

- a. Ensuring that all discriminatory and/or oppressive behaviors and actions are not tolerated within KGI MBA and in its dealings with other groups;
- b. Ensuring that KGI MBA's programs, products, and services to target communities and marginalized groups are developed and delivered in a way that is sensitive to these groups' diverse needs and power relationships;
- c. Continuing initiatives to identify and remove barriers to full participation and/or access of marginalized individuals to KGI MBA's services;
- d. Ensuring that all of the association's communication materials always present a balanced portrayal or picture of people's diverse status and experiences.

All committees of KGI MBA shall be required to account for their compliance to and any gains in terms of applying this policy.

4.4 Right to Training and Development

The Association shall promote and facilitate necessary training to all stakeholders. The Management will conduct an orientation to all BOTs on the content of this manual. Moreover, during the assembly, it will be reviewed prior to the conduct of the election. All BOT and key officers of the Association are required to attend Governance Training Workshop and Seminar on Anti Money Laundering Act to be conducted by IC accredited provider.

4.5 Anti-Corruption, Feedback and Grievance Policy for Stakeholders

The Association protects the rights of its stakeholders including employee and their representative bodies. The stakeholders are free to communicate their concerns about illegal and/or unethical practices to the board. Their rights shall not be compromised after communicating such concern.

All stakeholders are encouraged to play their part in improving the overall effectiveness and success of the association particularly in strengthening its integrity. All stakeholders, including employees and client-beneficiaries, are free to communicate their concerns or complaints about illegal and/or unethical practices to KGI MBA's Board of Trustees. The association shall set up a hotline for such feedback or complaints, and actively disseminate information about the mechanism. The

association shall ensure the protection of an employee or other stakeholder that reveals illegal/ unethical behavior from retaliation.

The following shall be the procedure in filing for illegal and unethical behavior:

1. Filing of complaint to the grievance committee
2. Investigation as to the extent and reality of the complaint
3. Conduct of conference with the party involve
4. Coming up of the resolution on the complaint.

4.6. Alternative Dispute Resolution Mechanism

The association shall also adopt the mechanism prescribed by the Insurance Commission in dealing with disputes related to complaints of policy holder. This mechanism known as **Alternative Dispute Resolution for Micro Insurance (ADReM)** wherein the member-policy holder can access mediation and conciliation at the lower cost and at the following levels:

- a. **MI-MBA Level** - The policy holder may file their complaint with the Head Office of the Association through the nearest branch of MFI partner or visit the association website www.kgi-mba.com. The association should act on the complaints within 24-hours and initiate conference with the complainant within three days from the receipt of the complaint. If no settlement derived, the member could alleviate their complaint at the 2nd level.
- b. **Association of MI-MBA Levels**. This level involves the resolution of complaints through RIMANSI as mediator.
- c. **IC Level**. This level involves the resolution of unsettled complaints at the second level through IC legal division.

PART V
DISCLOSURE AND
TRANSPARENCY

5.1 Disclosure and Transparency Policy

One of the core values of corporate good governance is transparency. The Board together with the management and employees commits to promote and ensure full disclosure, transparency and shall remain accountable to this Manual. This is a commitment and a policy of the Board.

The Board commits at all times to comply with all disclosure requirements specifically those that will include material information as mandated by regulators within the prescribe period of time. The following material information that will be publicly made available are: financial and non-financial reports such as (and not limited to) surplus, material acquisition, related third party transactions, board remuneration, audited financial statements, Board Structure (Bio-Data) and Remunerations with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. The audited FS shall be publicly disclosed not later than 120 days after the financial year clearly stating that the management is responsible for its preparation, impartial presentation in accordance to the financial reporting standards of the Insurance Commission for MBAs.

PART VI
PERFORMANCE
EVALUATION

6.1 Board and Committee Performance Evaluation

The Board of Trustees conducts an annual evaluation of its performance through self-assessment by the individual Trustees of their respective individual performance, the performance of the Board Committee to which they belong and the Board as a whole through the accomplishment of Self- Assessment Forms (SAF). (Annex B)

6.1.1 The SAFs are based on the Company By-Laws, IC Code of Corporate Governance Principles and Leading Practices, and other criteria that the IC may prescribe.

6.1.2 The self-assessment shall be done at the end of the year. The accomplished SAFs shall be submitted to the Corporate Secretary on or before the first Board meeting of the ensuing year.

6.1.3 All performance evaluation results shall be disclosed in the Annual Report.

6.2 Performance Evaluation Tools

To monitor and evaluate the performance of the association, the association shall conduct periodical assessment using performance evaluation and rating tool appropriate to association like ASEAN Corporate Governance Scorecard, , Annual Corporate Governance Report , SEGURADO Rating and etc.

PART VII
POLICY REVIEW AND
UPDATING

7.1 General Policy on the Review and Updating of Existing Policies

This Governance Manual shall be available for inspection by any members and other stakeholders of the association at all times. The Board tasked the management to conduct orientation to all officers and employees on the content of this manual. Moreover, the management should reproduce this manual for distribution to all key officers of the association and related parties.

The manual shall be reviewed by the Compliance Officer/ or Review Committee at least annually and as soon as necessary to incorporate relevant regulatory updates and industry best practices. Any further changes to effected herein in line with the said review or updating shall be subject to the review and endorsement and approval of the board.

The General Manager who also acts as the compliance officer is responsible for the implementation of this manual. Any violation by officers and employees on any provision of this manual will be subjected to appropriate disciplinary action as stipulated in the personnel manual.

7.2 Monitoring and Evaluation

- 7.2.1 The Compliance Officer shall be specifically tasked with the responsibility of ensuring compliance with this Manual. Any violation against the content of this Manual shall subject the responsible officer or employee to appropriate sanction in accordance to the Personnel Manual.
- 7.2.2 This Manual shall be subject to an annual review unless the same frequency is amended by the Board.
- 7.2.3 All business processes and practices being performed within any department or business Unit of the Association that is not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

ANNEXES



KGI MUTUAL BENEFIT ASSOCIATION INC.

Block 12 Lot 25 Sta. Monica Subdivision, Subic, Zambales
Telefax No. (047) 232-1871 Email: kgi_mba@yahoo.com

ANNEX A

KGI MBA'S PROCEDURE OF NOMINATION AND ELECTION

Procedures:

Proxy Voting:

1. Each member is entitled to one vote;
2. Only MBACs attend the Annual General Meeting (AGM);
3. A member may vote in proxy by filling-up the proxy voting form, designating his/her respective MBAC to represent him/her in the AGM;
4. All filled-up proxy voting forms shall be forwarded to KGI MBA office before the actual date of AGM;
5. Before the AGM, an independent election committee is formed;
6. The committee is composed of the Senior Operations Officer, representatives from KGI Internal Audit and KGI MBA Staff;
7. The committee shall determine the total number of proxy-voting forms submitted to KGI MBA Office, as well as, the total number of proxy-votes for each MBAC;
8. The total number of proxy voting forms held by the MBAC shall constitute his/her total number of votes.

Nomination of BOT:

1. KGI MBA determines the outgoing BOT and checks the area they are representing.
2. KGI MBA makes a shortlist of qualified outgoing MBACs.
3. The list is taken from all outgoing MBACs who have served for two (2) consecutive years from areas where current BOT representatives will be outgoing.
4. Qualifications as stated in the articles and by-laws are taken in consideration.
5. The shortlist is evaluated for the final list of nominees by checking on their performance as MBAC and status as KGI clients.
6. KGI MBA gets consent from the nominated MBAC.
7. All nominees are required to attend the election. Any nominee who fails to attend the actual day of election shall be disqualified for election.
8. In case of unavoidable circumstances on the part of the nominee, she/he can still be elected during election.
9. Through proxy-voting, MBACs present in the AGM shall cast their votes.
10. The nominee with the highest number of votes shall be announced as winners.



Board Self-Assessment Form

Pangalan ng Hunta: _____

Assessment Period: _____

Layunin: Ang pagtatasang isasagawa ay naglalayong mapabuti pa sa paggampan ng kanilang tungkulin ang bawat isang Lupon ng Patnugot at matugunan ang mga Gawain na nangangailangan pa ng higit na atensyon. Lagyan lamang ng check () ang napiling kahon.

SN	Pamantayan sa Pagtatasa	Matinding Sumasang-ayon	Sumasang-ayon	Matinding hindi pagsang-ayon	Hindi sumasang-ayon
1	Naiintindihan ko ang mga bisyon, misyon at mga layunin ng Samahan.				
2	Nakikilahok at nakikiisa ako sa mga usapin patungkol sa pamamahala ng Samahan.				
3	Dumadalo ako at aktibong nakikilahok sa anumang uri ng pagpupulong at gawaing ipinapatawaga ng Samahan.				
4	Dumarating ako sa takdang oras ng pagpupulong na itinatakda ng Samahan.				
5	Nakikiisa ako sa pagsisiyasat na mayroong sapat at maayos na <i>control</i> sa bawat sistemang ipinapatupad sa Samahan.				
6	Sinusubaybayan ko ang aktwal na resulta ng kabuuang operasyon kumpara sa itinalagang target ng Samahan at gumagawa ng aksyon kung kinakailangan.				
7	Nagampanan ko ng mahusay ang aking tungkulin bilang Lupon ng Samahan.				
8	Naglalaan ako ng sapat na panahon upang tugunan at pag-usapan ang mga isyu sa Samahan.				
9	Nakikiisa ako sa pagsusuri at pag-apruba ng mga adhikain at layunin ng samahan kabilang ang mga plano para sa kabuuang operasyon.				
10	Nauunawaan ko ang aking obligasyon sa Samahan bilang Lupon at ang mga batas at regulasyon na nakapaloob sa Samahan na aking kinabibilangan.				



KGI MUTUAL BENEFIT ASSOCIATION INC.

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ANNEX C

GUIDELINES ON THE BOARD MEETING AND ELECTION OF TRUSTEES THROUGH REMOTE COMMUNICATION

Section 1. Objectives. These guidelines will be the guide which will allow KGI MBA trustees, members and other persons to participate and vote in meetings *in absentia* or through remote modes of communication as defined in these guidelines, pursuant to the Revised Corporation Code.

These guidelines also operationalize the objectives of Republic Act No. 8792, otherwise known as the Electronic Commerce Act, to facilitate domestic and international dealings, transactions, arrangements, agreements through the utilization of electronic, optical and similar medium, mode, instrumentality and technology and to promote the universal use of electronic transaction.

Section 2. Definition of Terms. Except as otherwise defined herein, all terms used shall have the same meaning as those terms that are defined in the Revised Corporation Code and other related laws, as well as in issuances by the Commission.

- a. **Remote Communication** means the transfer of data between two or more devices not located at the same site.
- b. **Teleconferencing** is the holding of a conference among people remote from one another by means of telecommunication devices such as telephone or computer terminals.

It refers to an interactive group communication (three or more people in two or more locations) through an electronic medium. In general terms, teleconferencing can bring people together under one roof even though they are separated by hundred miles.
- c. **Videoconferencing** is the holding of a conference among people in remote locations by means of transmitted audio and video signals.
- d. **Computer Conferencing** is teleconferencing supported by one or more computers.
- e. **Audio Conferencing** is a conference in which people at different locations speak to each other via telephone or Internet connections.

Section 3. Participation in Board Meetings Through Remote Communication. Directors or Trustees 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. However, directors or trustees cannot attend or vote by proxy at board meetings. If a trustee intends to participate in a meeting through remote communication, he/she shall notify in advance the Presiding Officer and the Corporate Secretary of his/her intention. The Corporate Secretary shall note such fact in the Minutes of the meeting.

Section 4. Quorum. Unless the Revised Corporation Code or the articles of incorporation or bylaws of a corporation provide for a greater majority, a majority of the directors or trustees as stated in the articles of incorporation shall constitute a quorum.

A director or trustee who participates through remote communication, shall be deemed present for the purpose of attaining quorum.

Section 5. Notice of the Meeting. The Corporate Secretary shall send the notice of the meeting to all directors or trustees in accordance with the manner of giving notice as provided in the bylaws or by board resolution.

Notice of meetings may be sent to all directors or trustees through electronic mail, messaging service or such other manner as may be provided in the bylaws or by board resolution.

Notice of regular or special meetings stating the date, time and place of the meeting must be sent to every director or trustee at least two (2) days prior to the scheduled meeting, unless a longer time is provided in the bylaws. A director or trustee may waive this requirement, either expressly or impliedly.

The notice of meetings shall include the following information:

- a. The date, time and place of the meeting;
- b. The agenda of the meeting;
- c. All pertinent materials for discussion which shall be numbered and marked in such manner that the director or trustee can easily follow and participate in the meeting;
- d. That a Director or trustee may participate via remote communication;
- e. Contact information of the Corporate Secretary or office staff whom the director or trustee may communicate;
- f. When the meeting is for the election of directors or trustees or officers, the requirements and procedure for nomination and election;
- g. The fact that there will be a visual and/or audio recording of the meeting; and
- h. Other instructions to facilitate participation in the meeting through remote communications.

Section 6. Roll Call. At the start of the meeting, the Presiding Officer shall instruct the Corporate Secretary to make a roll call. Every attendee shall state for the record the following:

1. Full name and position;
2. Location;
3. Confirmation that he/she can clearly hear and/or see the other attendees;
4. Confirmation that he/she received the Notice of the Meeting including the agenda and materials; and
5. Specify the device being used (ie., smartphone, tablet, laptop, desktop, television, etc.)

Thereafter, the Corporate Secretary shall confirm and note the participants and certify the existence of quorum.

Section 7. Voting. In case of a need to vote in any item or matter in the agenda, the Presiding Officer shall direct the Corporate Secretary to note the vote of each director or trustee.

Section 8. ***Duties of the Corporate Secretary and the Management.*** The Corporate Secretary and the Management shall also assume the following responsibilities:

1. Ensure that suitable equipment and facilities are available for the conduct of meeting by remote communication (i.e. reliable internet connection, high bandwidth availability capable of supporting numerous simultaneous connections, etc.);
2. Ensure that the attendees are able to hear and see the other participants clearly during the course of the meeting and that attendees should be able to communicate and understood by the other party;
3. Ensure that the visual and audio recordings of the meeting are secured;
4. Ensure that the visual and audio recordings of the election/meeting are current and on-going and that there is no stoppage or interruption. Should an interruption or stoppage occur, the recording shall restart from the point where it was stopped or interrupted with proper statement of points in time;
5. Ensure to safe-keep and perpetuate in updated data storage equipment or facility the visual and audio recordings; and
6. Require those who attended the meeting through remote communication, to sign the minutes of the meeting whenever the act of signing is practicable, on a reasonable time after the meeting.

Section 9. Voting in the Election of Directors, Trustees and Officer Through Remote Communication. The right to vote of directors, trustees or members may be exercised in person, through a proxy, or when so authorized in the bylaws, through remote communication or *in absentia*.

Section 10. Internal Procedures. The following are the internal procedures in voting through remote communication:

- a. To verify the identity of the participants in the election, email addresses or account names that they will use for the voting through remote communication should be submitted to the Corporate secretary. This will also be used for the electronic sending of notices and documents for the meetings.
- b. To ensure that all participants or members have the opportunity to participate in the meeting including an opportunity to read or hear the discussion substantially, the Corporate secretary shall make a roll call as stated in Section 6 of this guideline.
- c. To enable participants or members to vote during the meeting including ensuring that the integrity and secrecy of the votes are protected, an independent Election Committee is assigned to facilitate the election.
- d. The person hosting the meeting via remote communication shall record the meeting and should be available to the participant or members of the said meeting.
- e. The Corporate Secretary should make a physical writing/hard copy of the minutes of the meeting after the recording has been secured for the purpose of reading and approval in the next meeting.

- f. To address administrative, technical and logistical issues, a contact information of the Corporate Secretary or member of the management/office staff will be included in the Notice that will be sent to them that they may contact or communicate.

Section 11. Notices. The Secretary shall send out the notices of the election/meeting to all stockholders or members in accordance with the manner of giving notice as stated in the bylaws or board resolution.

Written notice of regular meetings may be sent to all stockholders or members through electronic mail or such other similar manner as may be stated in the bylaws or board resolution.

Notice of regular meetings which should state the date, time and place of the meeting must be sent to every trustees or members at least twenty one (21) days prior to the scheduled meeting, unless a longer time is provided in the bylaws.

Notice of special meetings which should state the date, time and place of the meeting must be sent to every stockholders or members at least one (1) week prior to the scheduled meeting, unless a longer time is provided in the bylaws.

In case of postponement of stockholders' or members' regular meetings, written notice shall be sent to all stockholders or members of record at least two (2) weeks prior to the date of the meeting.

The notice shall further be accompanied by other relevant matters such as the following:

- a. The agenda of the meeting;
- b. When attendance, participation, and voting by remote communication or *in absentia*, are authorized, the requirements and procedures to be followed when a stockholder or member elects either option;
- c. Manner of casting of votes and the period during which vote by remote communication or in absentia will be accepted;
- d. Contact information of the Secretary or office staff whom the trustee or member may notify about his or her option;
- e. When the meeting is for the election of directors or trustees, the requirements and procedure for nomination and election; and
- f. The fact that there will be visual and audio recording of the meetings (for future reference).

In case the election or meeting was conducted through teleconferencing or any other similar means, a visual and audio recording of the election or meeting should be secured. The Secretary is duty-bound to safe-keep and perpetuate in updated data storage equipment or facility the visual and audio recordings.

All pertinent materials for discussion shall be numbered and marked by the Secretary in such manner that the trustee or member participating through remote communication can easily follow and participate.

ANNEX D

RISK OVERSIGHT AND AUDIT COMMITTEE CHARTER

The Risk Oversight & Audit Committee shall consist of at least three (3) trustees and shall serve for three years, or co- terminus with the Board of Trustees. The committee shall meet at least quarterly. The chair of the Risk Oversight and Audit Committee should be an independent trustee. The Committee is responsible for overseeing the Management in establishing and maintaining adequate, effective and efficient internal control framework and functional and effective ERM system. The committee shall have the following functions:

Risk Oversight Function:

- a. Develop risk management strategies
 - i. Develop a written plan defining the strategies for managing and controlling the major risks
 - ii. Identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real
- b. Oversee the implementation of the risk management plan;
- c. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness;
- d. Review and revise the plan as needed;
- e. Report to the Board on a regular basis , or as deemed necessary, the company's material risk exposure's, the actions taken to reduce the risks and recommend further action or plans, as necessary.

Audit Function:

- a. Provides oversight of the institution's internal and external auditors.
- b. Have a robust process for approving and recommending the re-appointment, removal and fees of the external auditor duly accredited by the IC. The appointment, re-appointment and removal of the External Auditor shall be recommended by the Risk Oversight and Audit Committee and approved by the board and ratified by the stakeholders.
- c. Evaluate and determine any non-audit work performed by the external auditor, and periodically review the non-audit fees (if any) paid to the external auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses.
- d. Shall not allow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.
- e. Responsible for assessing the integrity and independence of the External Auditor and exercising effective oversight to review and monitor its independence and objectivity and the effectiveness of its audit process, taking into consideration relevant Philippine professional and regulatory requirements as well as be responsible for reviewing the External Auditor's suitability and effectiveness on an annual basis;
- f. Through the Internal Audit, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting and security of physical and information assets.;
- g. Review and monitor the Management's responsiveness to the Internal Auditor's findings and recommendations.

ANNEX E

NOMINATION, ELECTION AND GOVERNANCE COMMITTEE CHARTER

The Nomination, Election and Governance Committee shall be composed of at least three (3) members of the Board of Trustees, one of them must be an independent.

The members of the committee in accordance with the election and governance code of the association should perform the following functions:

Nomination and Election Function:

- a. Pre-screens and shortlists all candidates nominated to become a member of the Board of Trustees, keeping in mind the qualifications and disqualification requirements and the number of directorship to the Board as prescribed by the Insurance Commission and Company's By-Laws.
- b. Prepare a description of the roles and capabilities required of a particular appointment.
- c. Conduct and supervise the elections for the members of the Board of Trustees and other officers and proclaim winners.
- d. Act as judge of all electoral contests, including questions on the qualification of candidates.

Governance Function:

- a. Shapes the policy of on the size and composition of the Board as well as its internal functioning.
- b. Monitors and evaluates performance of the Board of Trustees and Board Committees.
- c. Initiates the conduct of review of all relevant policies and processes of the company to comply with the requirements of the Code of Corporate Governance Principles and Leading Practices.
- d. Ensures the implementation of the Manual on Corporate Governance.

ANNEX F

REMUNERATION AND RELATED PARTY TRANSACTION COMMITTEE CHARTER

The Remuneration and Related Party Transaction Committee shall be composed of at least three (3) members of the Board of Trustees, one of which is an independent board. The committee shall be primarily responsible for the following:

Remuneration Function:

- a. Provide assistance to the Board of Trustees to oversee the design and operation of the association's remuneration system making sure it is compliant with the labor code of the government of the Philippines;
- b. Shall delegate responsibilities for setting up remunerations for all KGI MBA personnel, including pension rights or any compensation payments;

Related Party Transaction Function:

- a. Set materiality threshold for each type of transactions related to parties such as investment, financial assistance, contract agreements and others.
- b. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.
- c. Evaluate all material RPTs to ensure that these are conducted in the normal course of business; not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances, and that no resources of the Organization are misappropriated or misapplied; and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions
- d. Perform other tasks that the Board may designate from time to time.